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the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

JULY 2015 VOL 50 NO. 7 ₹100

50 YEARS 1966 ~ 2015 *the* MANAGEMENT ACCOUNTANT

MICROFINANCE AND SELF-HELP GROUPS

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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The Institute of Cost Accountants of India

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

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- It has a target set of readers and therefore is more visible
- Articles on various subjects like, Cost & Management Accounting, Taxation, Audit, Case Studies, Financial Reporting, Banking, Governance and Ethics

the MANAGEMENT ACCOUNTANT

The Institute publishes ***The Management Accountant*** for Cost and Management Accountants (CMAs). The magazine, which touched its 50th year of publication, has insightful and informative articles on current developments and changes in the global and national financial scenario. The wide circulation and valuable inputs from academicians, researchers and industry stalwarts are the keys to the success of this journal.

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Editorial Office
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
Tel: +91 33 2454-0086/0087/0184
Fax: +91 33 2454-0063

Headquarters
CMA Bhawan, 12, Sudder Street
Kolkata 700 016
Tel: +91 33 2252-1031/34/35
Fax: +91 33 2252-7993/1026

Delhi Office
CMA Bhawan, 3, Institutional Area
Lodi Road, New Delhi-110003
Tel: +91 11 24622156, 24618645
Fax: +91 11 4358-3642

WEBSITE
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.

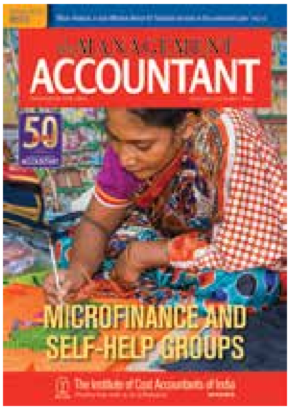
VISION STATEMENT

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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EDITOR
CMA Dr Debaprosanna Nandy
editor@icmai.in

PRINTER & PUBLISHER
CMA Dr A S Durga Prasad
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12 Sudder Street
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EDITORIAL OFFICE
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
Tel: +91 33 2454-0086/0087/0184
Fax: +91 33 2454-0063

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Inside

COVER STORY

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FROM THE EDITOR'S DESK

Greetings!

Microfinance can be defined as an economic development approach to provide saving and investment facility to the poor around world. Microfinance is not just about giving micro credit to the poor rather it is a tool whose objective is to assist poor to work their way out of poverty. It covers a wide range of services like credit, savings, insurance, remittance and also non-financial services like training, counseling etc.

With financial inclusion emerging as a major policy objective in the country, Microfinance is playing a pivotal role to extend financial services to unbanked sections of population. The Government of India has initiated various programmes and schemes in the area of microfinance. The most important programmes are SGSY (1999) and NABARD's SBLP (1992) which are using SHGs approach. Other initiatives by government include IMY, Swa-Shakti, DWCRA, CAPART, SJSRY, IFAD, Swayamsiddha, RMK etc. These all programmes are aimed at reduction of poverty and improving the living condition of rural poor with the help of economic activities.

Microcredit offers access to financial resources to the poorest of the poor in the rural areas. It allows people to undertake self-employment activities or to venture very small businesses without depending on money-lenders who demand exorbitant interest rates.

In India microfinance operates basically through two channels:

1. SHG – Bank Linkage Programme (SBLP)
2. Micro Finance Institutions (MFIs)

In India, Self Help Groups or SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial services involving a process of self management, with an objective of social and economic development for the women SHG members. Formations of SHGs are facilitated by the Government or by NGOs. SHGs are linked not only to banks but also to wider development programmes. SHGs are seen to confer many benefits, both economic and social. They encourage women to save and access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women are encouraged to become socially active especially with regard to issues affecting their daily life. It is felt that proper monitoring and auditing of accounts on regular basis will help these organizations to work in transparent manner nurturing their relationship of trust and interdependency amongst themselves.

Community audits provide stakeholders in a local area the information they need to develop, a shared view of the critical economic and social challenges that confront them and a forum within which they can find solutions. Community audits focus not only on the needs of a community, but also on its assets. A huge amount of fund is being mobilized through these SHGs. It requires proper auditing of accounts on regular basis to provide the transparency & accountability among the members.

SHG-Bank Linkage programme is a revolutionary step of financial inclusion in rural areas of India. The number of saving linked SHGs now stands at 74.3 lakhs with a membership of over 96.6 million poor households. The average savings bank balance of SHGs with banks as on 31.3.2014 was Rs.13322.

This issue presents a good number of articles on the cover story theme 'Microfinance and Self Help Group (SHG)' 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.

FASTER PACE SET IN THE LAST YEAR ONE OF THE RARE INSTANCES OF MAJOR TRANSFORMATION

CMA Dr A S Durga Prasad
President, The Institute of Cost Accountants of India

The woods are lovely, dark and deep,
But I have promises to keep,
And miles to go before I sleep,
And miles to go before I sleep.
– ***Robert Frost***

My Dear Professional Colleagues,

I am delighted to address you all for one last time as my tenure ends on the 21st of this month after completing one eventful year. I cherish the good moments of interaction with the representatives of Chapters, Regional Councils and members which was a good learning for me. This connect enabled me to understand the missing gaps in functioning of the Institute and strive to fill it. I fully appreciate the expectations of the members and during this one year I tried my best of ability to address the issues and also promote and enhance the visibility of the profession. I am grateful to my council colleagues for their support and help in decision making process and smooth functioning of the Institute.

Evolution is a continuous process, with little improvements being done over a unit of time. Sometimes, it gets speeded up at a faster pace, due to the dictate of circumstances. I feel that the faster pace set in the last year was one of the rare instances of major transformation. I feel fortunate to have led an excellent team of Council Members, who were the enablers of the change.

While we were continuing to stress on the statutory role we have to play in the cost audit and cost accounting records, we had a major challenge in the new Cost Accounting Records and Cost Audit Rules, which were released in the first quarter of the financial year.

Fortunately, the new Government realized the issues in the proper perspective and formed an Expert Committee to go into the key concepts and come out with a solution. We were able to make effective presentation of the professional views to the Expert Committee and I was happy that majority of our concerns were addressed in their recommendation. The role of National Advisory Committee, formed for the purpose, was commendable and I place on record my appreciation and gratitude to the members.

The strength of any profession mandated by statute is the presence of small and medium practitioners, who are able to develop a reasonable professional practice to start with and emerge as leading practitioners, over a period of time. As an Institute, we had to continuously strive for addressing their concern and I worked on three major initiatives which formed part of the strategy to enable them to earn an assured monthly income.

The first one was opportunity in the Consulting areas especially with MSMEs. This also coincided with the Prime Minister's Make in India drive. First step towards this was to approach MSME ministry offering the services of Practicing Cost Accountants to help SMEs tied over their operational problems in the areas of Finance, Taxation and Pricing. In order to strengthen this further, entered into MOU with ASSOCHAM for a virtual help desk for MSMEs.The largest bank in the country, State Bank of India was approached with a proposal to engage our PCAs for helping SMEs which are in clusters at different Zonesof the Bank.

The second one was to create ourselves an opportunity in the Health Sector which is dominated by small companies and Trusts which do not come under our Cost Accounting Records and Cost Audit Rules mechanism. Towards this we associated with Ministry of Health and Family Welfare and through a Task Force headed by me the Institute created a Uniform Costing Template which will be applicable to small, medium or large hospitals This was necessary to enable the Government to arrive at a price discovery mechanism for standard medical procedures which are reimbursed by the Government to private health care providers. The grand success of Asia Health Care Cost Summit, organized to familiarize the hospitals with cost management, opened up the doors for the profession and culminated in an MOU with the Health Service Providers Associations for utilizing the services of our SMP-PCAs for Cost Management in Hospitals.

The third initiative was to strengthen some exclusive areas for PCAs and initiated a proposal with CBEC which I am hopeful should be notified shortly.

I also take this opportunity to appraise you of the current strategy of the Institute and seek your support in implementing the same. While the Cost Accounting is on a reasonably solid path thru the statutory role, It is very important to focus on the Management Accounting in future. We should clearly understand the difference between cost accounting and management accounting. Later is much broader with business strategy, performance management, risk management and advanced techniques of cost management.

Management Accountant plays a very important role in business organisations. He acts as a business analyst, strategy formulator, internal consultant or advisor or business partner, change agent, information provider, leader of and / or participator in cross functional teams, designer and manager of information systems, designer and controller of performance measurement systems, teacher, guide or educator, and interpreter and manager of complexity.

Role of management accounting has shifted its focus to a broader spectrum of cross-functional disciplines such as Performance Management, Asset Management, Business Control Management, Environmental Management, Financial Management, Intellectual Capital Management, Information Management, Quality Management and Strategic Management to name a few. To excel in the changed scenario the budding Management Accountants require possessing necessary skills such as:

- Adapting management accounting technologies to new forms of manufacturing process,
- Using modern information technology in managing organisational change,
- Using a deeper understanding of organisational structuring, functioning and processes, sponsoring and innovation
- Personal skills such as tolerance of ambiguity, ability to take leadership roles;
- Interpersonal skills to facilitate work in cross-functional teams, employee empowerment, and consultative / educative role.
- Analytic / constructive skills to play the role of business analyst, change agent and strategy formulator;
- Ability to be intuitive, synthetic and creative thinking.
- Proactivity, innovativeness and organisational design skills.

In order to implement the strategy the Institute has taken various steps, such as revising the syllabus, strengthening relationship with Government, entering into partnerships with other professional bodies and developing technical material to support members who provide service in emerging areas. It is also important to make our intellectual presence felt in the global management accounting arena, where consolidation has been the latest hue.

During the first week of August we celebrated Cost Management Week as a part of this strategy which was well attended and participated. Taking the cue from this, series of Webinars on Cost management were organized with very good participation and plans have been drawn for continuing the programs in the future too.

In order to strengthen cost and management accounting domain and to put Institute on global management accounting map we have signed number of MoUs with global accounting institutes. With Chartered Institute of Management Accountants (CIMA-UK), MoU was signed to promote and develop cost and management accounting. MoU with Association of Chartered Certified Accountants (ACCA-UK) aimed at working towards professional training, education, research and examinations. MoU with IMA, USA is aimed at bringing mutual recognition and global cooperation between the two Institutes and assisting and cooperating in conducting joint research, development of management accounting guidelines and standards. The recent enhanced co-operation with CAM-I is also step in that direction.

The above initiative helps our members who are across the globe to enhance their chances in the career path and provide them opportunities in different organisations both national and international.

New horizons for the profession

The Institute is in constant touch with the different Government agencies to support its new initiatives such as Make in India, ease of doing business, smart cities, infrastructure growth, agricultural reforms and a cleaner India thru Swatch Bharat, etc. Supporting the Government in those areas requires broadening our competencies and skill sets beyond the conventional cost accounting. Therefore the members, should develop competencies to contribute in improving the economy and the general governance system of the country. For example our competencies in using Information Technology are essential to support initiatives to digitize India. Similarly we should develop our competencies in internal audit, social audit and performance evaluation to provide feedback to government agencies on the outcome of social and other investments and to help them in project risk management.

The new Cost Rules, notified by the Government, cover new sectors like Education and Healthcare. This is a great opportunity to understand business models of those industries and develop our competencies to support them in developing management accounting models to enable them to provide essential services at affordable cost and also to improve the governance system to ensure the quality of services and effectiveness of resource utilization match with the global standards. The other emerging areas which provide opportunities to young professional members are:

- **Infrastructure:** CMAs can provide professional services in managing finance, risk of cost & time over

THE INSTITUTE IS IN CONSTANT TOUCH WITH THE DIFFERENT GOVERNMENT AGENCIES TO SUPPORT ITS NEW INITIATIVES SUCH AS MAKE IN INDIA, EASE OF DOING BUSINESS, SMART CITIES, INFRASTRUCTURE GROWTH, AGRICULTURAL REFORMS AND A CLEANER INDIA THRU SWATCH BHARAT, ETC. SUPPORTING THE GOVERNMENT IN THOSE AREAS REQUIRES BROADENING OUR COMPETENCIES AND SKILL SETS BEYOND THE CONVENTIONAL COST ACCOUNTING. THEREFORE THE MEMBERS, SHOULD DEVELOP COMPETENCIES TO CONTRIBUTE IN IMPROVING THE ECONOMY AND THE GENERAL GOVERNANCE SYSTEM OF THE COUNTRY

runs and price fixation.

- **Engineering sectors:** CMAscan provide the whole gamut of management accounting services in improving total productivity of resources and managing risks.
- **Public Transport:** CMAs can facilitate tariff fixation and resource utilization to ensure affordable transportation while encouraging entrepreneurs to invest in modern transportation systems.
- **Urban Planning:** CMAs can be a member of the cross functional team that work in providing civic infrastructure and services to citizens.
- **Acquisition of Land:** CMAs can support both the private and public sectors in valuation of land and consequentially determining adequate compensation to the land owners within the regulatory framework to ensure smooth land acquisition.
- **Smart cities:** CMAs should take advantage of the Government focus in building smart cities, which will require optimization of resource utilization to ensure that facilities and services are available at affordable cost to both commercial organisations and other users.
- **Waste Management:** Waste management has emerged as an important challenge in every sector of economy and CMAs can formulate cost-effective strategies for managing waste in every activity.
- **Environmental:** Sustainability is a global concern and CMAs can support organisations in sustainability initiatives through cost-benefit analysis.

Sector specific Guidance Notes on Internal Audit

I am happy to inform that the Institute issued four Guidance Notes on Internal Audit of Power Industry, Telecommunication Industry, Engineering Industry and Plantation Industry.These guidance notes, apart from general framework of the Internal Audit mechanism, also give sector specific issues relating to these Industries such as Audit of Special Area with reference to peculiar transactions, Audit of Activities, Audit of Functional Areas, Maintenance of Cost Records and Cost Audit specific to these Industries. These Guidance Notes are available on the Institute website for downloading. The Institute has already brought out and issued two Sector Specific Guidance Notes on Internal Audit for Pharmaceutical Industry and Stock Brokers and Depository Participants.

I wish to inform that the Institute is shortly publishing 2ndseries of FAQs to clarify the issues concerning the Companies (cost records and audit) Rules 2014. Members are aware that consequent on notification of amended Rules 2014 on 31st December 2014, a need was felt to guide the members of the Institute and Industry to provide authentic clarification and interpretation on the Amended Rules 2014 and accordingly conducted series of Seminars during February 2015 to June 2015 at various places such as Delhi, Chennai, Hyderabad, Kolkata, Bengaluru, Mumbai, Jaipur, Lucknow etc. The 2ndseries of FAQs is an attempt to clarify the issues brought out by the participants in the said seminars and queries on these Rules sent by the members and Industry to the Institute.

I wish members, students and their family good health and prosperity. I also wish the members success in all endeavors.

I will be failing in my duty, if I do not place on record the tremendous support extended by my family, starting with my wife Lakshmi, my son Kiran and his wife Uma, my daughter Deepthi and her husband Kamal. They were also comforting my mother, whenever she had a concern that I am overexerting myself putting my health in jeopardy. But I recharged myself, whenever I visited various chapters and was energized by the enthusiastic response to me in my endeavor. I have to thank the silent workers, the executives of the Institute, external experts and my Council colleagues who stood like a rock behind me, in times of hardship and enabled me to travel the last mile on their shoulders.

I congratulate the newly elected Central Council Members and Regional Council Members for the term 2015-19 and I am sure that they will surpass the benchmark set by the existing Council and enable the profession to reach greater heights.

With warm regards,

(CMA Dr. A S Durga Prasad)
1st July 2015

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PAPERS INVITED

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

Issue months	Themes	Subtopics
August 2015	Business Process Modeling (BPM)	• Mapping the Business Landscape • Business process management • BPM tools & techniques • BPM & IT applications • Improving Performance using Models • Role of CMAs in BPM • Case studies
September 2015	Securities Markets in India & Economic Growth	• Indian Financial system • Return, Risk & Performance Analysis • Regulation and Stock exchanges • Government support and Investor awareness • Public fund and its protection • Emerging areas • Role of CMAs
October 2015	Digital Revolution in India	• Digital Infrastructure as a Utility to Every Citizen • Digital Empowerment • Business Process Re-engineering using IT • National e-governance plan • Nine Pillars of Digital India • eKranti - Electronic Delivery of Services • Digital Innovation & e-portals
November 2015	Cost Management Strategy for Economic Sustainability	• Tourism & Hospitality industry • MSME sector • Telecom industry • Healthcare sector • Education sector • Insurance sector • Transport sector

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

Directorate of Research & Journal
The Institute of Cost Accountants of India (Statutory body under an Act of Parliament)
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700 025, India
Board: +91-33- 2454 0086 / 87 / 0184, Tel-Fax: +91-33- 2454 0063
www.icmai.in

SHGs - A POSITIVE LEAP TOWARDS POVERTY ERADICATION

District cooperative banks are playing a major role in deposit mobilisation and disbursal of microcredit for SHGs in backward areas. They also infuse repeat credits for timely repayment of loans

CMA Tapadhan Roy
Deputy Manager,
Malda District Central
Cooperative Bank Ltd.,
Malda

CMA Kaushik Sen
Junior Manager,
Malda District Central
Cooperative Bank Ltd.,
Malda

Flashback

On 1 June 1990, the board of governors of The Foundation for Development Cooperation (FDC) adopted a concept—Banking with the Poor—on the assumptions that (i) according to the World Bank, close to a billion people in the world live in absolute poverty, and are thus unable to meet their basic needs for food, clothing, shelter and minimal healthcare; and (ii) large numbers of credit-based self help groups (SHGs) have been formed in the Third World and many nongovernment organisations (NGOs) developed successful programs of credit for the poor.

The Foundation organised the first regional workshop on banking with the poor at the Asian Institute of Management, Philippines, from 13 to 17 May, 1991, in which, the invited NGOs and banks agreed to be "direct participants" in a unique and novel dialogue. A number of important international financial institutions, including the World Bank, Asian Development Bank (ADB), and other regional organisations and bilateral aid agencies, also participated in the workshop. Mysore Resettlement and Development Agency (MYRADA), the Indian NGO participant in the banking for poor project, fulfilled all the functions most efficiently. MYRADA was launched in 1968 to resettle Tibetan refugees in Karnataka. The NGO, 1978 onwards, has been fully involved with programs for the rural poor in the backward districts of Karnataka, Andhra Pradesh and Tamil Nadu. Vysya Bank Ltd and MYRADA, played a very significant role in credit creation among the poor. The SHGs formed and trained by MYRADA put weekly savings for the group's common fund well ahead of any credit or other activities of the program.

NRLM

Aajeevik, or National Rural Livelihoods Mission (NRLM), was introduced by the ministry of rural development in June 2011. NRLM, with the assistance from World Bank, aims to provide institutional platform to help the poor with effective financial services.

Self help groups (SHGs)

SHGs have ushered in a revolution in microfinance. An SHG is usually formed by 10 to 20 members who give the group an exclusive name. This number of members is considered ideal, because in larger groups, individual members cannot ideally participate. 'Savings first and credit later' is the motto of SHGs. The groups have to maintain the minutes book for their regular meetings, and other documents, including the loan and deposit register. SHGs are permitted by the Reserve Bank of India (RBI) to open savings linkage accounts with any commercial bank, regional rural bank, district central cooperative banks (DCCBs) and similar institutions. Internal credits accumulated by the SHG members are disbursed as loans among them at a nominal interest.

SHGs are allowed to avail credit facilities from banks after they have successfully functioned for a few months. They are assessed on regular meetings, proper maintenance of books, participations of members, utilisation of savings, repayments and several other points. The amount of loan sanctioned to an SHG is usually one to four times their total savings.

Financial inclusion

The revolving fund and community investment fund (CIF), as resources in perpetuity, are provided by NRLM to SHGs for building financial confidence and a healthy track record to attract mainstream bank finance.

A revolving fund of ₹10,000-15,000 is provided to SHGs according to their strength as catalytic capital for leveraging repeat bank finance. There are certain modalities behind the procurement of revolving funds, in the form of Panchasutra, which includes regular meetings, regular savings, regular inter-loaning, timely repayment and updating accounts books.

THE REVOLVING FUND AND COMMUNITY INVESTMENT FUND (CIF)... ARE PROVIDED BY NRLM TO SHGS TO BUILD FINANCIAL CONFIDENCE AND A HEALTHY TRACK RECORD TO ATTRACT MAINSTREAM BANK FINANCE

NRLM also provides the vulnerability reduction fund (VRF) to SHG federations at village level to combat the challenges of food security, health security, and to meet the needs of the vulnerable population in the village.

State-level bankers committees (SLBCs), are required to constitute exclusive subcommittees to promote bank linkage and other financial inclusions within the SHG. There are district and block-level coordination committees to monitor SHG-bank linkages. The service of the bank Mitra/Sakhi is also imperative to extend assistance to the needy people.

NRLM believes that healthy bank credit would be accessible to every household in the form of repeat credits over next five years. Towards this end, the same SHG goes through the micro-investment plan (MIP), a participatory process of planning and appraisal at household and SHG levels. Besides, 3% interest subvention is also provided to all eligible SHGs in the backward districts for timely repayment of loans.

The state cooperative banks (SCBs) and DCCBs play a major role to promote and financially support, monitor and report about SHGs under supervision of the National Bank for Agriculture and Rural Development (NABARD).

Threats and weakness

SHGs were initially formed to grow as independent and financially sound institutions, sans any help in the form of subsidies or donations. This was also the primary SHG model of NABARD. But later, excessive growth and popularity of the SHGs, prompted the government to extend subsidies and donations, and the idea of self-growth took a backseat. However, it is essential for SHG members to identify the threats and weakness and take corrective steps. Some of the important threats identified for SHGs are:

(i) Lack of consciousness and reluctant behaviour among some members.

(ii) Stringent government regulations hinder innovative ideas of groups.

(iii) Despite improvements of thoughts and beliefs, gender sensitisation has a long way to go, especially in villages.

(iv) The final products of SHG members often do not find proper distribution channels, resulting in inadequate sales which demoralises the spirit of members.

(v) Other inhibiting factors consist of caste problems, village politics, intra-group conflicts etc.

Function of DCCBs

DCCBs not only provide financial

support but also impart financial literacy among SHG members from the grassroots level through financial literacy centres (FLCs). They also organise training programmes on agriculture development including modern farming techniques, craftworks etc. The motto is to make use of idle household capacity, both in terms of physical and financial efforts. DCCBs provide financial support so that the SHG members can earn by themselves, which in turn, induces a sense of self-attainment among them. Besides savings, banks infuse funds in the form of new credits as well as repeat credits for timely repayment of loans.

The Malda District Central Cooperative Bank Ltd (MDCCB) in West Bengal, with a deposit balance of ₹659 crore, is celebrating its centenary. It is working to bolster the SHG system in the district, besides its normal banking operations. MDCCB, since inception, have had a cumulative savings linkage of over 19,200 groups in the district. Around 1,355 new groups were connected through savings linkage in the 2014-15 fiscal. MDCCB provided credit linkage to around 3,400 groups during the same fiscal and loans to SHGs amounted to ₹1,390.71 lakh, of which ₹420.74 lakh was to 897 new groups.

MDCCB along with NABARD organised several training programmes on agriculture development and usage of modern techniques, besides pottery, beautician courses, tailoring, puppet making, gulal etc. to help rural people earn a supporting livelihood with an objective of women empowerment.

Scope of professionals

Financial literacy is still in its infancy in villages where over 70% of the country's population lives. Many of these villages are hugely undeveloped. Professionals have a great opportunity to provide financial knowledge to the major part of the population. They have an enormous opportunity to impart bookkeeping knowledge to the villagers and channel small savings to increase the savings corpus.

SCBs, DCCBs, agriculture rural development banks (ARDBs) and other similar institutions organises training programmes on financial literacy and provides financial education to village people. The professionals have immense scopes in these financial organisations where they could generate awareness of the latest government microfinance schemes.

It has been noticed that despite repaying the loans within the stipulated time, SHG members do not get back their 3% interest subvention relief because of improper maintenance of books at the grassroots level. Professionals can educate the members in this regard, both in physical and computerised bookkeeping. Besides, they can inculcate leadership qualities so that the members can resolve their intra-group conflicts.

In the end

The economic impact of SHG is counted as a positive step towards poverty eradication. A new sense of pride is found in being SHG members. These groups, undeniably, have ushered in major improvements to village life and community welfare. The members now have access to improved housing and better education for their children. Their living standards and food security has also been bolstered, as also their standards of health and hygiene. Improvements were noticed in the status and role of women in home and in the village life. Professionals could be a good motivator to these people as part of their social responsibility.

Picture Courtesy: All photographs are captured under various SHG programmes organised by Malda District Central Cooperative Bank Ltd., Malda, West Bengal under assistance of NABARD.

Data Courtesy: Malda District Central Cooperative Bank Ltd., NRLM website, Nabard website.

mkaushiksen@gmail.com

SELF-HELP GROUPS PROSPER IN JAMMU

Attendance of members, regular meetings, and decision on financial transactions, are the major contributing factors to good performance of self help groups in the valley

Amrinder Singh
Lecturer,
University of Jammu

Dr. Sushil Kumar Mehta
Assistant Professor
Shri Mata Vaishno
Devi University, Katra

MICROFINANCE through self help groups (SHGs) is playing a key role to eradicate poverty in rural India. The SHG model is also extensively practised for rural development and women empowerment. Self help, as an approach for social development, stresses on autonomy, human agency and action. It activates people, bestow them voice and assembles them into organisations that will overcome obstacles towards involvement and empowerment. The core idea of self help is to form groups, largely on the concept of a community and the development of democratic relationships that will promote welfare. SHGs also serve as means of distributing micro-credit to the members of the group.

Literature review

Let us first reassess the research studies on various quality, sustainability and socio-economic problems related to SHGs in India. Sa-Dhan1 compared the assessment tools developed by various institutions, like the National Bank for Agriculture and Rural Development, Bhartiya Samruddhi Investments and Consulting Services Ltd, Mysore Resettlement and Development Agency, Cooperative for Assistance and Relief Everywhere, and Andhra Pradesh Mahila Abhivruddhi Society, and categorised eight broad areas with various indicators and standards, including group constitution, organisational regulation, organisational systems, financial management and credit policy external linkage. Sa-Dhan felt that unless a tool could offer an immediate and clear testing of the SHG's state of affairs, it cannot become popular in practice. CS Reddy2, later, identified several key areas that damaged the sustainable movement of SHGs. Majority of the groups, according to Reddy, had weak to average financial management, governance and human resource qualities.

Efforts to popularise SHG-bank linkage among bankers, with an emphasis on quality, was not given precedence in the beginning. Most of the grading instruments were kept easy to encourage field functionaries. The instruments, however, could not be administered with due sincerity. Sa-Dhan3, some years back, developed a performance measurement tool for SHGs based on its applied research. The tool is to assist the self help promoting institutions (SHPIs) and banks to appreciate the SHGs in required detail for evaluating their performance, including credit linkage decisions. It helps the SHPIs to measure the quality of SHGs and to identify their strengths and weaknesses that would in turn help them to design their capacity building initiatives in a more focused and cost effective manner.

The Haryana Community Forestry Project (HCFP), 2007, in another study, evaluated the quality of SHGs in a self-styled way. The study comprised nine broad indicators that included savings and credit, organisational capacity, financial management, awareness and attitudes, microenterprises, plans and visions, empowerment and influence, skill development, and networks and linkages.

All these studies concluded that homogeneity in economic status should be given emphasis while forming a SHG. Continuity in the scrutiny of social causes and issues, group processes, and other social parameters, should be considered while fixing determinants of group quality.

The present paper differs from the earlier ones because it covers a descriptive study on grassroots issues relating to the performance of SHGs in context of their age, education level of the leaders and the number of members. It was hypothesised that there are no significant differences in the performance of the SHGs with respect to their age, literacy level of the leaders and the number of members.

Research design

The paper uses a cross-sectional research design wherein data was collected both about the pre-SHG and post-SHG situation. Data from SHG members was collected from nine districts in Jammu region, namely Jammu, Samba, Kathua, Udhampur, Reasi, Doda, Ramban, Rajouri & Poonch. The SHGs were selected using purposive sampling technique. Three members from each SHG were then interviewed. The selected groups were spread across 117 villages. All the groups were promoted by the District Rural Development Agency (DRDA) and six nongovernment organisations (NGOs), namely

Table 1: Demographic characteristics of SHG members

Variables		Frequency	Percentage
Districts	Jammu	108	11.25
	Samba	189	19.69
	Kathua	111	11.56
	Doda	63	6.56
	Ramban	21	2.19
	Rajouri	48	5.00
	Poonch	129	13.44
	Reasi	132	13.75
	Udhampur	159	16.56
Educational Status	Illiterate	260	27.08
	Can Sign	201	20.94
	Up to 5th	85	8.85
	Up to 8th	205	21.35
	Up to 10th	88	9.17
	Up to 12th	115	11.98
	Graduate	6	0.63
Age	Upto 18 years	87	9.06
	19-30 years	260	27.08
	31-50 years	517	53.85
	Above 50 years	96	10.00
Marital Status	Married	730	76.04
	Unmarried	182	18.96
	Widowed	40	4.16
	Divorced	4	0.42
	Separated	4	0.42
Community	SC	240	25.00
	OBC	547	56.98
	ST	10	1.04
	General	105	10.94
	Others	58	6.04
BPL Status	Yes	595	61.98
	No	365	38.02
Family Size of Member	2-3 persons	182	18.96
	4-6 persons	298	31.04
	7-8 persons	200	20.83
	9-10 persons	183	19.06
	More than 10 persons	97	10.10
Land Holding	Landless	644	67.08
	Less than 2 kanal	221	23.02
	2-5 kanal	74	7.71
	More than 5 kanal	21	2.19
Housing	Kuchcha house	441	45.94
	Pucca/cemented house	519	54.06
Occupation	Marginal farmer	96	10.00
	Agricultural labour	653	68.02
	Rural artisans	106	11.04
	Petty shop owner	58	6.04
	Services	47	4.90

Gramudyog Hastkala Kendra, Priyadarshini Indira Mahila Block Society, Yusuf Mehrally Centre, Modern Social and Rural Development Society, Rural Artisans Welfare Society, and Jammu & Marvel foundation, Rajouri. A sample of 320 SHGs consisting 960 members were taken for a comprehensive study on the impact of microfinance in Jammu.

Member profile

The demographic characteristics of the SHG members are shown in table 1. They were classified under districts, educational status, age, marital status, community, below poverty line (BPL) status, family size, land holding, housing position and occupation. See table 1.

Ranking of indicators

The various indicators identified to measure SHG performance were ranked on the basis of their mean value and standard deviation (SD). Table 2 shows the ranks of the indicators. It reveals that the higher mean value indicators like utilisation of common fund, regularity in attendance, repayment performance, regularity in conducting the meetings and maintenance of books of accounts were major contributors to the performance of SHGs. It also indicates that proper attention should be given to increase the rate of savings and reduce NGO dominance in meetings. This will cede each individual a chance to participate in the decision making, so that unanimous decisions are taken by the majority. See table 2.

Age of the SHGs and performance level

To ascertain whether the tenure of existence of the group influences performance scores, it was hypoth-

Table 2: Ranking of indicators measuring the performance of SHGs

Factors	N	Sum	Mean	SD	Ranking
Homogeneity	320	1390	4.34	0.676	6
Regularity in conducting meetings	320	1410	4.41	0.681	4
Regularity in attendance	320	1435	4.48	0.593	2
Role of NGOs in meeting	320	810	2.53	1.297	8
Repayment performance	320	1427	4.46	0.719	3
Decision making on financial process	320	486	1.52	1.629	10
Utilization of common fund	320	1538	4.81	0.479	1
Increased rate of savings	320	698	2.18	1.014	9
Awareness of rules and regulations	320	1096	3.43	0.924	7
Maintenance of books of accounts	320	1396	4.36	0.678	5
Total Score	320	11686	36.52	2.894	

Table 3: Values of H statistics in respect of age and performance scores

Factors	H Statistics	P-Value	Result
Homogeneity	2.729	0.327	NS
Regularity in conducting meetings	28.874	0.000	HS
Regularity in attendance	58.004	0.000	HS
Role of NGOs in meeting	63.056	0.000	HS
Repayment performance	12.276	0.000	HS
Decision making on financial process	11.657	0.000	HS
Utilization of common fund	16.769	0.000	HS
Increased rate of savings	0.796	0.876	NS
Awareness of rules and regulations	0.389	0.747	NS
Maintenance of books of accounts	0.694	0.947	NS
Overall	3.287	0.389	NS

HS: Highly significant at 1 percent level of significance
NS: Not significant at 1 percent
Degrees of freedom: 2

esised that there was no significant difference in performance among the SHGs classified according to their age. The Kruskal-Wallis test was applied in this regard. The values of 'H' statistics in respect of the age of the SHGs and the scores secured by the various indicators are presented in table 3.

The calculated value of 'H' statistic for the scores obtained by the factors, such as regularity conducting the meetings, regularity in attendance, role of the NGOs in meetings, repayment performance, and decisions on financial transactions and utilisation of common funds, are more than the table value (7.20). Besides, homogeneity, increased rate of savings, awareness of rules and regulations and maintenance of books of accounts has lesser calculated value of the 'H' statistic than the table value.

Performance and literacy level of the leader

The overall performance of the SHG depends on the leader's capability and an attempt has been made to test whether the literacy level of the leader influences performance scores. For this purpose, a null hypothesis—there is no significant difference in the performance scores of the different SHGs classified according to the literacy level of the leader—was framed.

The value of 'H' statistic for the literacy levels of the leaders and the scores obtained by the various performance factors have been calculated and presented in table 4.

Membership size and performance level

The size of membership of the sample SHGs was divided into three groups of less than 15, between 15-18, and greater than 18. The ideal

Table 4: The value of 'H' statistic for literacy level of the leaders and the performance scores obtained by various factors

Factors	H Value	P-Value	Result
Homogeneity	9.667	0.001	HS
Regularity in conducting meetings	6.879	0.089	NS
Regularity in attendance	9.889	0.006	HS
Role of NGOs in meeting	28.879	0.000	HS
Repayment performance	21.458	0.000	HS
Decision making on financial process	19.986	0.000	HS
Utilization of common fund	14.452	0.000	HS
Increased rate of savings	4.824	0.478	NS
Awareness of rules and regulations	12.398	0.004	HS
Maintenance of books of accounts	18.427	0.000	HS
Overall	9.201	0.002	HS

HS: Highly significant at 1 percent level of significance
NS: Not significant at 1 percent
Degrees of freedom: 3

Table 5: The values of 'H' statistic in respect of size of members and the performance scores obtained by various factors

Factors	H Statistic	P-Value	Result
Homogeneity	1.927	0.583	NS
Regularity in conducting meetings	27.833	0.000	HS
Regularity in attendance	61.287	0.000	HS
Role of NGOs in meeting	48.673	0.002	HS
Repayment performance	13.006	0.004	HS
Decision making on financial process	13.006	0.004	HS
Utilization of common fund	24.087	0.000	HS
Increased rate of savings	0.783	0.975	NS
Awareness of rules and regulations	13.176	0.000	HS
Maintenance of books of accounts	2.782	0.800	NS
Overall	9.841	0.009	HS

HS: Highly significant at 1 percent level of significance
NS: Not significant at 1 percent
Degrees of freedom: 2

THE MAIN REASON FOR FORMING THE SHGs IN THIS REGION IS TO OBTAIN FINANCIAL SUPPORT FROM THE GOVERNMENT, NGOs, AND THE BANKS TO IMPROVE THEIR ECONOMIC STATUS

membership of a SHG is 20. So it is construed that the performance of SHGs will depend on the size of membership. To test this, a null hypothesis— there is no significant difference in the performance of SHGs classified according to the size of membership—was framed.

The calculated value of 'H' statistic for the size of membership and the performance scores are presented in table 5.

The performance scores are uniform in all SHGs irrespective of their number of members. The value of 'H' statistic, for the remaining indicators, is more than the table value. So it is inferred that these indicators show significant difference among different sized SHGs.

It could also be observed that the calculated value of 'H' statistic (9.841) for overall scores is greater than the table value (7.20) at the one percent level. Hence it can be said that there is a significant difference in the performance scores of different SHGs classified according to the number of members.

Inference

SHGs in Jammu are largely formed by women. Membership size ranges between 10 and 20, the average size being 17, and the optimum being 16 to 20. Most of the members are the poorest of the poor, mainly landless agricultural labourers. Uniform socio-economic status and living together in the same rural community, are observed to be the homogeneous factors among these groups.

The major discipline observed by SHGs in Jammu region is regularity in conducting meetings, attendance, and savings. Initially, the NGOs attended all meetings but over the years, they gradually reduced their participation to create autonomy in the groups. The main reason for forming the SHGs in this region is to obtain financial support from the government, NGOs, and the banks to improve their economic status.

The repayment performance of loan is more than 95 per cent. Causes for delay in loan repayment by any member, are discussed in meetings and if necessary, the instalments are postponed. In most of the SHGs, members take more than 75 percent of financial transaction decisions, only after consulting the NGOs. The monthly savings per member during the early stages of the group's formation ranged from Rs. 20 to 50, which increased year on year.

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asraina3303@gmail.com

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

NOTIFICATION

Kolkata, the 12th February, 2015

Sub: CEP requirements for Members in Practice/Industry

No. CMA(2)/2015: As advised by the Quality Review Board, recommended by the Members' Facilities & Services Committee and approved by the Council at its 291st Meeting held on 30th January, 2015, the Institute is pleased to announce revised CEP requirements for members in practice & industry as follows:

For members in practice, the existing duration of minimum CEP hours of 35 hours is revised to 50 hours in a block of three years, which is mandatory and for members in industry, the minimum CEP hours, which is recommendatory, is revised from 20 hours to 25 hours in a block of three years.

The above CEP hours requirement shall come into force from 1st April, 2015.

At least 50% of the CEP hours of the members should be in respect of the subjects pertaining to the topics of professional relevance for the member such as:

(i) Role of CMAs in Risk Management
(ii) Forensic Accounting
(iii) Direct Tax Code
(iv) Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2001
(v) VAT
(vi) Role of CMAs Audit in Health sector
(vii) Role of CMAs in Education sector
(viii) Role of CMAs in Internal Audit
(ix) Role of CMAs in Banking sector
(x) Role of CMAs in Insurance sector
(xi) Role of CMAs in Capital Markets
(xii) Role of Independent Directors, Board members
(xiii) Valuation of assets - Role of CMAs

The above list is illustrative only and not an exhaustive one.

(Kaushik Banerjee)
Secretary (Acting)

THE PRESSING NEED OF BEHAVIOURAL MICROFINANCE

Behavioural microfinance helps to understand how the poor take their decision under given circumstances and how they react in utilising and repaying. And it is the need of the hour

T Satyanarayana Chary
Head & Dean, Faculty of Business Management, Telangana University, Nizamabad

Praveen Singh M
Research Scholar, Telangana University, Nizamabad

IN 1976, a small experiment was conducted in Jobra, poverty stricken and flood ravaged Bangladeshi village. Muhammad Yunus, an economics professor at Chittagong University, visited the village and seeing the desperate poverty there, decided to lend about $27 (free of interest) as working capital some women. To his surprise, the women used the money productively in their modest commercial enterprises and repaid the loan. This small experiment was to become the basis of a global revolution, popularly known as microfinance.

Microfinance has emerged as the new age financing of the poorest of poor. It also offers diverse services like savings, insurance, money transfers, and counselling. Microcredit lies at the core of microfinance with the other products still evolving. Microfinance, in fact, is often interchangeably termed as microcredit.

Microfinance is clearly understood as a "set of tools, approaches and strategies addressing the needs of people who are financially excluded" (Burkett & Sheehan, 2009). Microfinance institutes (MFIs) play a dominant role as a vehicle to channel loans from the source to the beneficiary. MFIs are varied in scale, experience, legal statute, strategy and budget. But their common aim is to promote economic activity among the low income group, for whom access to official banking services is largely impossible. An MFI could be a non-government organisation (NGO), a credit cooperative or a nonbanking. financial company (NBFC).

The Indian state of affairs

In India, loan assets of MFIs have grown at a compound annual growth rate (CAGR) of 42% over the two- year period ending March 2014. The aggregate loan portfolio of NBFC-MFIs was ₹31,450 crore and it reached 28.7 million people as on 31 December 2014. Profitability of major MFIs that operate as NBFCs, however, may decline by 30 to 40 base points every year over the next two years, courtesy the regulatory obligation to operate at a low interest margin cap of 10%. The Reserve Bank of India (RBI) regulations, ensuring stable operating environment, has enhanced stakeholder confidence in this sector to some extent.

MFIs in India are headed towards buoyant growth. Many beneficiaries, nevertheless, have been badly hit by the evils of microfinance. The microfinance system is unique in nature because it runs on trustworthiness and social collaterals. Today, there is a pressing need to understand the behavioural aspects of the poor, which is a key factor in microfinance disbursement.

Problems in microfinance

Inherent problems associated with

most microfinance in India, has led to no particular model emerging as a clear winner in this regard. Microfinance models are attempting to traverse on a new and sustainable paradigm to work with in India.

The supply-leading approach, for instance, assumes that farmers either lack capital or have limited access to financial sources and are often charged high interests by informal sources. The need was felt to obtain production inputs like high-yielding varieties of rice and wheat at subsidised rates. Towards this end, several rural financial institutions came up in developing countries to extend credit to farmers. The supply-leading system only temporarily succeeded in disbursing credit. It largely failed to achieve its objective to serve the rural poor grow into sustainable credit institutions.

The Grameen Bank model, on the other hand, has been replicated and used in many developing countries. Their sustainability, nevertheless, has been questioned because they rely more on grants from donors that are relatively limited. Besides, the interest rates are too low to achieve cost recovery. As a result, they require frequent recapitalisation for long-term operation. A number of studies have revealed that a repressive financial system, and subsidised loan approach

THE DISTINCTIVE FEATURE AMONG THE BENEFICIARIES OF MICROFINANCE IS REPEATED BORROWING. ONCE A LOAN IS REPAID, THE BENEFICIARY IS LURED TO A FURTHER LOAN

for rural development, has actually been counterproductive.

The euphoria over Muhammad Yunus and Grameen Bank winning the Nobel Peace Prize notwithstanding, microcredit plunged into turmoil in the following years and has been increasingly labelled as 'microscams'. Beneficiaries in Asian countries, particularly India, were badly hit by the evils of microfinance. Even The Wall Street Journal (WSJ), on 29 October 2010, reported about India's microlending crises. MFIs in India, many scams later, realised the importance of behavioural patterns in microfinance.

Behavioural microfinance

Over the past few decades, a new field of science has emerged which integrates theoretical research in economics with empirical research in psychology. It examines how people actually behave in decision-making scenarios, as opposed to merely how they ought to behave. Behavioural economists have uncovered a wealth of data about human behaviour that contradicts traditional economic models. It is concerned with how the human mind interprets information, evaluates risk, and takes decisions. Sociologists, psychologists, and economists have tried to understand the economic lives of the poor. The fundamental belief across disciplines is, if we can better understand the way the poor live, we can better cater to their needs. Behavioural microfinance helps to understand how the poor takes their decision under given circumstances and how they react in utilising and repaying.

Everyone faces problems in decision making, while for the poor, it is tough. They are characterised with inadequate savings, high interest borrowings, financial illiteracy, and even lack of adherence to lifesaving medications. These problems lead to short-sighted decisions, lack of self-control over decisions and landing in guilty situations.

Traditionally, individuals plan their finance and future cost benefits. Self control is very important in savings. The poor, with minimal savings, are usually vulnerable with unexpected income shocks. They save less because their disposable income is marginal. They then approach MFIs for loans. Though access to formal financial services is increasing, most people in developing countries still do not have savings accounts, and many of those who have, do not use them.

Repayment of MFI loans begins a week or two after the initial disbursement. It's one of the distinctive features of microfinance and is believed to act as an 'early warning system' for default risk. While the fixed repayment structure may reduce the risk of default, it leads to higher transaction costs for the MFI that are passed on to the borrowers through a higher effective interest rate. This further limits the repayment capacity of the poor (Armendáriz and Morduch, 2005). But if the repayment structure is flexible then it may control the indisciplined behaviour among the beneficiaries.

People usually manage their income by factoring in how much their earnings will be worth in future after considering possible shocks (Mullainathan, 2004). The traditional view assumes that people plan about how to spend in good and bad times, as well as the future challenges to meet. In the behavioural perspective people are often distracted from their set goals and face difficulty to optimally manage their income.

Trustworthiness varies widely between the microfinance lender and the traditional money lender, in a way that the latter maximises exploitation of the borrower, whereas the former tries to improve their well being. The MFIs, with time, to improve their financial stability and expand their customer base, started following coercive methods. They put pressure on the borrower to recollect the loans, often leading them to a debt trap.

The distinctive feature among the beneficiaries of microfinance is repeated borrowing. Once a loan is repaid, the beneficiary is lured to a further loan. It becomes a practice instead of savings, whereas the purpose of microfinance is to alleviate poverty, not to entrench it (Burkett & Sheehan, 2009).

MFIs in India are not necessarily reducing poverty. The money lent is often gambled away or spent on alcohol. Stressing on merely increasing the incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" (Wright, 1999, p.40), by offering them a variety of financial services tailored to suit their needs so that their net wealth and income security improves.

Sociologists and economists, warned by the pitfalls of microfinance, are trying to understand the economic lives of the poor. Behavioural economics conglomerates psychology and economics to study how the poor make financial decisions or finds better alternatives to take those decisions, as well as how they respond to their microfinance loans. The new approach has been labelled as behavioural microfinance.

Essentials for behavioural microfinance

The success of behavioural microfinance requires strengthening of institutional capacity with good governance to provide better financial services to the poor. It must also significantly increase their outreach and achieve financial self-sufficiency. Following are the critical issues that must be taken into consideration.

- Improving management capacity with more autonomy and sound governance practice.
- Improving the operation and procedures that focus on increasing efficiency, lowering transaction cost, improving client satisfaction, and ensuring that earned income covers operating and financial expenses.
- Enhancing management information systems and accounting policy which more timely informative and transparent.
- Strengthening internal supervisory system and audit capacity, and integrate with daily operations and routines.
- Developing a risk management framework which covers a comprehensive strategy for arrears and fraud prevention.
- Developing human resources through career development and training programmes, and incorporation of corporate culture to put in place an incentive system to motivate employees.
- Providing adequate physical infrastructure, and accessible offices close to the customers.
- Developing highly suitable products that are both marketable as well offer incentives to the poor.

Conclusion

Behavioural microfinance is the need of the hour. Microfinance, unfortunately, has not really manifested the way it should have. Several beneficiaries have even taken their lives because they could not prevent falling into a debt trap. The poor also suffer from lack of financial planning. MFIs have to oblige both social and financial objectives, where the former is to serve the poor and the latter to sustain a healthy financial position for the benefit of the stakeholders. MFIs must strike a balance between its strategies and customise to cater the poor by understanding their needs. They must help beneficiaries in savings and financial planning by diversifying their portfolio because borrowing money can only be a partial solution. Behavioural microfinance is a key factor for the success of MFIs. It is beyond doubt that if MFIs work with the concept of behavioural microfinance, they can usher in qualitative changes in the lives of the poor.

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tsnchary@gmail.com

MICROCREDIT DELIVERY MODELS IN INDIA

Over the past few decades, several informal and innovative systems to finance the poor in a sustainable manner, have been experimented with in several developing countries. India, however, has no clear winner in this regard

Dr. Bappaditya Biswas
Assistant Professor,
Raja Peary Mohan College,
Hooghly

Dr. Ashish Kumar Sana
Associate Professor
Department of Commerce,
University of Calcutta

Microcredit is a small loan given to poor people to encourage self-employment projects that generate income and raise their standard of living. Microcredit has been defined by the Microcredit Summit, 1997, as a "programme that provides credit for self-employment and other financial business service (including saving and technical assistance) to very poor persons."[1] Microcredit is based on the premise that skills among the poor largely remain unutilised or underutilised. It is definitely not the lack of skills which make them poor. Unleashing the energy and creativity in each human being is the answer to poverty.[2]

Microcredit programmes around the world have shown that the poor can achieve worthy repayment records that are often higher than conventional borrowers. Repayment rates are high because through a system of peer support, borrowers are responsible for each other's success. They ensure that every member of the group is able to repay their loans.

A number of models are followed to deliver microcredit services around the world. The Grameen Bank model of Bangladesh is one of the most popular. The Bolivian banking model and the rotating savings and credit association (ROSCA) model of South America are also followed in various parts of the world. In India, several models like self help groups (SHGs) and joint liability groups are widely followed.

International scenario

Over the past few decades, several informal and innovative systems to finance the poor in a sustainable manner, were experimented in several developing countries. Efforts of Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC), Bank Rakyat Indonesia (BRI), BancoSol of Bolivia, Agricultural Development Bank of Nepal (ADBN), and Bank for Agriculture and Agriculture Cooperatives (BAAC) of Thailand are some of the examples that have yielded encouraging results to empower the poor through microcredit. See table 1.

The Indian situation

The concept of social banking has long existed in India. Institutional credit was perceived as a strategy of rural development and poverty alleviation. Regional rural banks (RRBs) and the Agricultural Refinance and Development Corporation (ARDC) were set up in 1975, and the Integrated Rural Development Programme (IRDP) was launched in 1979. However, due to various reasons, repayment rates were only 25–33% and the programme failed.[3] The National Bank for Agricultural and Rural Development (NABARD) was set up in 1982. It started the SHG-Bank Linkage Programme (SBLP) in 1992. The Small Industries Development Bank of India (SIDBI), set up the SIDBI Foundation for Microcredit in 1998, with an initial capital of ₹100 crore. See table 2.

Table 1. Modus operandi of leading institutions in extending microcredit

Grameen Bank	Doles out small loans without any collateral. Each member of the group receives an individual loan but they are mutually responsible for all the credits. The bulk of the bank's borrowers are women who constitute the weakest social group. A group-based credit approach is applied to use peer-pressure within a group to ensure that borrowers repay the loans to develop good credit rating.
South American rural/village banks	(i) Each rural bank unit has 10 to 35 members, usually mothers. They are given small loans to expand their business and are also offered incentives to save. The banks work areas where formal financial service is non-existent or insufficient.
Bank Rakyat Indonesia	(i) Specialises in small scale loans and micro credit. (ii) Borrowers are usually given only one loan at a time.
BancoSol, Bolivia	Working capital loans are given to groups of three or more persons engaged in similar activities, who formally joined and guaranteed to meet the bank's obligations.

Table 2. Different phases of microfinance in India[4]

Phases	Year	Features
Social Banking	1960-1990	Fourteen leading commercial banks nationalised in 1969 and eight in 1980.
		Expansion of the rural banking network, RRBs set up in 1976, NABARD in 1982.
		Extensive disbursement of subsidised credits.
Financial System Approach	1990-2000	Nongovernment (NGO)-based microfinance institutes (MFIs) set up to provide microfinance products and services.
		SBLP initiated and rapidly replicated.
		Innovative credit lending mechanisms based on 'peer pressure' and 'moral collateral' developed.
Financial Inclusion	2000 onwards	Microfinance seen as a business proposition and commercialised.
		Development of for-profit MFIs like nonbanking finance companies (NBFCs).
		NGO-MFIs legitimised.
		Customer centric microfinance products services given importance.

Source: Panda (2009), 'Understanding Microfinance', Wiley-India, New Delhi

Microcredit delivery models

The microcredit delivery models in India are of three basic types.

NABARD led SHG and bank linkage programme: NABARD, in 1992, introduced a pilot project to link SHGs with banks for developing a supplementary credit delivery system to reach the poor in a cost effective and sustainable manner. The financial scheme under this programme is followed by the following principles:

- Saving first and no credit without saving
- Savings as partial collateral
- Bank loan to SHGs for on-lending to members
- Credit decision or on-lending to SHG members
- Interest rates and other terms and conditions for loans to members to be decided by the SHG
- Joint liability as a substitute of physical collateral
- Small loans to begin with and difficult credit cycles clearly defined.

Swarnajayanti Gram Swarozgar Yojana (SGSY) and National Rural Livelihoods Mission (NRLM): The Union government introduced SGSY, a self employment programme, from 1 April 1999. Under SGSY, assistance is given to poor families living below the poverty line in rural areas to take up self employment by forming SHGs. Persons taking up self-employment are called Swarozgaris. They may take up the activity either individually or in group. Swarozgaris earn ₹2,000 per month, exclusive of bank loan repayment. SGSY was later restructured as NRLM from June, 2011 to provide greater focus and momentum for poverty reduction and to achieve the millennium development goals (MDGs) by 2015. An ambitious tar-

INDIA HAS... BOTH MODERN AND INDIGENOUS... FROM HOME SPUN VARIETIES LIKE SHGs AND CO-OPERATIVES TO ADAPTED MODELS LIKE THE GRAMEEN BANK METHODOLOGY AND FOR-PROFIT CORPORATES

Table 3. Different SHG models in India

Model	Features	Example
Model 1	NGOs are working as promoters and linking SHG's directly with the Banks who provide directly loan to the SHGs in proportion to their savings	Sreema Mahila Samity
Model 2	NGOs are working as financial intermediaries for channelising credit from bank to SHGs.	Sish, 24 Parganas District
Model 3	Here SHGs are organized by NGO/MFIs and linked with apex institutions.	SKS, Bandhan, Ujjivan
Model 4	SHGs are organized under government sponsored programmes like SGSY, IMY, DWCRA and linked with Banks for credit linkage.	Bagnan Nari Unnayan Samanya Samiti
Model 5	Banks themselves promote SHGs and provide them credit.	UBI / Allahabad Bank, North 24 Parganas, West Bengal
Model 6	Here SHG's are being promoted and enrolled as members of Primary Agricultural Co-operative Society (PACS) for saving and credit linkage through District Central Co-operative Bank(DCCB)	Hooghly, West Bengal

get of mobilising and building skills and capacities of nearly 28 lakh SHGs has been taken up.

MFIs: Over the past 20-25 years, the financial system vacuum has started to get filled, with the pioneering efforts of organisations like the Shri Mahila Sewa Sahakari Bank of Ahmedabad, Annapurna Mahila Mandal of Mumbai, and Working Women's Forum (Chennai). The entry of various NGOs into the microfinance domain in the 1990s, gave a fillip to the domain. Over 1,000 NGOs are currently providing microfinance services to the poor. [5]

Microcredit lending models

India has the maximum number of microfinance models, both modern and indigenous. The models differ from home spun varieties like SHGs and co-operatives to adapted models like the Grameen Bank methodology and for-profit corporates. India has no clear leader in microfinance delivery. Multiple models coexist and each has succeeded in its own way.[6] Some of the traditional and innovative approaches adopted by MFIs to increase credit flow to the unorganised sector are as follows.

SHGs: A SHG is a registered group of micro entrepreneurs from common social and economic backgrounds voluntarily coming together to save small amounts regularly. They mutually agree to contribute to a common fund and meet their emergency needs on mutual help basis. The group members use collective wisdom and peer pressure to ensure proper use of credit and timely repayment. Peer pressure, in fact, has been recognised as an effective substitute for collaterals. The promoting agencies of SHGs in India are mainly panchayats, rural development department, women development undertakings, forest departments, banking communities, and cooperatives, NGOs and MFIs with exclusive or overlapping roles as facilitators or promoters. See table 3.

Federated SHGs: Federated SHGs emerged with unique features to improve the sustainability of the groups. The approach contributes to factors that improve the sustainability of SHGs. Federation increases the economic opportunity of SHGs, expand empowerment through leadership building and addresses the security component through insurance services. Professional Assistance for Development Action and Mysore Resettlement and Development Agency were the first to promote SHG federations.

Grameen Bank model: The methodology was developed by Grameen Bank in Bangladesh. Many MFIs in India, like SHARE Microfin Ltd, Activist for Social Alternative, and CASHPOR Financial and Technical Services Ltd have adopted this methodology with minor changes.

Cooperative model: The Cooperative Development Forum (CDF), Hyderabad, has been the most successful organisation to use the cooperative model in rural microfinance. CDF has relied on a credit union model involving a 'savings first' approach. It has built up a network of financial cooperatives.

Joint liability groups (JLGs): A JLG is an informal group usually comprising four to 10 individuals, coming together to avail bank loans, either singly or through group mechanism against mutual guarantee. JLG members have to offer a joint undertaking to the bank which enables them to avail the loans. They are expected to engage in common economic activities like crop production. The JLG management is to be kept simple with little or no financial administration within the group. JLGs largely consist of tenant and marginal farmers who have proper title of their land.

Individual Lending: Many MFIs are now extending microcredit to individuals. The MFI has to be very careful in assessing the repayment capacity of the borrower and they have to train their loan officers in this regard. MFIs like SHARE Microfin, Shri Mahila Sewa Sahakari Bank, Aadarsh Welfare Society and others are following this model.

ICICI Bank model: ICICI Bank provides credit directly to MFIs for on-lending to clients through the wholesale linkage model. The bank also buys out a MFI's loan portfolio, on-tap securitisation and the partnership model in which the institution acts as a loan service agent. The bank, through this linkage, provides the MFI access to loan funds as well as mezzanine capital.

Business correspondent model: The Reserve Bank of India (RBI) encourages the use of business correspondents as a means for promoting financial inclusion. A business correspondent provides banking services to clients on behalf of a bank. NGOs, MFIs, cooperative societies and section 25 companies can work as business correspondents. A business correspondent, on behalf of a correspondent bank, can collect small value deposits, disburse and recover small value loans; receive and send small value remittances, cross-sell third party products like micro insurance, mutual funds and pension products, and engage in bill payments for services.

Conclusion

Fifteen microcredit models have been identified from international and national perspectives in this study. There could be other models but these are the most successful ones. The Grameen Bank model was the first official microcredit system in and has been replicated all over the world. SHGs are the most effective microlenders in India. Majority of the MFIs in India, however, follows the JLGs and individual model. In recent times, the business correspondence model has emerged as one of the most important channels for lending in remote India. The best success story, however, is Bandhan Financial Service, which very recently got banking license for its outstanding contribution to the microcredit sector.

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aditya_2582@rediffmail.com

RISK MANAGEMENT AND FIGHTING DELINQUENCY KEY TO MFI SURVIVAL

Loan defaults and mounting arrears are a bane for most microlending institutions. A proper risk management apparatus and identifying delinquency can help them tread the path of profit path

KS Ravi
Partner,
Ravi & Shrihari
Chartered Accountants,
Bangalore

MICROCREDIT organisations have matured from simple nongovernment organisations (NGOs) to fully functional lending institutions. Social business, in the beginning, started off as NGO activity because there was a need to establish relationships at the grassroots level. Doorstep lending and collection has been the hallmark of microcredit in India. Rural households were willing to spare time only after their regular farm hours. They refused to sign papers because of illiteracy. It was believed that the business was prone to risks as there was no other security besides honesty and peer pressure of members. These are still the risks associated with microlending. But it is important to measure performance of microfinance institutions (MFIs) both in terms of risk and growth.

MFIs consider collection arrears and default risks as bane for their business. Portfolios are often rechecked for defaults. Reduction in arrears is healthy for MFIs to become self sufficient and liquid. Mounting arrears without action has a contagious effect across a portfolio, geographical region, and on the psychology of the ground staff, thereby setting in lethargy among them and the financial vibrancy of the institution. MFIs may become sick units because they deal with the poor who have no assets to secure the borrowed amount. The institutions often cannot take legal action because of improper documentation, absence of borrower assets, illiteracy and the meagre quantum of loan. It is widely believed that constant vigil over borrower portfolios can reap long-term rewards for MFIs.

Delinquency the highest priority

The biggest priority of any MFI is to identify delinquency, which includes non-repayment of loans. Earlier, NGOs that had steady donor funds were not bothered about bad loans. A donation is never expected to be repaid because it was never earned in the true sense. Borrowers often sensed this opportunity and never paid back. Local politicians often coerced lenders not to seek repayment. Borrowers, by habit and culture, are influenced to default. Of course there could be other reasons like domestic crises, borrowing more than the repayment capacity, multiple loans from different borrowers, loans without adequate appraisal and refusal to pay because of geographical and location problems.

As in any other business, customers pay for the services assuming that they will be served continuously. They also expect their wish list to keep expanding for entrepreneurial requirement. The risk then shifts from the entrepreneur to the lending institution. Any deviation to the service provided to the borrower, has a serious impact on lender-borrower relation and subsequently on loan recovery.

MFIs measure delinquency in the three following ways.

Repayment rates: This ratio indicates how well the MFI is doing in terms of collection. All MFIs expect loans to be collected and repaid on the due dates as prescribed in the loan document. It is, however, not possible to service the debts on the respective due dates unless there is a constant stream of revenue. It is the ratio of amount collected and due. It indicates the willingness of borrowers to repay and the eagerness of the officials to collect. When the loans have just been borrowed, it shows a healthy picture because the borrowers want to play safe with the institution for more facilities. The ratio usually deteriorates with time and greater efforts are required to get the portfolio back on track.

Arrears rates: Arrears are the portion of the loans that remain unpaid beyond the due date. It is the ratio of overdue loans to total loans. The collection rates describe the amount collected against what is collectable, both past and present. The arrears rate indicates the deterioration of the total loan portfolio.

Portfolio at risk (PAR): It is the value of outstanding loan balances that are in arrears (principal only) to the total present outstanding portfolio. It is expressed as a percentage. The PAR helps to analyse the default trend of a portfolio or of a geographical region and helps to compare portfolios. It is a broad indicator and may need analysis before acceptance. It is also important to understand the fundamentals before relying on PAR. If loans are considered as investments, then failure to recover them along with interest, means they have not met the financial objective. Hence, the portfolio is at risk. See table 1.

Table 1: PAR for different ages of loan defaults

Period	Loan amounts at risk as a percentage
PAR > or = 1 day (Total portfolio at risk)	All loans overdue to the Total loans outstanding
PAR > 30 days	Loans overdue beyond 30 days to the Total loans outstanding
PAR > 60 days	Loans overdue beyond 60 days to the Total loans outstanding

Table 2: Average portfolio loss in percentage terms

Repayment	Loan tenure						
	1 month	2 months	3 months	6 months	9 months	12 months	24 months
98%	48	24	16	8	5	4	2
95%	120	60	40	20	13	10	5
80%	480	240	160	80	53	40	20

PAR is calculated according to different periods (table 1) and is often manipulated by excluding the renegotiated loans and writing off bad loans. While PAR is a good indicator, one must be careful of its abuses.

Determining loan size

MFIs resort to tests to determine the loan corpus. Assuming that the loan is from a product portfolio, it is important to measure the loan size for the borrower. MFIs consider the repayment capacity of the clients/customers and the debt-equity ratio in this regard. The loan officer tries to understand the loan requirement and the repayment capacity of the individual or the group (joint liability groups of 5-8 persons or the self help groups of 10 to 20 people). The officer collects sales, liabilities, assets and other data, to determine the loan amount. The repayment capacity is determined by understanding the average monthly payment to the estimated sales and profits. The repayment ratio to sales should not challenge the reinvestment and livelihood of the borrower. If this is not carefully scrutinised, the debt may turn out to be a bitter pill.

The credit worthiness of the borrower is also an important factor. The net worth of an individual or the self help group (SHG) has a greater role to play to increase the risk appetite of the borrower and the capacity to borrow more. An increase in the leverage of debt to equity, increases the risk of the MFI, which must be carefully guarded either by measurement or by gut feeling.

Microlending is largely a character-based loan, which assumes that a person is likely to repay the loan in good faith. But MFIs often saddle loans on them, not understanding that they have no entrepreneurial skills. Measurement of skills plays an important part to determine the disbursal amount.

Loan loss ratio

This is another important ratio which needs to be measured to determine the health of an MFI. It indicates what portion of the institution's loan portfolio is lost over a period, and also the extent to which the loss has to be provided for. It provides an upfront cushion for such losses against income earned during the period. The formula is ALLR=(1-RR)x100/Nx2, where ALLR is the annual loan loss rate, RR is the repayment or collection rate, and N is the loan term in years.

When the collection rate is 95% for a loan cycle of one year, then the loan loss should be 5%. However, this will change depending on the number of years. If 5% is lost in a loan cycle of four months, the loss per year would be 15%. If the loan cycle of a portfolio is beyond one year then the percentage loss tends to decrease **(table 2).**

Table 3: Collection of unrecovered amounts

Percentage collected over past dues	Portfolio age
80%	1-30 days
51%	31-90 days
25%	91-240 days
18%	241-365 days
5%	Beyond 365 days

Table 4: Risk perceptions of MFIs

Risk Category	Source of information	Influencing Factors	Identifying Risk Exposure
Regional	Union and state government reports	Geography, economic trends, political instability, demography and climate	Performance of the borrowers in that region across activities.
Sectoral	RBI reports, union and state government enactments, judicial pronouncements	Competitors, profitability, ability to handle volumes, overall economic development, and similar things	Product performance, sector performance, performance of borrowers against competitor's lending.
Concentration	MIS of the lending institution, performance behaviour across time, volume risk analysis in a region or for a product	Concentration in one region, multiple loans, investment in one particular type of loan, repayment almost at the same time etc.	Past performance of every loan category and deftness to handle any crisis.

Table 5: Financial self sufficiency in MFIs

Types	Types of costs covered from income
Short-term operational	Able to cover direct operational costs and cost of borrowed funds
Long-term operational	Besides the above, the institution has enough income to cover loan loss reserve
Financial	Surplus catered to not only expenses but compensates fully for the inflationary effect on the capital base. The idea is to protect capital base from erosion in value on account of inflation.

Measurement of outreach

Measuring the outreach is an important indicator for the success or failure of MFIs. Identifying the number of clients and the number of products served is the best technique to measure outreach. Client density against each product indicates whether to continue and its effectiveness. It is also a benchmark on performance and helps MFIs to determine the number of active clients to the total members. It is important to understand how many of them are repeat borrowers or have multiple loans from competing lenders. It indicates the risk the institution is gowing through. Outreach and depth also helps to design products, as well as the pace at which MFIs have to tread risky territories.

While measuring this parameter, it is interesting to identify whether the growth of a portfolio is on account of increase of loans in value terms, or because of new borrowers. It gives an idea about the quality of disbursement when the ratio of new loans is taken on existing loans. Risk profiles change depending on the ratios.The exercise also indicates the poverty profile of the region. If the borrowing capacity increases because of new borrowers at the lower end, it indicates that that the poverty index has not changed substantially.

Impact of administrative and personnel costs

The overall profitability and the break-even operating point are decided by understanding the administrative and personnel costs. Besides, the efficiency of the MFI is also revealed. Comparing the ratios between two periods indicates

RISK APPETITE DEPENDS UPON STRATEGY. NEITHER THE LENDING INSTITUTION CAN AFFORD LOSSES, NOR CAN THE BORROWERS SERVICE THE FULL COST WHEN THE INSTITUTION CATERS TO ONLY A FEW CLIENTS

performance efficiency that can also be measured against the industry's average, which is expressed as: Operating expense ratio=Personnel & administrative expense/Average gross loan portfolio for the period.

The formula becomes more meaningful, if it is measured in terms of cost per client: Cost per client=Personnel and administrative expense/Number of active clients.

If the loan size varies, it is better to calculate this ratio as a cost per unit of loan.

It is often observed that several MFIs have no database to enter and update data. These MFIs usually deal with vulnerable groups, and as already said, are influenced by political and environmental factors.

Risk analysis and measurement

It is important for an MFI to monitor risk as it matures and caters to greater volume and depth. Institutional energy, enthusiasm of the credit officers and the activeness of groups go a long way to sustain the willingness of the borrowers to repay.

Risk management and measurement should be a continuous process. It depends upon the knowledge that one acquires in the course of business and calls for applying analysis indicators and deciding when and how it should be applied. Personal, social and political factors play a big role to decide what actions are to be taken in a given situation. Risk perceptions depend on several factors and its categories help microcredit businesses to perceive and determine the exposure **(table 4)**.

Issues in risk management

MFIs, today, play a dual role. They ensure financial viability like any other business and also reach out to the poor as a business goal. The question that rises in such a scenario is whether the two could be balanced, or is there a trade-off. Risk appetite depends upon strategy. Neither the lending institution can afford losses, nor can the borrowers service the full cost when the institution caters to a few clients only. The answer to this lies in identifying break-even volumes for different levels of fixed cost.

Financial Self Sufficiency

Financial self-sufficiency is an important indicator to decide whether the yield from business is sufficient to cover all expenses, and if not, what actually is being covered. They are of three types **(table 5)**.

Conclusion

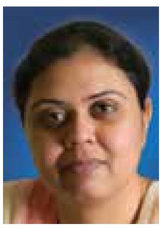
Measuring performance is an ongoing process to ensure healthy growth and development of the MFI sector. It is a risky venture. The margin between costs of borrowing and lending are extremely thin, so the risks must be monitored at regular intervals. Measurement of various parameters, starting from individual borrowers to the macro economy, has a soothing effect on the controls and management of industry risks. Much needs to be devised as measuring tools when the loan portfolio, and for that matter the business, diversifies. Social business with the object to uplift the poor should not result in tormenting the institution itself. This calls for identifying the institution's performance and the capacity to measure its impact on the economic development of the region. It is only then that MFIs will do justice to themselves. MA

ksravi121@gmail.com

ANALYSING MFI FINANCIAL PERFORMANCE: ROE DRIVERS APPROACH

Wealth invested in MFIs is a scarce resource, regardless of whether they raise money through public issue of equity shares, should grow by further wealth

CMA MVS Kameshwar Rao
Associate Professor,
GITAM School of International Business,
Visakhapatnam



Dr. K Lubza Nihar
Assistant Professor,
GITAM School of International Business,
Visakhapatnam

THE Indian microfinance industry, after a major roadblock during the Andhra Pradesh crisis of 2010, regained its momentum largely because of prompt action by the Reserve Bank of India (RBI), the Malegaon Committee, and the underprivileged society's growing need for money (CRISIL, 2015; M-CRIL Review, 2014). The Microfinance industry, through the crisis, emerged as a viable alternative to reach out to the financially excluded population of the country. Microfinance institutions (MFIs) are now attempting to tap the equity and debt markets by issuing equity shares and security instruments. It is believed that a greater amount of capital would chase these institutions because of their near-zero delinquency and better returns (25-30%), MFIs in India have over 25 million active borrowers, 96% of whom deal with non-banking financial companies (NBFCs). The prominence of MFIs can be understood from the fact that their active borrower base is 2.5 times the number of microcredit accounts serviced by regional rural banks (M-CRIL Review, 2014). MFIs today serve around 10% of the financially excluded section and their outstanding credit portfolio is currently at ₹26,000 crore. The banking sector of our country, in comparison, serves approximately 128 million credit accounts.

Need for the Study

There is adequate literature on the microfinance industry, in the form of case studies, white papers, and policy reviews. There are research articles on successful MFI models, performance analysis, risks and returns, regulatory framework, impact on society, poverty, inclusion, and similar issues, compared to analyses on the industry structure, competition, and business strategy of the players in the industry. The earlier splintered and multi-format MFIs are today referred to as the microfinance industry, owing to their accumulated experience in handling various business models, markets, products, consumer behaviour, risks, and rewards. See table 1.

One can argue that MFIs, with their social development tag, cannot adopt business strategies like other players in the financial services sector. The not-for-profit objective does not bar MFIs from adopting some of these successful corporate strategies for their long-term sustenance. Corporate finance is today relevant to MFIs. When MFIs seek capital markets, the stakeholders require a framework to rate their debt issues, value equity, regulate excesses, and monitor financial performance of MFIs. The return on equity

(ROE) analysis, especially the Du-Pont way, is very useful in this regard. This paper attempts to build a framework by identifying the crucial drivers of an MFI's ROE. As a unique feature, it attempts to extend the Du-Pont analysis of ROE, by adding six MFI specific ratios and goes further to identify their drivers. Monitoring these ratios/drivers on a dashboard would be of great help to trigger effective proactive strategies or focused corrective action.

Drivers of ROE

ROE, is one of the most popular financial metrics to measure the performance of a company vis-à-vis equity shareholders. ROE is influenced by all major functions and activities of a company. The combined and net influence of the movements of all these functions either increases or decreases the ROE. The Du-Pont Analysis brought this new approach to ratio analysis. This paper extends this approach in the context of microfinance Industry. Six ratios (refer to the flowchart on ROE drivers of MFIs) have been identified that capture the significant drivers. Financial and a few operational data inputs for each of these ratios are also depicted with their interconnectedness. These financial and operational inputs are amenable by MFIs for improving ROE.

$$\frac{PAT}{EQUITY} = \frac{PAT}{PBT} X \frac{PBT}{PBPT} X \frac{PBPT}{PBPIT} X \frac{PBPIT}{TOT.INCOM.} \times \frac{TOT.INCOM.}{TOT.ASTS.} \times \frac{TOT.ASTS.}{EQUITY}$$

Table 1: MFIs in numbers as on March, 2014

Aspect	Figure
Loan portfolio	₹500 crore
Operating expense ratio	9.2%
Portfolio at risk beyond 30 days	1%
Percentage of institutional debt funds in capital	83.5%
Maturity of funds brought into business	3-5 years
Maturity of loans sanctioned	<=1 year
Percentage of total assets into active loan portfolio	80.7%
Debt equity ratio	3.7:1
Yield on loan portfolio	24.1%
Cost of financing	11%
Loan Loss provisioning	0.9%
Total expense ratio	21.1%
Spread in the MFI business	3%
Return on total assets	3.5%
Return on equity	22.8%
Source: M-CRIL Review of Indian MFIs, 2014	

ONE CAN ARGUE THAT MFIs, WITH THEIR SOCIAL DEVELOPMENT TAG, CANNOT ADOPT BUSINESS STRATEGIES LIKE OTHER PLAYERS IN THE FINANCIAL SERVICES SECTOR. THE NOT-FOR-PROFIT OBJECTIVE DOES NOT BAR MFIs FROM ADOPTING SOME OF THESE SUCCESSFUL CORPORATE STRATEGIES FOR THEIR LONG-TERM SUSTENANCE

PAT	Profits after tax
PBT	Profits before tax
PBPT	Profits before provisioning and tax
PBPIT	Profits before provisioning interest and tax
TOT.INCOM.	Interest income plus other income
TOT. ASTS.	Fixed assets, investments, loan portfolio, current assets
Equity	Shareholders' funds

The six ratios on the right hand side of the above equation are depicted below, in the same order, in the form of the key success factors (KSFs) of an MFI.

ROE=f (tax burden, loan loss provision, interest burden, operating expenses burden, earnings power, financial leverage)

Managers and analysts of an MFI, viewing ratios as KSFs, can appreciate the limitations and opportunities of improving each KSF to magnify the ROE. Increase in any one or all of the ratios will increase the ROE because all the ratios are related with a multiplicative sign. They practically neither move together nor in the same direction, in response to various strategic or operational initiatives undertaken at the KSF level. A particular initiative can, at the same time, increase one of these ratios and increase/decrease some other(s). In this way the combined and net effect of all the ratios is felt on the ROE. Though the flowchart on ROE drivers of MFIs is self explanatory, each of the KSF is explained here to interpret and analyse.

Tax burden (TB): This is the amount of tax the firm pays. Usually the value of the ratio which it represents is equivalent to 1-average tax rate of an MFI. Effective tax planning can reduce the tax burden and increase the PAT/PBT ratio.

Loan loss provision (LLP): This is a mandatory regulatory charge on the profits of an MFI. A general provision of 1% on the outstanding loan portfolio, 50% on loans overdue between 90-180 days, and 100% on those overdue beyond 180 days, is to be provided. Increase in estimated delinquency rate (EDR) increases the LLP. A decrease in LLP increases the PBT/PBPT ratio.

Interest burden (IB): This is an indicator of an MFI's cost of financing. The MFI's ability to tap low cost funds through various instruments, securitisation, and similar things, keeps the interest burden low and increases the PBPT/PBPIT ratio.

Operating expense burden (OEB): This is an indicator of MFI expenses on manpower, travel, administration, and depreciation of assets. This has emerged as a major focal area after the margin cap levied by RBI on MFIs. There are two levels of the margin cap—10% for large MFIs and 12% for small MFIs)—and the maximum that an MFI can spend on operating expenses will be 1% lesser (due to the LLP) than this cap.

Earning power (EP): It depicts the efficiency of a firm in utilising its assets, which means deploying most of its funds into interest earning loan portfolios (LPs) or income generating investments. The entire LP, in reality, may not be active because of delinquency and lack of demand for loans. An active loan portfolio only earns interest income.

MFIs borrow funds for long term and invest in the short term. This wilful maturity mismatch in its liabilities and assets is an important tactic to magnify profits. The ROE driver framework depicts operational metric fund deployment efficiency (FDE), which captures this affect. FDE influences realised yield on the loan portfolios and the earnings power. Its formula is as follows.

$$\left\{1+\left[\frac{WACOD+CAP}{\left(\frac{360}{IToL}\right)}\right]^{AT}\right\}-1$$

The weighted average cost of debt (WACOD) is inflated with the margin cap (CAP) stipulated by RBI and the resultant annual rate of interest is adjusted for an ideal term of loan (IToL). When a financial institution borrows money for longer terms and deploys it for shorter terms, redeploying the principal along with interest magnifies both its loan portfolio and income, because of compounding. Redeploying more frequently can compound both funds and profit. Considering a 360-day period annually, and an IToL of 90 days, the ideal turns (IT) for an MFI would be four (360/90). In reality, the delay in redeploying funds because of collection delays, bad debts settlements, identifying and forming borrowers groups, the actual turns (AT) [360/realised term of loans (RToL)] turns out to be lesser than the IT. This AT is the compounding multiplier taken as the power in the above formula. Most MFIs are now lending for a term of around one year, thereby compounding only thrice during three years, which is the average maturity of their borrowings. The MFIs that can create and recover more loans at less than one year intervals, can effectively earn more.

Financial Leverage (FL): This means the level of debt employed by a firm on its capital. The lower cost of debt is an advantage of FL, and the inability to service loans when in distress, a disadvantage. For any financial institution, a healthy FL is good. The FL of Indian MFIs may range from three to five. Whether FL is good or bad depends on the FDE of the MFI and the rate of interest, at which it can borrow or lend.

Linking the operational drivers to the financial inputs of an ROE, the paper advocates an integrated approach to pre-formulation analysis, for building an effective strategy. Further extensions on EDR and OER with their underlying operational metrics can greatly enhance the utility of this approach for MFIs. Some of the interventions of MFIs are mapped with their influence on the KSFs **(table 2)**. In conclusion the paper reiterates that explicit visualisation models can significantly replicate the number of informed and effective decision makers.

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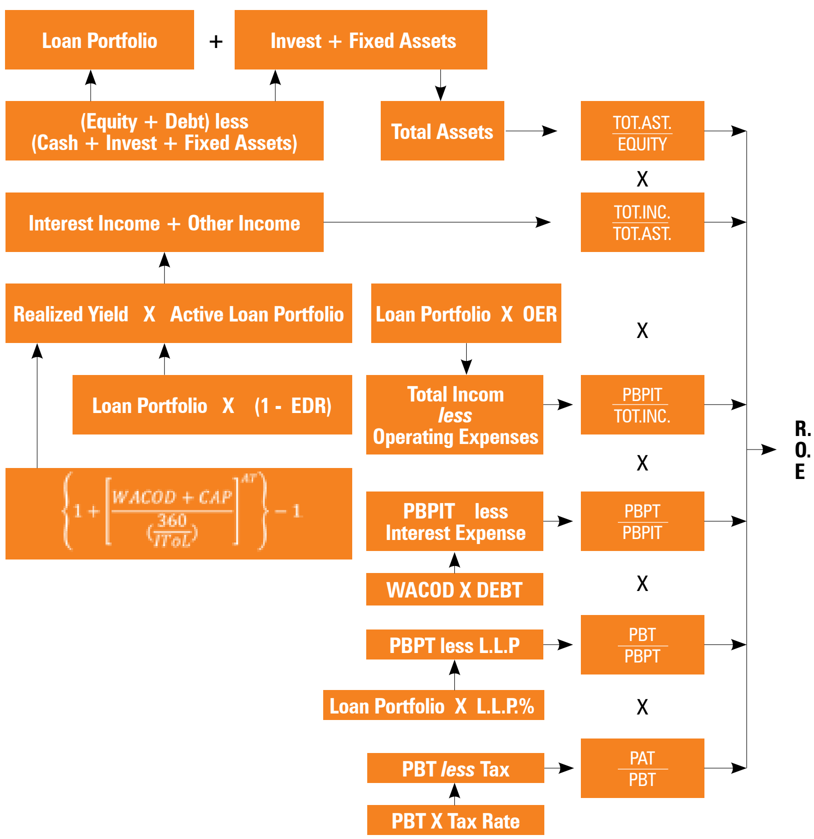
kami2020@gitam.edu

Table 2: Mapping the effect of strategic/operational initiatives to drivers of ROE

Strategic initiative	FL	EP	OEB	IB	EDR	LP	LLP	FDE
Harnessing the value chain	↑	↑	↓		↓	↑	↓	↑
Rationalising manpower			↓					
IT integration			↓		↓		↓	↑
Strategic alliance	↑	↑			↓	↑	↓	
Maturity mix		↑		↓				↑
Securitisation	↑			↑↓				
Strengthening governance	↑				↓	↑	↓	
Credit appraisal & monitoring		↑	↑	↓	↓	↓	↓	↑
Enhancing product portfolio		↑	↑			↑		
Market diversification		↑			↓	↑	↓	
Innovating products		↑				↑		
Market nurture			↑			↑		
Social capacity building			↑		↓		↓	
Changing format	↑		↓	↓	↓	↑		↑

ROE DRIVERS FOR MFIs



WIDER INSURANCE COVERAGE FOR BETTER FINANCIAL INCLUSION

Expanding banking services alone, in the further pockets of the country, is unlikely to lead to financial inclusion. Covering the population with insurance services is equally important

Dr. Pankaj Trivedi
Faculty and Area Chairperson,
Department of Finance
KJ Somaiya Institute of Management Studies and Research, Mumbai

FINANCIAL inclusion is one of the topmost priority sectors of the government's economic policy. Considerable economic and social development has taken place in India, since independence, and courtesy the Five-year Plans. However, even today, a large numbers of people live below the poverty line especially in rural areas, largely because of the size of our economy and regional disparities. The most effective way of financial inclusion, is to cover these people under various financial services, especially banking. The government and the Reserve Bank of India (RBI) have given a clear mandate to banks to reach out to the unbanked pockets and bring the maximum number of people under the banking ambit. Since then, the country has made considerable progress in this regard.

Covering the Indian population with banking services got a shot in the arm after the government launched the Pradhan Mantri Jan-Dhan Yojana (PMJDY). Mere extension of banking services, however, is not enough to achieve exhaustive financial inclusion. Covering the population with insurance services is also equally important.

Insurance coverage in India is greatly inadequate and highly urban-centric. The rural population is largely uninsured or underinsured. Besides financial insecurity after a person's death, insecurity because of droughts, floods and loss of crops is also

Table 1: Financial inclusion by banks in India

Particulars	Year ending		
	March 2010	March 2011	March 2012
Total number of bank branches	85,457	91,145	99,242
Number of rural branches	33,433	34,811	37,471
Banking outlets in villages with population less than 2,000	29,903	49,761	69,623
Number of no-frills accounts (in millions)	73.45	104.76	138.50
Amount in no-frills accounts (₹ billions)	55.02	76.12	120.41

Source: rbi.org.in

common. The government's social security measures are less compared to developed countries. The significance of insurance, hence, increases from the financial inclusion angle.

Insurance inclusion is determined by two important ratios: insurance density and insurance penetration. Insurance density is a ratio of the premium to total population, while insurance penetration is premium to GDP. India's position, on both these fronts, clearly indicates that there is ample scope for insurance inclusion **(table 2)**.

Need for insurance inclusion

Insurance inclusion should be an integral part of financial inclusion as targeted by the government. Insur-

Table 2: Insurance Density and Penetration in India

Year	Life		Non-life	
	Density (USD)	Penetration %	Density (USD)	Penetration %
2001	9.10	2.15	2.40	0.56
2002	11.70	2.59	3.0	0.67
2003	12.90	2.26	3.50	0.62
2004	15.70	2.53	4.0	0.64
2005	18.30	2.53	4.40	0.61
2006	33.20	4.1	5.20	0.60
2007	40.40	4.0	6.20	0.60
2008	41.20	4.0	6.20	0.60
2009	47.70	4.6	6.70	0.60
2010	55.70	4.4	8.70	0.71
2011	49.00	3.4	10.00	0.70

Source: Annual Report, IRDA, 2011-12

PEOPLE, ESPECIALLY IN RURAL AREAS, ARE UNAWARE ABOUT THE... BENEFITS OF INSURANCE BECAUSE OF HIGH LEVELS OF ILLITERACY. THE RURAL POPULATION PREFERS TO SPEND ON TANGIBLE PRODUCTS

ance coverage, along with banking coverage, is equally important for inclusive growth. The need for insurance inclusion is understood from the relationship between various macroeconomic goals and insurance inclusion.

Saving, investment and capital formation: Insurance inclusion expedites capital formation and GDP growth of a country. Payment of premium is an effective method of savings. Rural savings are usually invested in unproductive assets like gold because of inadequate banking cover in those areas. Such savings must be diverted to the organised sector like capital and money market. Insurance inclusion would be a better supplement to the role played by banks for such diversion of savings. Savings through insurance premium contributes to capital formation and economic growth of a country.

Social security measures: Social security is and should be the ultimate objective of insurance, especially life insurance, from the people's point of view. It is highly inadequate in India because of the heavy financial burden on the government. Life insurance, under such circumstances, is a better substitute for government social security measures like pensions. A large part of our population is from the unorganised sector and not covered under social security schemes. Insurance, undeniably, serves a better purpose of social security. Majority of Indian households have only one earning member. When such a person meets an accident and becomes invalid to earn, or in the event of death, financial security to the survivors is required to battle poverty. Life insurance, along with accidental and health insurance, ensures a comprehensive social security to people.

Risk mitigation: Non-life insurance is equally important for aiding entrepreneurial activities. Small and medium businesses suffer when there is an accidental loss of their assets. Non-life insurance, at such times, helps the entrepreneur to minimise losses and revive the business. There is a wider general insurance cover in large-scale businesses, but it is equally important to cover small and medium enterprises.

Need for rural focus

Insurance penetration in rural areas, both life and non-life, is limited. According to an UNDP study, 90% of the Indian population has no insurance coverage. Financial illiteracy and lack of awareness are the major reasons for such a situation. Many insurance companies believe that services in rural areas are economically unviable. Micro-insurance can play a major role in this regard, considering the income level of the rural population.

Challenges for insurance inclusion

Insurance services, along with greater banking coverage, are important to achieve the government's financial inclusion target. Unfortunately, the need for insurance has failed to attract proper attention. Following are some of the main challenges before the government in this regard.

Financial illiteracy: This is perhaps the biggest challenge for insurance inclusion in India. People, especially in rural areas, are unaware about the significance and benefits of insurance because of high levels of illiteracy. The rural population prefers to spend on tangible products, where they believe they are getting something in exchange of money. They perceive insurance as a lack of any material benefit unless an accident takes place. They are, thus, reluctant to invest in insurance. Changing their mindset and convincing them about the benefits of insurance is a challenging task. Financial literacy can make the rural folk aware about insurance products and its benefits.

Product complexities: The rural people usually fail to understand the features, and terms and conditions of insurance products because of financial illiteracy. They believe that there is some hidden agenda behind extracting money from them, sans any reciprocal benefit. Investment in material assets like gold makes them better secured than an insurance policy. They also suffer from unknown fears about the procedure to take out the policy.

Distribution issues: Insurance distribution in India largely depends on agents and their network. The industry has become more 'sales' driven and not 'need' driven because of heavy dependency on the agent as a channel of distribution. The agents resort to ambush selling rather than understanding the need of the people to suggest suitable products.

Non-life insurance challenges: Non-life insurance inclusion is even a bigger challenge, again, in rural areas. According to a CRISIL-ASSOCHAM research, India ranks 136 on non-life insurance penetration, while the other BRIC countries like Brazil, Russia and China, are much ahead of us.

Strategy for insurance inclusion

Considering the density and penetration, there is a clear scope for better insurance inclusion in India. But a well determined and focused strategy, largely covering the below points, is required.

Increasing financial literacy: Improving financial literacy is a precondition for insurance inclusion. People are unlikely to buy insurance unless they understand its significance and benefits. Banks, the cooperative sector, and insurance agents can contribute in this regard. Understanding the need of the people and suggesting appropriate products will convince them about insurance.

Innovative products: Insurance companies need to constantly innovate products to cater to different sections of the society. Terms and conditions of premium payment must be flexible according to the type and income of the person. Products suitable for rural conditions like crop and cattle insurance must be emphasised in villages, over and above life insurance.

Use of technology to reduce service cost: Insurance companies must increase their dependence on information technology and modern communication in semi-urban areas. Many tier-2 and tier-3 cities today have internet connectivity and companies can take full use of that. This will reduce their service costs and covering these areas will be attractive for them.

Micro-insurance: Covering low income households by increasing the reach of micro-insurance is required for financial inclusion. Micro-insurance helps low income people manage their financial risk. According to an UNDP study, the present micro-insurance reach in India, is around 2% of the rural population. India has a huge untapped market for micro-insurance. The government recently launched two insurance schemes—Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)—at a very nominal premium. Nongovernment organisations, microfinance Institutions, self help groups and rural cooperatives can support these schemes to increase the spread.

Bancassurance: Modern banking is not merely restricted to deposits and lending. Almost every major bank sells insurance products, called bancassurance, either on their own or in collaboration with an insurance company. Branch network and brand image are the strong points for these banks. People build relationships and trust the bank where they have their account. A good insurance inclusion strategy could make use of the strengths of the banking sector.

Conclusion

Financial inclusion is a pre-condition to reap benefits of economic growth and uplift the living standards of the poor in our country. The government wants to achieve that through the banking sector. Opening up of branches in rural areas and increasing no-frills accounts is required. That, however, is not sufficient. Insurance coverage is equally important to ensure social security. A step in the right direction is mitigation of natural and other risks. The government has taken the right step by introducing PMJJBY and PMSBY. Other suitable schemes, according to specific requirements of the Indian population, must be introduced for insurance inclusion. Focus on both fronts—banking and insurance inclusion—will lead to an exhaustive financial inclusion in India.

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trivedi@somaiya.edu

MICRO-FINANCE AND WOMEN EMPOWERMENT IN INDIA - AN EMPIRICAL ANALYSIS

Micro-finance has been recognised as a cost-effective device for providing financial services to the unreached poor propounding not only meeting the financial needs of rural poor women but also strengthening the collective self-help capabilities of the poor leading to their empowerment

CMA Madan Mohan Jana
Asst. Professor,
Susil Kar College,
South 24 Parganas(s)

INTRODUCTION: Micro-finance, as an effort towards financial inclusion, is finance provision for poor. Micro-resource, as an engine for inclusive growth, is an instrument for socio-economic development. Micro-credit, as tool for faster growth, is a dynamic device for speedy economic prosperity and women empowerment. Micro-finance resolves needs of rural poor giving not only loans at subsidies interest rate but also the easy access to credit facilities like loans, bridge loans, savings, agricultural credit and micro-insurance to promote farm production, agricultural production, establish small scale business and encourage entrepreneurship. Micro-finance and micro-credit, as a developmental approach, can improve social well-being both in rural and urban space. Micro-finance is expected to strengthen rural-urban employment through generation of new business opportunities, self-employment and by encouraging wage labour and self-help groups (SHGs) which will reduce migration and accelerate the rural development. The need of micro-finance arises because the rural requires resources of finance for poverty alleviation, procurement of agricultural and farm inputs. Mere high rate of growth in Gross Domestic Products (GDP) would have little meaning to poor unless there is a visible improvement in their income level, standard of living and working conditions. Hence, there is emphasis on inclusive growth in 11th five year plan. With the influx of open economy on 24th July, 1991 government of India given more stress on expanding out reach of banking sector to the rural poor. Micro-finance, as a cost effective instruments, in now increasingly recognised for device of sustainable development in third world countries. Micro-finance have been recognised as a cost effective device for providing financial services to unreached poor propounding not only meeting in financial needs of rural poor women but also strengthening collective self help capabilities of poor leading to their empowerment.

Definition of Micro-finance: The term micro-finance could be defined as "Provision to thrift, credit and other financial services and products of very small amounts to the rural poor, semi-urban and urban areas for enabling them to raise their income levels and improving living conditions".

Mishra, J.C and R.K.Thanvi (2004) describe micro-finance interchangeably with term micro-credit. However, while micro-credit refers to purveyor of loans in small quantities, the term micro-finance as broader meaning covering in its ambit other financial service like saving, insurance and bridge loans as well.

According to Robinson, "Micro-finance refers to small-scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commission, gain income from renting out small amounts of land, vehicles, draft animals or machinery and tools, and to other individuals and local groups in developing countries, in both rural and urban areas."

Mishra, H.K (2015) observes micro-finance is an enabling empowering, bottom-up tools to poverty alleviation that has proved considerable economic and non-economic externalities to low-income household in developing countries.

The concept of micro-finance can be best described by the title of F.A.J Bouman's book (1990) "Small, short and Unsecured"—micro-finance is the provision of providing very small loans that are repaid within short periods of time, and is essentially used by low income individuals and households.

Origin of Micro-finance

In Germany: The Origin of micro-finance could be traced back to the inception of cooperative movements in Germany.

In England: The movement was started in 1944 in the field of cooperative based credit system by the Raiffeisen Societies as well as Rochdale Pioneers in England.

In India: The micro-finance evolution and its beginning could be considered from the enactment of the cooperative credit societies Act, 1904 in India. The micro-finance in formal system was in vogue in India in the form of chit fund etc since the beginning of last century. It s based on mutual cooperation (MC), mutual help (MH), continuous participation (CP), broader outlook (BO) and development of local resource based economy (DLRBE). Therefore, MF=f (MC, CP, BO,MH,DLRBE).

Public Sector Banks and Micro-finance: Banks are the financial intermediaries which collect deposits and lend the liquid resources to deficit spenders of households, farmers, firms, cooperatives, multinational corporations and governments. The first major step was Nationalization of the Imperial Bank of India in 1955 via State Bank of India Act. State Bank of India was made to act as the principal agent of RBI and handle banking transactions of the Union and State Governments. With the onset of nationalisation of State Bank of India on 1st July, 1955, the necessity of banking service invigoratively influences in day to day operations. After the first phase of nationalisation of fourteen commercial banks, Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Bank, Indian Overseas Bank, Bank of Baroda, Union Bank, Allahabad Bank, United Bank of India, UCO Bank, Bank of India, on 19th July, 1969, when the number of bank branches were 8262, importance of banks are appreciates immensely not only in credit facilities but also priority sector lending. With second phase of nationalisation six commercial banks on 15TH April, 1980, six more banks were nationalised and the total number of nationalised banks became 20. In 1993 new bank of India was merged with Punjab National Bank and thus the number of nationalised banks came down to 19.

Micro-finance and Influx of Common Playing Platform: With the advent of open economy, Liberalization, Privatization, Globalization and Stabilization (LPGS) came into the threshold of Indian Kearny's and unorganised sectors and aggravated the problems of women workers in the unorganised sectors from the bad to worse almost the women who were engaged in the self-employed activities have lost their livelihood. Despite in tremendous contribution of women worker in the agriculture sector, their sustainable work is just considered as the extension of household domain and remains non-monetised.-(Jana, M.M. 2012, July).

Micro-finance and Inclusion of Women force in the Main Stream: The onset of inclusive growth, under the trickledown theory in the planning process it was expected that untapped women workers would be equally benefited along with dominated human resources otherwise that will belied by actual grass root development.

Micro-finance and Financial Inclusion Plan: With the emergence of new economic policy since 1990s, micro-finance is recognised as a power national and developmental instrument for alleviating poverty and inequality both in rural and urban areas. In India, micro-finance scene is dominated by Self-Help group-bank linkage programmes through financial inclusion initiatives. (Jana, M.M. 2011).

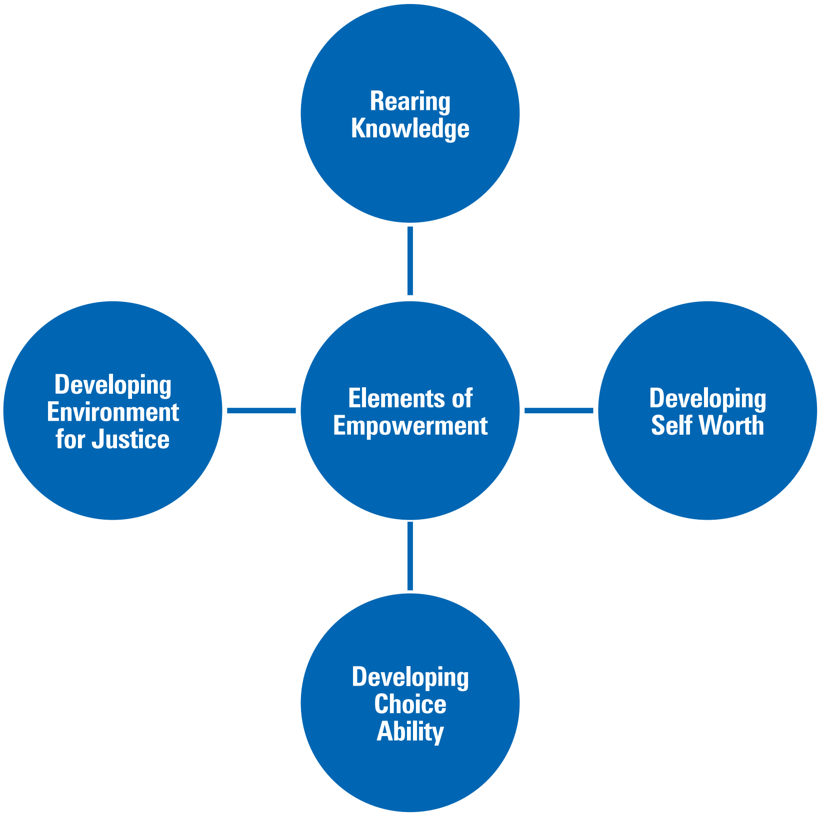
Women Concentration: Women entrepreneurship is more suitable than regular entrepreneurship not only from transparency point but also from good administration and honesty, imaginative power, ability to hard work, persistence, ability to take risk and profit earning capacity. You can tell the condition of a nation by looking at the status of its women--(Jawaharlal Nehru). Where women are respected, there Gods delight and where they are not, there all works and efforts come to naught—Manu Sanghita (III, 56). "Give a man a fish; he'll eat for a day. Give a women micro-credit, she, her husband, her children and her extended family will eat for a lifetime"—Bono.

WHY MICRO-FINANCE FOR WOMEN EMPOWERMENT

Particulars	2001	2011
Male Ratio	52%	48%
Female Ratio	51%	49%
Male Literacy ratio	75%	54%
Female Literacy ratio	82%	65%
Sex Ratio per 1000 Male	933	940
Chile Sex Ratio per 1000 Male	927	914
Population density per Sqkm	325	382

Source: 2001 and 2011 Census Report

ELEMENTS OF EMPOWERMENT, FIGURE 1



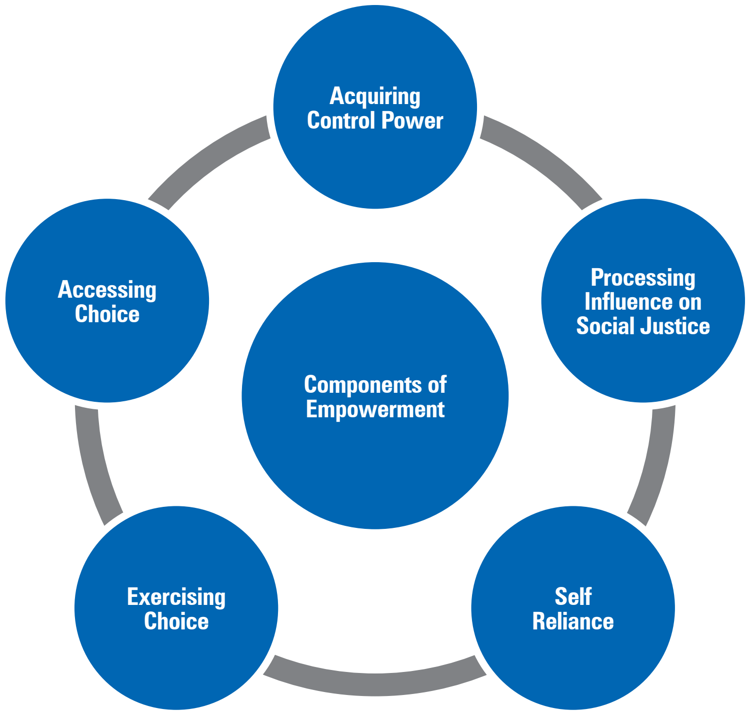
Features of Women Empowerment

Micro-finance and Status of Empowerment: Indian women's are lifting the social veil and breaking the custom barriers and entering into the working field of metamorphosis and transformed environment due to urbanization, westernization, industrialization and politicizations. The status of women in India ensures a great change and women's are not far behind in battle field of education, services, science, technology, profession, administration, local representations and parliaments both upper and lower house.

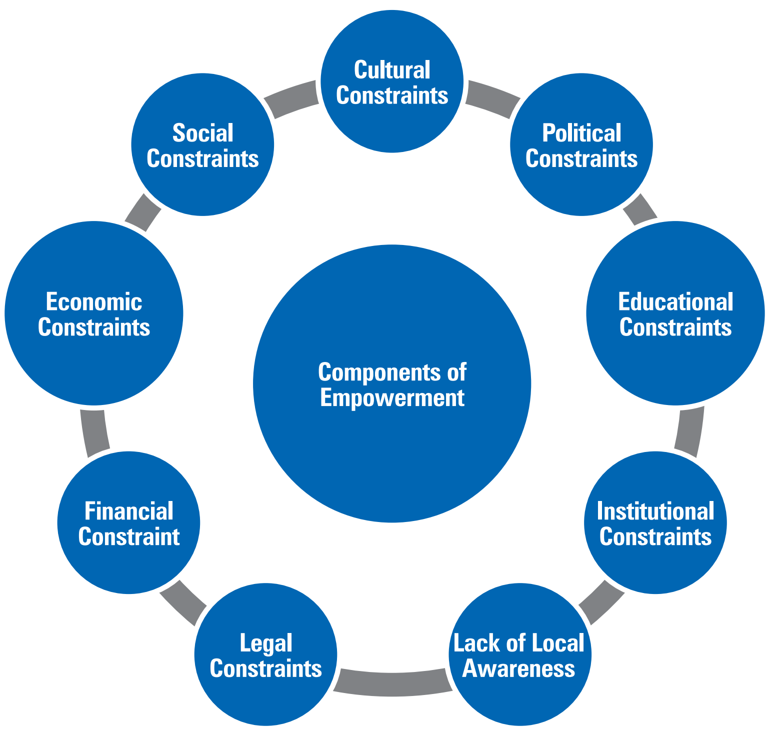
Micro-finance and Status of Employment: Indian women constitutes nearly half of total world population and one third of official labour force and performs two third of work hours and possess only one tenth of world income and less than one hundredth's of world's property (UN and ILO report). The statuses of women in India are swiftly changing and India witnessed a remarkable increase in number of women workers both private and public sectors and take participation economic decisions. Women workers, as silent decision maker, ensures a great change in their mind setup and they are not far behind from in battle field of teaching, doctors, nurses, advocates, judges, managers, administrators, police-officers, bank employees, clerks, telephone operators, local panchayet members, and members of parliaments in Loksabha and Rajya sabha.

Concept of Empowerment: Empowerment is the process of awareness (A) and capacity building (CB), leading to greater participation and front end engagement in better decision making process power and transformative action. Department for

COMPONENTS OF EMPOWERMENT, FIGURE 2



CONSTRAINTS OF EMPOWERMENT, FIGURE 3



International Development (DFID) defines Empowerment as "Individual acquiring the power and knowledge and act freely, exercise choice and struggle for justice to fulfil their potential has fallen equally members of society." See fig. 1,2 and 3.

Objectives of the study

Almost everywhere in third world countries, micro-finance has been recognised as an important and pivotal instrument to combat poverty. Professor (Dr) Mohammad Yunus, observed, the founding father of micro-finance (Grameen Bank), "If we are looking for one single action which will enable the poor to overcome their poverty, I will focus on credit". It is the banking for the poor. Keeping the view of the above great concept on micro-finance, the broad objectives of micro-finance are mentioned below:

1. Micro-finance intensity: To evaluate the extent of micro-finance and women empowerment

2. **Institutional initiatives:** To identify the institutional activities for women empowerment.

RESEARCH DESIGN

1. Methodology: For the purpose of women empowerment in India a field survey were made in 24 parganas(S) district. Twenty micro women entrepreneurs were selected as sample and several intensive study were explored to investigate the extent of women empowerment.

2. Sample Size: The present study deals with small sample survey. Twenty micro-women entrepreneurs were interviewed for their empowerment before taking assistance and after taking micro-credit from banks and micro-financial institutions specially panchayet and local authorities.

3. Statistical Tools: While analysing the survey data statistical tools like paired t test, student's t test for testing correlation coefficient and simple descriptive statistics are used for independency test among micro-finance variables.

4. Time Frame of Study: The survey is limited to three years period starting from 2012-2013, 2013-2014 and 2014-2015.

5. Data Source:

(a) Secondary Data: The main source of information is Census 2011 and 2001 for population related data. Besides that Research books, Seminar papers, Journals and internet based materials were used for the present study.

(b) Primary Data: The primary information is collected from field survey from different railway station among women micro-entrepreneurs. As per the requirement and necessity of the study, the data are grouped and sub-grouped for analysis and interpretations.

Null Hypothesis (H_0): There is no significant improvement in average income of micro-women entrepreneurs after micro-finance assistance

Alternative Hypothesis (H_1): There is a significant improvement in average income of micro-women entrepreneurs after micro-fi-

ANALYSIS AND INTERPRETATION BEFORE BACK-UP CORRELATION MATRIX

		AMI-BMF	Acapital-BMF	AAP-BMF
AMI-BMF	Pearson Correlation	1	.077	-.364
	Sig. (2-tailed)		.746	.115
	N	20	20	20
Acapital-BMF	Pearson Correlation	.077	1	.194
	Sig. (2-tailed)	.746		.412
	N	20	20	20
AAP-BMF	Pearson Correlation	-.364	.194	1
	Sig. (2-tailed)	.115	.412	
	N	20	20	20

AFTER MICRO-FINANCE BACK-UP CORRELATION MATRIX

		AMI-AMF	Acapital-AMF	AAP-AMF
AMI-AMF	Pearson Correlation	1	-.137	-.380
	Sig. (2-tailed)		.564	.099
	N	20	20	20
Acapital-AMF	Pearson Correlation	-.137	1	.073
	Sig. (2-tailed)	.564		.759
	N	20	20	20
AAP-AMF	Pearson Correlation	-.380	.073	1
	Sig. (2-tailed)	.099	.759	
	N	20	20	20

IMPACT ANALYSIS OF MICRO-FINANCE ASSISTANCE

PROPOSITION—I: Micro-finance assistance and Women Empowerment are independent of each other.

DEPENDENT SAMPLE T TEST

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 AMI-AMF - AMI-BMF	2507.500	1110.272	248.264	1987.877	3027.123	10.100	19	.000
Pair 2 Acapital-AMF - Acapital-BMF	26000.000	9931.343	2220.716	21351.988	30648.012	11.708	19	.000
Pair 3 AAP-AMF - AAP-BMF	34850.000	8014.953	1792.198	31098.886	38601.114	19.445	19	.000

nance assistance

Results and Interpretations

1. Average Monthly Income: It is observed from table—3 that there is a remarkable improvement in average monthly income of twenty micro-women entrepreneurs after exploring micro-finance assistance during the study period of 2012—2015. The observed value of t is 10.10 with 19 degree of freedom with corresponding probability value of .000. The critical value of t is 2.093 with 19 degree of freedom. Hence the null hypothesis is rejected and concluded that women micro-entrepreneurs average income level is dependent of micro-finance assistance during the study period of twenty respondents.

PROPOSITION—II: Micro-finance assistance and Average Capital Position of Micro-Women Entrepreneurs are independent of each other.

Null Hypothesis (H_0): There is no significant improvement in average capital positions of micro-women entrepreneurs after micro-finance assistance

Alternative Hypothesis (H_1): There is a significant improvement in average capital positions of micro-women entrepreneurs after micro-finance assistance.

Results and Interpretations

2. Average Capital Position: It is observed from table—3 that there is a remarkable improvement in average capital position of twenty micro-women entrepreneurs after exploring micro-finance assistance during the study period of 2012—2015. The observed value of t is 11.708 with 19 degree of freedom with corresponding probability value of .000. The critical value of t is 2.093 with 19 degree of freedom. Hence the null hypothesis is rejected and concluded that women micro-entrepreneurs average income level is dependent of micro-finance assistance during the study period of twenty respondents.

PROPOSITION—III: Micro-finance assistance and Average Assets Position of Micro-Women Entrepreneurs are independent of each other

Null Hypothesis (H_0): There is no significant improvement in average assets positions of micro-women entrepreneurs after micro-finance assistance

Alternative Hypothesis (H_1): There is a significant improvement in average assets positions of micro-women entrepreneurs after micro-finance assistance.

3. Average Assets Position: It is observed from table—3 that there is a remarkable improvement in average assets positions of twenty micro-women entrepreneurs after exploring micro-finance assistance during the study period of 2012—2015. The observed value of t is 19.445 with 19 degree of freedom with corresponding probability value of .000. The critical value of t is 2.093 with 19 degree of freedom. Hence the null hypothesis is rejected and concluded that women micro-entrepreneurs average income level is dependent of micro-finance assistance during the study period of twenty respondents.

Conclusion: In a concluding observation it is obvious that micro-finance ensures easy access in financial services and credit to rural households and poor women, being space maker of development, both in rural and urban space. To belie the obstacles of micro-finance, government and bureaucratic efforts should be extended to promote micro-credit as a human right. Though there are different models for pursuing micro-finance, the governance mechanism should be strengthened to rear the outcomes of small credit and holistic development.

Suggestions: The government of India has drafted the Micro-finance bill 2011 to regulate the micro-credit institutions and released on 20th June, 2011. The newly drafted micro-finance bill 2011 should be exhaustively implemented to reduce the gap of women exclusive saving in banks of 72.57% of SHGs savings as on 31st March, 2010. Thus micro-finance has become expedient to provide for a formal statutory framework for the promotion, development, regulation and orderly growth of small and micro credit thereby to facilitate unique access to integrate financial services for the unbanked population.

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madanmohan.jana3@gmail.com

CAUGHT IN THE TAX PINCER: WORKS CONTRACTS IN INDIRECT TAXATION

The dual taxation of works contracts under VAT and Service Tax laws has caused difficulties to the taxpayers and endemic excessive taxation. This article analysis the tax tango between VAT and Service Tax Law with special emphasis on service tax treatment of material value offered to the levy of VAT

"What usually comes first is the Contract" – Benjamin Disraeli, the Victorian British Prime Minister

Dr. Ravindran Pranatharthy
Advocate – Indirect Taxes & IPRs

WELL, no truer words have perhaps been spoken of contracts and their implications than this intriguing quote attributed to Benjamin Disraeli, the 19th century British statesman. The contracts are the first and easy pickings for the tax agencies. The education guide released by the Central Board of Excise & Customs to explain the features of the new–look Service tax in force from 1st July 2012 said in Para 2.3 that contractual relationship is the basis of taxable activity under service tax law. The history of contracts is as old as the story of human civilization. They range over a wide spectrum of personal and business relationships. Each contract has its own unmissable signature in the form of its essential character, such as employment, jobbing, skill& labor, sale, supply etc. Among these are a unique category of commercial agreements known as Works Contracts. The distinguishing feature of works contracts is to be found in the dominant character of such contracts which is to perform agreed work on materials given by the awarder of the contract to the person undertaking the obligation to perform the work for a consideration. Despite its unique fixation with performance of work, such contracts cannot be treated as contracts of pure skill and labour. They are to be distinguished also from contracts of sale since the involvement of goods and materials in the execution of such contracts is incidental to the singular purpose which is to perform the agreed work. Another important feature which sets the works contract apart from other types of contracts is that the ownership of the materials appropriated to the contract whether directly given by the contractee or sourced by the contractor himself is vested with the contractee (by an inevitable process of accretion and attachment to the client materials). In the event of a breakdown in the works contract, the works contractor cannot object in law to the materials being taken over by the contractee. The contractor will of course have claim for his work and material under quantum meruit or equity. The works contracts are a common feature in infrastructure, engineering, development and maintenance arenas. It is convenient to characterise works contracts as composite agreements involving supply of goods and services. The agreements for executing the desired work may or may not separate the materials and services in value terms. When the works contracts do not segregate between goods and services, they are known as indivisible contracts. For a long time, it was the case that such indivisible works contracts could not be separated by a fiction of law and since sale was not a leit motif of such works contracts, sales taxes could not be successfully levied on such contracts. In several high profile cases, including the landmark litigation in State of Madras Vs Gannon Dunkerley -AIR 1958 SC 560, it was affirmed that works contracts could not be artificially vivisected between materials and labour portions for levying sales tax. With the development of business and commerce leading to infrastructural development in the country, the activities in the nature of works contracts were increasing and the State Governments in India were frustrated that they could not levy sales taxes on such works contracts. The Union Government then came to the rescue of the States by effecting forty sixth constitutional amendment in 1982 providing for the fiction of deemed sale of goods in the course of execution of such works contracts. As the Constitutional change opened the flood gates of taxation of works contracts, the State tax laws lost no time in defining taxable works contracts giving the widest terms to favour the Revenue. The definitions of Works Contracts in State VAT Systems& Service Tax are as follows:

Typical definition of works contracts under State VAT Laws	Definition of works contracts under Service Tax Law
"Works Contracts" includes any agreement for carrying out for cash, deferred payment or other valuable consideration, building construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning, or any movable or immovable property.	**"Works Contracts" means** a contract wherein transfer of property in goods involved in the execution of such contracts is leviable to tax as sale of goods and such contract is for the purpose of carrying out construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration of any movable or immovable property or for carrying out any other similar activity or part thereof in relation to such property.

As can be seen, the definitions are really broad, capture a vast scope and are overlapping substantially between the two tax systems. The history of taxation of works contracts has seen many ups and downs for both sides - evolving from issues of whether a contract was a works contract, to whether taxes can be levied on the involvement of materials and labour and finally to the taxable quantum of such materials and labour. Broadly the tax systems, particularly the State VAT Laws generated substantial tax flows through the following tax options exclusive to works contracts:

(A) Segregation of the quantum and value of goods and services by the works contractor resulting in VAT taxation of the value of goods (and levy of service tax by the Union government on the value of services).

(B) The VAT Rules of the States also display deemed labour and non-material charges as a percentage of value of the works contracts. For example, Tamil Nadu VAT Law prescribes the following:

Sl No	Types of works contract	Labour or other charges as a percentage value of the works contract
(1)	(2)	(3)
1.	Electrical Contracts	15
2.	All structural contracts	15
3.	Sanitary contracts	25
4.	Watch and / or clock repair contracts.	50
5.	Dyeing contracts	50
6.	All other contracts	30

(C) In the alternative, a compounding tax of 2% for civil works contracts and 5% for all other types of works contracts in a typical State VAT Law could be seen in many state Vat systems. A compounding tax of 4% plus education cess in service tax which was prevalent for a while has been substituted by a fixed percentage of value method.

The dual taxation of works contracts under VAT and Service Tax Laws has caused difficulties to the taxpayers and endemic excessive taxation more than contemplated by the statutory provisions. In this article, the tax tango between VAT and Service Tax Law will be analysed with special emphasis on service tax treatment of material value offered to the levy of VAT. The often anomalous and varied treatment of works contracts in several state VAT laws will be taken up in a subsequent article.

Taxation of works contracts in service tax law

The forty sixth constitutional amendment in 1982 paved the way for thecreation of a legal fiction of deemed sale of goods in the execution of works contracts and resulted in levy of sales taxes on the actual or deemed value of goods in the works contracts. Despite jurisprudential misgivings as to whether service tax can be imposed on

EACH CONTRACT HAS ITS OWN UNMISSABLE SIGNATURE... AMONG THESE ARE A UNIQUE CATEGORY OF COMMERCIAL AGREEMENTS KNOWN AS WORKS CONTRACTS

the collateral service in the works contracts, the Union Government has succeeded in imposing service tax on the service portion of the works contracts. Thelevy has been in place since 1st June, 2007 and has expanded considerably since 1st July, 2012. Now, there is not much difference in the taxable scope of works contracts in the definition of the phrase in the respective tax systems. The exclusive provisions relating to the levy of service tax on the value of service portion in the execution of a works contract are contained in Rule 2A of Service Tax (Determination of Value) Rules, 2006. In essence, the rules provide for two methods of valuation. In the first method, the value of the service portion in the works contracts is made equivalent to the gross amount charged for the works contracts less the value of property of goods transferred in the execution of the works contracts. Thus, the service portion is arrived at, with which to calculate leviable service tax. The other method is based on artificial enumeration of the service value in the works contracts. The method is described in the rule as follows:

(A) In case of works contracts entered into for execution of original works, service tax shall be payable on forty per cent of the total amount charged for the works contract;

(B) In case of works contract, not covered under sub-clause (A), including works contract entered into for,—

(i) maintenance or repair or reconditioning or restoration or servicing of any goods; or

(ii) maintenance or repair or completion and finishing services such as glazing or plastering or floor and wall tiling or installation of electrical fittings of immovable property, Service tax shall be payable on seventy per cent of the total amount charged for the works contract.

For both methods, arriving at the gross/total amount charged for the works contract service becomes significant. The rule provides for calculation of gross/total amount by specifying exclusion of cost of goods and VAT paid on such goods and inclusion of certain labour and service charges as detailed below. This is in addition to the inclusion of fair market value of goods and services supplied by the contractee under the same contract or a different or collateral contract:

(i) Labour charges for execution of the works;

(ii) Amount paid to a sub-contractor for labour and services;

(iii) Charges for planning, designing and architect's fees;

(iv) Charges for obtaining on hire or otherwise, machinery and tools used for the execution of the works contract;

(v) Cost of consumables such aswater, electricity, fuel used in the execution of the works contract;

(vi) Cost of establishment of the contract relatable to supply of labour and services;

(vii) Other similar expenses relatable to supply of labour and services; and

(viii) Profit earned by the service provider relatable to supply of labour and services.

It is pertinent to note that the above provisions mandating inclusion of these costs of labour and services have been taken from the judgment of the Supreme Court in the case ofGannon Dunkerley & Co Vs State Of Rajasthan 1993 (1) SCC 364 (vide Para 45).

Segregation of the cost of goods to arrive at service tax assessable value in works contracts service

The Law of Service Tax clearly recognises that only the service portion in the works contracts can be taxed in terms of sub-clause (44) of Section 65B of Finance Act, 1994. Towards this end, Service Tax Valuation Rules stipulates vide explanatory clause (a) of Rule 2A that VAT/Sales Tax paid on transfer of property in goods involved in the execution of the works contract shall not be taken into account. Explanatory clause (c) to the above rule stipulates that where VAT or Sales Tax has been paid or is payable on the actual value of property in goods transferred in the execution of the works contract, then, such value adopted for the purpose of payment of VAT /Sales Tax shall be taken as the value of property in goods transferred in the execution of the works contract for determination of the value of the service element in the works contract.

Interpretation of "actual value"

Problems have arisen on the interpretation of the phrase 'actual value' in some jurisdictions. The service tax officials have construed it to mean the purchase cost or the cost of manufacture of such goods and have questioned the adoption of the VAT assessable value by the works contractors for the purpose of exclusion of such value to arrive at service tax liability. In this connection, it is just and fair to note that the phrase actual value means a real value other than deemed or notional value. It cannot be taken as implying purchase cost or cost of manufacture (or cost of provision of service).This proposition is clearly discernible in the circular No Circular No. 162/13/2012-S.T dated 6-7-2012issued by the CBEC while dwelling on the impact of effect of change in rate of tax in the context of Point of Taxation of Rules 2012. The relevant extract of which is as follows: "(iv) change in the manner of payment of tax from composition scheme under the Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 to payment on actual value under clause (i) of rule 2A of the Service Tax (Determination of Value) Rules, 2006.

The use of the phrase actual value is thus used in contradiction to deemed value or notional value which is one of the options in the State VAT Systems regarding payment of VAT on works contracts. The Service Tax law disfavours such deemed/notional value and supports actual value adopted for VAT payment. So long as such actual value has been arrived at by generally accepted accounting principles, it cannot be questioned by the officers of the Service Tax Department. As a matter of fact, recent judicial trends clearly favour acceptance of material value adopted by works contractors, provided VAT has been paid on such value or where the segregation of such value has been instrumentalised in the works contract. The following case laws are significant for the principles of material value segregation and may be noted here:

(i) WIPRO GE MEDICAL SYSTEMS PVT LTD Vs COMMISSIONER OF SERVICE TAX, BANGALORE - 2009 (14) S.T.R. 43 (Tri. - Bang.):

In this case it has been held that service tax cannot be levied on the sale value of materials sold in the course of providing services where though the value was at a percentage fixed in the contract but was accepted by the VAT department of Karnataka. The Tribunal affirmed that:

"Once the sales tax has been paid on the materials, then on the same service tax also cannot be charged. In fact, the appellants had relied on the decision of the Hon'ble Karnataka High Court which has been upheld by the Hon'ble Supreme Court. In the Modi Xerox case it has been clearly held that in the Annual Maintenance Contract, the replacement of spares etc. would be considered as sale. Even in the present case, on 70% of the value sales tax has been paid and this has been accepted by the Government of Karnataka. This fact also cannot be ignored. Moreover, Notification No. 12/2003 dated 20-6-2003 clearly provides for exempting the value of the materials sold during the provision of the service. Whenever, any service is provided and if in the course of the provision of the service certain materials are used they will definitely be considered as sale".

The decision of the Tribunal has been upheld by the Hon'ble Supreme Court on merits in Commissioner Vs Wipro GE- 2012 (28) S.T.R. J44 (S.C.).

(ii) COMMISSIONER OF CENTRAL EXCISE, AGRAVsM/s GOVERDHAN TRANSFORMER UDYOG PVT LTD-2014-TIOL-1973-HC-ALL-ST:

THE METHOD OF FIXING LABOUR PERCENTAGES IN THE VAT SYSTEM AND PERCENTAGE OF SERVICE PORTION OF THE SERVICE TAX HAS BEEN RATHER OPAQUE AND UNCONSULTATIVE

In this case, The Allahabad High Court relied on its own judgment in the case of Commissioner of Customs and Central Excise Vs. J.P. Transformers- 2014-TIOL-1555-HC-ALL-STand observed:

"Where the agreement between the respondents and the Dakshinanchal Vidyut Vitaran Nigam Limited incorporates separately the value of the goods or materials from the value of the services rendered, service tax cannot be levied on the component of goods or materials".

Tax on Tax

Another area of discord concerns the question of whether VAT and Service tax will exclude the respective opposite taxes in the calculation of their respective tax value chain. It may be seen that Service tax law excludes Vat assessable value and Vat paid on it for the two methods of valuation it has prescribed. The VAT laws have no such exclusion of Service tax under the option of compounding tax/deemed labor percentage. The Apex Court has held in the leading case of Imagic Creative Pvt Ltd Vs Commissioner of Commercial taxes -2008 (9) S.T.R. 337 (S.C.)that payments of VAT and Service tax are mutually exclusive. The two tax systems cannot lawfully target singular, identical tax base. The principle has received further boost in the case of Valley Hotel & Resort Vs Commissioner of Commercial Taxes, Dehradun - 2014 (35) S.T.R. 28 (Uttarakhand).

Conclusion

The dual taxation of works contract by VAT and Service Tax systems has resulted in heavy taxation of the value of materials and services. Since the provisions relating to taxationof works contract are complex and varied, it is difficult to put up a precise quantum of the tax burden. But it can be safely stated that the overall taxation in works contract including both VAT and Service Tax taken together with restrictions on availment on input tax credit and the VAT injunction inmany States against passing on the tax to the customers has been around 20% and may be higher in select cases. The method of fixing labour percentages in VAT system and percentage of service portion of the Service tax has been rather opaque and unconsultative. It is a mystery as to how such percentages and abatements are fixed by the respective tax administrations. Unlike the fixing of rates of duty drawback there is no calling for feedback and participation of taxpayers and their respective organisations in the formulation of works contract tax policies. The multiple restrictions on availment of input credits in the case of works contracts have been irrational and uneconomical. It is high time that the Union Government took up a study of the taxation of works contracts and engaged with the State Governments to ensure that the taxation of works contract is moderate, transparent and is in alignment with tax policies for goods and services. Allowing endemic excessive taxation to persist in the case of works contracts will not be conducive to moderating the cost of infrastructural projects which are of vital importance to the economy. The taxation of works contract in the coming GST will be watched keenly and with concern. MA

ravinpranaa@gmail.com

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2. In case of theme article, the soft copy to be mailed to the above stated mail ID latest by 1st of the preceding month in which the article is sought to be published. That is, for an article to be published in February, the same may be forwarded by 1st of January, at least.

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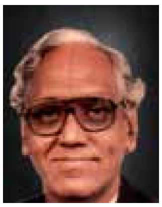
ARE ALL INCOMING RECEIPTS TAXABLE AS INCOME? DELHI HIGH COURT CLARIFIES THE LAW IN INDIA TODAY'S CASE



TCA Ramanujam
Chief Commissioner of Income Tax (retd.), Advocate High Court, Madras

TCA Sangeetha

IT will be fallacious to assume that every incoming receipt is taxable as income. Income tax law nodoubt taxes income. But what is income is something to be gathered from the definition clause and from the volume of case law built on the subject. It is a study of the development of the case law on the subject that makes the statute fascinating. One should expect the law to define precisely what income is. Amendments after amendments have been made to bringin all sorts of receipts into the definition clause. But still, Courts have come to help harassed taxpayers with relief.

Section 2(24)

The definition of the term 'income' is contained in section 2(24) of the Income Tax Act, 1961. This is inclusive definition and not exhaustive. 'Income' includes not only those items which this clause declares as such, but it also includes those items which signify income character according to the natural import of the term. Tax is attracted at the point of earning. The law is not concerned with how the income is expended. All incomes are taxed including tainted income. The meaning of the termis widened by inclusion of various items of receipts. Unless some exemption is conferred by the statute, all receipts will become taxable in the normal course. It will also include real income, i.e. income which has really accrued or arisen but not received. There is a category of receipts known as capital receipts. They are outside the purview of taxation. Certain receipts may not be capital but still may be outside the tax net. Personal gifts, testimonial payments and voluntary payments will all fall in this category. Till recently, we had one section 10 (3) in the Act which exempted casual and non-recurring receipts from taxation. The section was omitted by Finance Act, 2002 w.e.f 1.4.2003. Rowlatt J. gave several instances of casual receipts. These included a gift, finding money or an article of value, winning a bet and casual profit in an isolated transaction not amounting to trade. At the same time, the English Judge mentioned that a person who is not a professional journalist would be taxable on profits earned by writing a single Article or book. The views of Justice Rowlatt were roundly criticized by the later English judges.

Section 10(17A)

In this study, we have to consider the implications of Section 10(17A) of the Act which exempts payment in pursuance of any award instituted in the public interest by the Central or State Government or by any other body and approved by the Central Govt. in this behalf in public interest. A specific approval of the Government is a condition precedent for the exemption under this clause. One income tax Officer tried to take advantage of this clause by claiming that a reward for work done by him in connection with the Voluntary Disclosure Scheme 1975 was exempt. Courts negatived the claim because there was no notification or approval.

The Case of the Editor of India Today

The B.D Goenka Foundation made a cash award of Rs. One lakh to AroonPurie, Editor, India Today, for Excellence in Journalism.Purie derived income from salary, interest, dividend and property. He declared his income as Rs.5,47,190/- for the assessment year 1991-92. The Assessing Officer noted that the assesse had claimed exemption for a sum of Rs.one lakh received from B.D.Goenkaaward for excellence in journalism. He was of the view that the award was not covered by the exemption provision of Section 10(17A).He brought the sum of Rs.one lakh as income.The Editor lost in the Appeal before the CIT (Appeals) and in the Appeal before the Income Tax Appellate Tribunal. He went in further appeal before the Delhi High Court. The Appeal was heard by a Division Bench comprising of Hon'ble Justice SanjivKhanna Justice V.KameswarRao and judgment was delivered on 27th March, 2015 231 Taxmann 349. A lot of authorities came to be cited from both sides to decide the question. The Court noted that in the absence of a Notification, the award for Excellence in Journalism should normally be in the nature of income liable to be taxed. It then referred to the inclusive definition given in Section 2(24) without being exhaustive in scope. Section 2(24) adopts a dual approach. 'Income' means what would be included and is treated as income, and in addition certain specified categories of receipts are deemed to be income. "Nevertheless all receipts or incomings are not income and are not exigible to tax. A capital receipt is not taxable income". It went on examine the meaning of profession or vocation. It referred to the Ruling in P.KrishnaMenon vs. CIT 35 ITR 48 where the Supreme Court pointed out that if any business, profession or vocation produced an income,it is taxable income even though it might havebeen carried on without the motive of producing income. It accrued to him by a virtue of his Office as a Vedanta Scholar. Voluntary payment obtained because of office or vocation would be taxable. But the Delhi High Court distinguished this case on the ground that payment made for purely personal reasons and unconnected with the office or vocation would not be taxable. Personal gifts are exempt but remuneration is not. Neither the quantum nor the nomenclature given to the payment will be decisive of the matter. It also referred to several leading cases like Mahesh AnantraiPattani v. CIT (1961) 41 ITR 481 (SC) and ParimisettiSeetharamammav. CIT (1965) 57 ITR 532 (SC) and pointed out that the Income Tax Act does not make a blanket provision for treating every receipt as taxable income. Testimonials and personal gifts will not fall within the ambit of the term 'income'. It is for Revenue to prove that the receipt is income within the law. It is for the assessee to prove that it is exempt. After examining a series of cases on the subject both for and against, on the subject, the Delhi High Court held that the amount received by ArunPurie would be a capital receipt, being purely in the nature of a testimonial.

The High Court concluded:"The causacausans in the present case is not directly relatable to the carrying on of vocation as a journalist or as a publisher. It is directly connected and linked with the personal achievements and personality of the person i.e. the appellant. Further, it is to be noted that the payment in this case was not of a periodical or repetitive nature.The payment was also not made by an employer; or by a person associated with the "vocation" being carried on by the appellant; or by a client of his. A third person, who was not concerned with the activities or associated with the "vocation" of the appellant, has paid the prize money in the instant case. It being a payment of a personal nature, it should be treated as capital payment, being akin to or like a gift, which does not have any element of quid pro quo.The aforesaid prize money was paid to the assessee on a voluntary basis and was purely gratis…"

Conclusion

It has often been said that a spin of the coin will decide whether a receipt is capital or Revenue in nature. The Delhi High Court examined the authorities on the subject exhaustively and decided the matter against the Revenue. The judgment goes into the fundamentals of the concept of income and requires to be analyzed in depth. MA

ramanuja@vsnl.com

TAX TITBITS

CMA S. Rajaratnam
Advocate and Tax
Consultant, Chennai

Tax Accounting Standards

As many as ten Accounting Standards have been notified in S.O.No.892(E) dated 31.3.2015 to take effect from 1.4.2015. They relate to valuation of inventories, computation of income from construction contracts, revenue recognition in sale of goods and rendering of services, computation relating to tangible assets and changes in foreign exchange rates, treatment of subsidies, transactions relating to securities, treatment of borrowing cost and treatment of provisions for what are described as contingent liabilities.

The Tax Accounting Standards vary from Accounting Standards issued by the Institute of Chartered Accountants of India, though most of them are mandatory under the company law with the Government committed to the process of convergence with International Accounting Standards. The effect of notified Tax Accounting Standards is in reverse gear treating capital receipts as income as in the case of subsidies on capital account or to prepone recognition of future income as in the matter of retention moneys. The provisions made in the accounts would have to satisfy the further test that they are not over-provided.

These standards are silent as regards alternative liability for Minimum Alternate Tax (MAT), which is extended to foreign companies by the Finance Act, 2015, so that taxpayers would be bound by their own accounts for this alternative liability. On fear of adverse impact on foreign direct investments, this extension is referred to Justice A.P. Shah Committee with the possibility that it may be dropped. A level playing ground for the Indian investors should mean that MAT is not applicable even for Indian taxpayers.

Gold Monetisation Scheme

In close pursuit of Black Money Bill discussed in the last issue, Gold Monetisation Scheme is announced. It provides that any quantity more than 30 grams can be accepted as deposit by banks with reference to the prescribed purity level of gold assessed by a purity testing centre. The requirement of melting jewellery may discourage depositors of jewellery according to some press reaction. The amount deposited will be credited to gold savings account of the depositors available for withdrawal after a lock-in period of one year. Any drawings in cash at the prevailing price of gold would not attract liability for capital gains tax. The banks administering the scheme would be eligible to treat the gold for CRR/ SLR requirements, part with the gold against foreign currency and convert them into gold coins and lend them to jewellers. Interest will be more liberal than under the previous gold bonds.

Without any ceiling on holding of gold, the effectiveness of the scheme is open to doubt. Black Money Bill and Gold Monetisation Schemes are unfortunately inadequate to bring the gold and cash both accounted and unaccounted into the mainstream. More innovative policies are necessary.

Advance Pricing Agreement

The Board has issued an elaborate Circular No. 10 dated 10.6.2015 on Advance Pricing Agreement Scheme, which will save companies with transactions of holding/ subsidiary companies and their associate companies from the ordeal of transfer pricing regulations.

On-line response to objections to wrong demands

The accounting system adopted by the Income Tax Department is chaotic as it follows single entry accounting system. One of the frequent complaints of the taxpayers is that they are reminded or often threatened by coercive action for taxes paid long before. There is now a welcome effort on the part of tax administration promised in Circular No. 8 of 2015 dated 14.5.2015 prescribing a Standard Operating Procedure for Verification and Correction of Demand. It is for the assessee to respond in electronic form with information required in the standard format. It is hoped that this effort will solve a long standing grievance of the taxpayers.

Charter fees – whether royalty?

Lease of a ship used as a dredging equipment on bare boat charter basis was not accepted as income from shipping not liable to tax under Double Tax Avoidance Agreement. The ship was treated as a mere plant and the charter fees as hire (royalty) in Poompuhar Shipping Corporation Ltd./ West Asia Maritime Ltd. v. ITO (International Taxation) [2014] 360 ITR 257 (Mad). The same issue came up before the High Court in CIT v. Van Oord Acz Equipment BV [2015] 373 ITR 133 (Mad), but was decided differently with reference to an amendment made to Article 12(4) of the Double Tax Avoidance Agreement between India and Netherlands from April, 1988 deleting the term "payment for use of the equipment" from the definition of royalty distinguishing Poompuhar Shipping Corporation Ltd.'s case (supra) pointing out that the nature of business being shipping under Article 12(1) alone would have application and accordingly confirmed non-liability dismissing the departmental appeal.

Ex-gratia payments to retiring employees

Payments to the retiring employees more than what is contractually or statutorily payable need not be disallowed. Any payment to an employee made at the time of retirement is deductible as was decided in CIT v. Dharamsi Morarji Chemicals Co. Ltd. [2015] 373 ITR 545 (Bom).

Tax failed to be deducted at source

Where the payee has paid the tax as contended by the assessee, no liability can be fastened on the payer under section 201(1) for failure to deduct tax at source, as has been held by the Supreme Court in Hindustan Coca Cola Beverage P. Ltd. v. CIT [2007] 293 ITR 226 (SC). In Sowbhagya Media Ltd. v. ITO [2015] 39 ITR (Trib) 404 (Hyderabad), the Tribunal upheld the remand order by the Commissioner (Appeals) directing the Assessing Officer to verify assessee's contention that tax has been paid on the amount by the deductee. Meanwhile, section 201 is also amended to spare liability for deduction where tax is paid by deductee, subject to a certificate by a Chartered Accountant, that the related income is accounted by the recipient.

Explanation to section 80IB declared unconstitutional

Explanation to section 80IB(9) deeming allotment of more than one unit in the same block for extraction of mineral ore as a single undertaking was declared unconstitutional by the Gujarat High Court in Niko Resources Ltd. v. Union of India (2015) 374 ITR 369 (Guj). The vested right to the benefit available with reference to each undertaking, without having to reckon the loss in any other undertaking, cannot be divested. The amendment, it was held, cannot be justified by claiming it to be clarificatory or declaratory or curative.

Effect of non-furnishing of Permanent Account Number for payments to non-residents

Section 206AA provides for a rate of 20% for tax deduction at source, where Permanent Account Number (PAN) is not furnished by the non-resident. But this requirement can have no application, where the payment is to a non-resident belonging to a country with which India has agreement for Avoidance of Double Taxation, because of treaty override, as was decided in Dy.DIT (IT) v. Serum Institute of India Ltd. (2015) 56 taxmann.com 1 (Pune-Trib).

Dividends paid by foreign company not taxable in India

Explanation 5 to section 9(1)(i) meant to tax the capital gains on transfer of underlying assets of a foreign company cannot have an extended effect of taxing the dividends paid by non-resident out of such profits as has now been conceded by Circular No. 4 of 2015 dated 26.3.2015 (2015) 372 ITR (St.) 14.

s.rajaratnam@vsnl.com

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Case Laws

- **ITAT unsettles the settled law; allows set-off of long term capital loss arising from sale of STT paid equity shares -** Assessee filed its return of income wherein it claimed set-off of long term capital loss arising from sale of shares (STT paid) against the long term capital gain arising from sale of land. The Assessing Officer denied setting off of such loss by relying upon the verdict of Apex Court in case of *CIT* v. *Hariprasad & Company Pvt. Ltd.* [1975] 99 ITR 118.

  The Tribunal held that the ratio and the principle laid down by the Hon'ble Apex Court in the case of *Hariprasad* (*supra*) would not apply in the instant case, as the concept that 'income will include loss' would apply only when entire source is exempt from tax and not when only one of the income falling within such source is exempt. The income contemplated under section 10(*38*) is only a part of the source of capital gain and only a limited portion of such source is treated as exempt. Hence, long term capital loss on sale of shares could be set off against long term capital gain on sale of land - *Raptakos Brett & Co. Ltd.* v. *Dy. CIT* [2015] 58 taxmann.com 115 (Mumbai - Trib.)

- **No denial of section 11 relief to hospital just because it didn't provide concessional treatment to poor patients -** The Assessing officer (AO) disallowed exemption under section 11 to assessee-trust, running a multi-specialty hospital, on ground that assessee was earning profit from its activity and it had failed to provide concessional treatment to poor patients.

  ITAT held that there is no provision under the Income-tax Act which would disentitle assessee to claim exemption under Section 11 on the ground that it did not provide concessional treatment to poor patients and, therefore, exemption could not be disallowed on this ground - *ITO* v. *Noble Medical Foundation & Research Centre* [2015] 57 taxmann.com 333 (Pune - Trib.)

- **Forced stay in India due to invalid impounding of passport to be excluded for determining residential status: HC -** The assessee challenged the additions made by revenue on the ground that status of assessee in relevant assessment year was of non-resident. According to assessee, his stay in India during the year had exceeded 182 days because of reasons beyond his control as his passport was illegally impounded by the Govt. agencies. The Delhi High Court held that the period of such forced/unwilling stay in India could not be counted for determining his residential status of assessee under section 6 - *CIT* v. *Suresh Nanda* [2015] 57 taxmann.com 448 (Delhi)

Statutes

- **CBDT extends due date of filing return from July 31, 2015 to August 31, 2015 -** The income-tax return ('ITR') forms for assessment year 2015-16 which was notified by the CBDT on 15th April 2015 faced criticism from all corners as in those ITR forms, Government was seeking too much details from the taxpayers, *inter alia*, details about foreign travel and reporting of closing bank balance of all bank accounts held at any time (including opened/closed ones) during the previous year.

  So, the Government decided to review such ITR forms having considered the responses received from various stakeholders. Accordingly, a press release was issued which proposes to make some substantial changes in those ITR forms to make them simpler for the taxpayers.

  The press release proposed to extend the time-limit for filing return by one month as the utility for e-filing of return as per new ITR forms is likely to be made available by third week of June, 2015. Now, the CBDT has extended the time limit for filing of return from July 31, 2015 to August 31, 2015 - ORDER [F.NO.225/154/2015/ITA.II], DATED 10-6-2015

SERVICE TAX

Case Laws

- **Mere supervision of loading of goods without any clearing/forwarding as such does not amounts to C&F agent's service -** Merely supervising and liaisoning with coal company and railways to see that material required by cement companies is loaded as per schedule, cannot amount to clearing and forwarding agent's services, as there is no 'clearing activity' and 'forwarding activity' performed - *Coal Handlers (P.) Ltd.* v. *CCE* [2015] 57 taxmann.com 402 (SC)

- **Imported LCDs aren't classifiable as 'parts of electricity meter' even if used in making such meters -** Liquid Crystal Display (LCD) imported by assessee for use in manufacture of electricity meters are classifiable as 'LCD not constituting articles provided for in other headings' under Heading 9013.80 and not as 'parts of electricity meters' under Heading 9028.90 - *Secure Meters Ltd.* v. *CC* [2015] 57 taxmann.com 434 (SC)

- **Buying paying 'price inclusive of all taxes' cannot be asked to pay tax :** Kerala VAT - Where Official Liquidator issued a notice inviting tenders in respect of sale of assets of a company in liquidation and appellant had offered its highest bid which was inclusive of all statutory levies such as sales tax, etc. and offer so made was accepted by Official Liquidator, liability to pay taxes could not be imposed on appellant - *Hindustan Urban Infrastructure Ltd.* v. *Assistant Commissioner, Ernakulam* [2015] 58 taxmann.com 27 (SC)

- **Goods purchased by branch office and transferred to head office situated in other State – Not amounts to 'inter-State sale' -** Where branch office of assessee situated in State of Andhra Pradesh had purchased Beedi leaves by participating in auction conducted by Forest Department of Andhra Pradesh and received them subsequent to payment made to seller and thereafter transferred said leaves to head office in State of Maharashtra, transaction was not an inter-State sale under section 3(*a*) - *CCT* v. *Desai Beedi Company* [2015] 57 taxmann.com 216 (SC)

- **Apex Court upholds plea of revenue neutrality to set aside invocation of extended period -** When entire exercise is revenue neutral *i.e.*, credit of duty paid on captive consumption is available to assessee itself, extended period cannot be invoked, as assessee could not have achieved any purpose to evade duty - *Nirlon Ltd.* v. *CCE, Mumbai* [2015] 58 taxmann.com 28 (SC)

- **Unjust enrichment doesn't apply to amount deposited for release of seized goods as such deposit is not a 'duty' -** Amount deposited for release of seized goods in compliance with interim order passed by High Court, was not towards duty; hence, question of unjust enrichment would not arise at all to refund thereof - *CC* v. *Finacord Chemicals (P.) Ltd.* [2015] 57 taxmann.com 408 (SC)

- **CESTAT applies brakes on assessee's practice of taking back-dated credit after departmental audit -** If some credit is admissible on basis of cenvatable documents existing with assessee on date of visit of audit officers, but credit is not taken, then same can be taken only after date of visit of audit officers; assessee cannot take back-dated credit and file revised returns - *Gammon India Ltd.* v. *CCEST* [2015] 57 taxmann.com 97 (Ahmedabad - CESTAT)

PRADHAN MANTRI JAN DHAN YOJANA

The performance by public sector banks under PMJDY has been phenomenal, and is yet another example of a sparkling performance by PSBs who have been the mainstay of all social development programmes of the government since the nationalisation of banks in 1969

Dr. J D Sharma
President, IOB
Officers' Association
Director, Indian
Overseas Bank
Joint General
Secretary, AIBOC

NOMINATION of Narendra Modi as the Prime Ministerial candidate of Bharatiya Janata Party much before the process of Lok Sabha election (2014) began, had created mixed reactions from different partners of National Democratic Alliance (NDA). One of the strong partners like Janata Dal United (JDU) announced its disapproval of Modi as Prime Ministerial candidate and parted ways. Some other smaller alliance partners also expressed simmering discontent but gradually adjusted to the emerging consensus and evolving new political formations. It is to the credit of Modi that he accepted this as a challenge and travelled to different parts of the country to pursue his ambition. He assumed greater authority in the party and was instrumental in carrying out major reshuffle in BJP's hierarchy. The results of general elections were beyond expectations of even the BJP. By ensuring an overwhelming majority in Lok Sabha, Modi rightfully became the Prime Minister of India. After assuming office, he was expected to deliver on the promises made during the election campaign. Towards that end, he had made many beginnings, one of which is launch of 'Pradhan Mantri Jan Dhan Yojana' (PMJDY).

It was on 15th August 2014 in his first address to the Nation on Independence Day from the rampart of the Red Fort in Delhi Prime Minister announced a scheme for comprehensive financial inclusion. PMJDY was launched on 28th August 2014 at Delhi. Besides the launch function at Delhi, simultaneous functions of the scheme were organised at State Capitals and other major centres of the States including all District Headquarters. At State levels, the scheme was launched by the Chief Ministers of the respective States.

Target Group

PMJDY is a component of National Mission on Financial Inclusion. Financial Inclusion has been in the system for last couple of years when Dr K C Chakraborty, Deputy Governor of RBI was spearheading the campaign. Financial Inclusion did not attract such large scale media publicity as done by PMJDY. The new scheme covers households instead of individuals. It focuses both on rural and urban areas unlike the Financial Inclusion scheme which was limited to rural areas. It is in this background that PMJDY involved identification of the households whose members did not have even one bank account. For this, the command area was surveyed by dividing the entire country into sub-service areas & wards and allocating job of survey to the designated banks. On completion of survey, the data was consolidated to arrive at the number of households where no member had a bank account. The consolidated number of households without a bank account was considered as overall

THERE IS AN URGENT NEED FOR THE GOVERNMENT TO UNDERTAKE AN EXERCISE TO COMPUTE THE IMPLEMENTATION COST INCURRED BY THE BANKS AND COMPENSATE THE BANKS APPROPRIATELY

target group under PMJDY. The banks were expected to accomplish the Mission by inviting the members of the households to the bank branches to open the accounts, utilizing the Business Correspondences (BCs) to facilitate opening of the accounts and organizing special camps on Saturdays so as to exclusively cater to the target group to open the accounts. The scheme is intended to cover all households with atleast one basic banking account with RuPay Debit Card having inbuilt accident insurance cover of Rs.1 lakh. The universal access to banking facilities for all households across the country is sought to be achieved through a bank branch or a fixed point BC within a reasonable distance.

The very fact that the mission itself is named as 'Pradhan Mantri Jan Dhan Yojana', reveals that the Prime Minister himself is the force behind the implementation of the scheme. It has therefore created a political atmosphere for implementation of the scheme. There has been closer monitoring of the implementation of the scheme by the Department of Financial Services, Ministry of Finance, Government of India.

Stakeholders

Unlike earlier campaign for financial inclusion which was largely involving Reserve Bank and Banking Institutions, PMJDY has many institutions as stakeholders. Department of Financial Services in the Ministry of Finance has the overall ownership and is responsible for implementation and monitoring. Presently, 26 centrally launched social benefit schemes under Direct Benefit Transfer (DBT) are sponsored and coordinated by different departments of Central Government, viz., Social Justice & Empowerment, Human Resources Development, Tribal Affairs, Minority Affairs, Women & Child Development, Health & Family Welfare, Labour & Employment etc. The accounts opened under PMJDY will be used for transferring money under various schemes of these departments.

Reserve Bank of India (RBI) is expected to align their directions to the banks on financial inclusion with PMJDY. RBI is also advised to provide fund allocation support out of Depositor Education & Awareness Fund Scheme for the purpose of financial literacy programme. Indian Banks' Association is the coordinating agency with the banks to monitor the implementation of financial literacy campaign. It is also charged with publicity and centralised handling of customer grievances. National Bank of Agriculture and Rural Development (NABARD) is also a coordinating agency in publicity and campaign. It is expected to monitor the implementation of financial inclusion in respect of organizations working under NABARD and also help financial literacy through Self Help Groups (SHGs). State Governments have been assigned an important role for implementation and monitoring in coordination with State Level Bankers' Committee (SLBC) and all the stakeholders. It is also responsible to ensure transfer of funds in respect of State Government schemes to the accounts of beneficiaries opened under PMJDY. The Convener of SLBC in its role as Secretary to State Implementation Committee will coordinate with all the banks for financial inclusion activity. District Collector has a key role in implementation of the scheme and will act as a Chairman of District Level Implementation Committee. He will be assisted by Lead District Manager who will be Secretary to the District Implementation Committee and by the representatives of local bodies in organising camps for opening of accounts, identification of persons and financial literacy campaign etc. National Payment Corporation of India and UIDAI will be instrumental in ensuring funds transfer through Aadhaar enabled payment machines.

The major component of PMJDY in first phase largely revolves around life insurance and personal acciden-

PMJDY ENTERED THE 'GUINNESS BOOK OF WORLD RECORD'. THE NUMBER OF ACCOUNTS OPENED UP TO 31.03.2015 UNDER THE SCHEME IS A WHOPPING 1471.63 LACS WITH A BALANCE OF RS.15,670.29 CR

tal insurance. But surprisingly the Government has not considered it fit to involve life insurance and general insurance companies in the Mission. It would have been more appropriate to assign them a role to enroll the beneficiaries of PMJDY for the purpose of insurance thereby limiting the role of banks to remit the insurance premium to those insurance companies would have been assigned with the task of implementing the benefits of insurance coverage to the account holders. Expecting the bank employees to exhaustively handle the insurance products is fraught with the risk of mistakes leading to future complaints and claims. Involving the insurance companies additional stakeholders would have been a guard against such grievances, complaints, injustice and frustration amongst the beneficiaries. Use of the banks for implementing the schemes involving the products of non-banking sectors is unwise, unfair and puts inordinate extra stress on otherwise 'staff-starved' Public Sector Banks. With the growing levels of fixing accountability in the banking institutions, over exploitation of bank employees by the Government would result in damage and reputational loss to the banks and Government should be alive to such concerns. Another implication of carrying out such a massive exercise by the bankers is neglect of their core business and pay in the process a huge opportunity cost in terms of remunerative business going past to other competitors in private and foreign sectors. It will lead to substantial erosion of profits of PSBs. The challenge of Capital Adequacy posed by Basel-III norms has given anxious moments to those PSBs who have been denied capital infusion by the Government on the ground of lower profitability. Government as owner of PSBs ought to know that capital support and hand holding are needed by those banks which have lower profits. The lower profits constrain their capacity to mobilise capital from market in comparison to the capacity of those who have performed better. The Mission like PMJDY will further result in lowering the capacity of PSBs to raise capital from the market. The Government has thus presented the PSBs with an overall commercially unviable project in the form of PMJDY and hence there is an urgent need for the Government to undertake an exercise to compute the implementation cost incurred by the banks and compensate the banks appropriately. The absence of such a commercial compensation is akin to misuse of PSBs for the purpose of political gains which is no way different from private sector banks lending to interested parties. Passing on of all the implicit & explicit costs of implementation of PMJDY to the banking institutions defies economic logic and reasoning more so, in the light of the position taken by the Government with regard to selectively capitalising the PSBs.

Incentives

Incentives are imperative for success of any scheme. Earlier Financial Inclusion scheme was not very successful and one of the reasons attributed for the same was lack of adequate incentives. PMJDY is therefore designed as an improvised avatar of Financial Inclusion Scheme. The incentives under PMJDY include life insurance cover of Rs.30000/- for those account holders who opened an account by 26th January 2016. To get the benefit of life insurance cover, the account holder should have RuPay card. He should normally be the head of the family or an earning member in the age group of 18-59 years. For the life insurance cover to be effective, the RuPay card should be valid and in force. The scheme also provides that the benefits of life insurance cover will not be denied even if the RuPay card was in the process of being issued.

Each account holder shall be provided an accident insurance cover of Rs.1 lakh. To get the benefit of accidental insurance cover, RuPay debit card must be used for one successful financial or non-financial transaction at any channel i.e., ATM/Micro ATM/POS atleast once in 45 days. Another special feature of this scheme is that no premium is charged to the beneficiary. National Payment Corporation of India bears the premium amount.

Financial literacy would be an integral part of PMJDY. The focus of financial literacy programme would be to let the beneficiaries make the best use of financial services being made available to them through banking channel. It has been experienced in the past that the target groups are not aware of the advantages of the access to formal financial system, savings, credit, importance of timely repayment and building up a good credit history. The scheme proposes establishment of financial literacy centres at Block level so as to disseminate financial literacy among the account holders. Free financial literacy/ education/ credit counseling shall be provided through such centres. Financial literacy will help the beneficiaries to come out of the exploitation by informal financial system dominated by the local money lenders. Financial literacy is therefore considered a pre-requisite for effective financial inclusion and will help ensure that financial services reach the unreached and under-reached sections of the society. The informed consumers will be better equipped to make choice and generate demand for financial services. The fact that many people in our country are resource-poor, operate at the margin and are vulnerable to persistent downward financial pressures, make a strong case for financial literacy.

After seeing the conduct of the account for about six months, an overdraft facility upto Rs.5000/- in the account of one member of each household will also be available. A Credit Guarantee Fund would be created to cover the default in overdraft account. The accounts opened under PMJDY will also be used to route the unorganized sector pension scheme like Swavalamban.

Implementation

The implementation of the scheme is planned in two phases. Phase-I is from 15th August 2014 to 14th August 2015 and Phase-II will be from 15th August 2015 to 14th August 2018.

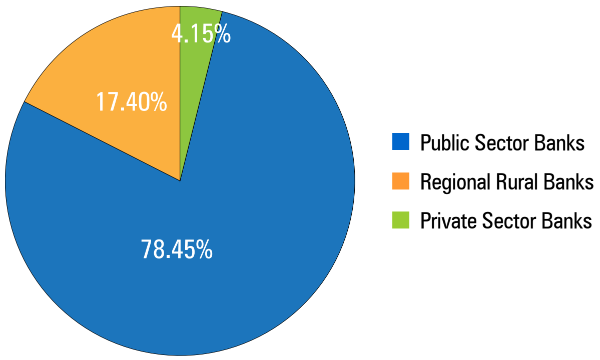
PMJDY includes a financial literacy programme which aims to take financial literacy upto village level. The scheme also envisages expansion of direct benefit transfer under various government schemes through the bank accounts of the beneficiaries of such schemes. It is also proposed to issue 'Kisan Credit Cards' as 'RuPay Kisan Credit Cards' to the account holders under this scheme. Phase-II of the scheme shall include provision of micro insurance to the people and implementation of unorganized sector pension scheme like 'Swavalamban' through the business correspondents. PMJDY pursues digital Financial Inclusion with special emphasis on monitoring by a mission in Department of Financial Services and headed by the Finance Minister.

The special feature of the scheme is that an account can be opened even with 'zero balance'. However, if the account holder wishes to get a cheque book, he has to fulfill minimum balance requirement. The procedure for opening an account under PMJDY has been simplified. If Aadhaar card/ number is available, then no other document is required. If there is change of address, then a self certification of current address is sufficient. In the absence of Aadhaar card, any one of the documents viz., Voter ID card, Driving License, PAN Card, Passport, NREGA card will suffice. If these documents contain the address along with photograph, it can serve as proof of identity and residence. In the event of a person not having any of these documents and it is categorized as low risk by the banks, he can open account under PMJDY by submitting identity card with applicant's photograph issued by Central/State Government Departments, statutory/regulatory authorities, public sector undertaking, scheduled commercial banks and public financial institutions. To make things simpler, even a letter issued by a Gazetted Officer with a duly attested photograph of the person is acceptable as a proof of KYC compliance.

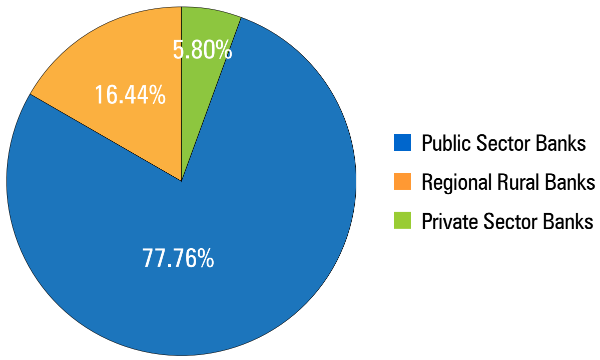
Technology Support

Technology plays an important role in implementation of the scheme. To facilitate easier handling of the process, technology requirements were properly visualized and banks were advised to ensure suitable technology and software development well before launch of the scheme. These processes included e-KYC for opening of accounts with just Aadhaar Number. The e-KYC service helped in sharing the demographic information about the account holder like name, age, gender and photograph from Unique Identification Authority of India (UIDAI) server in an on-line & secure manner for using the same for KYC purpose at the time of opening of the account with the Bank Branch/ BC level. The data thus received from UIDAI gets populated in the CBS to facilitate easy master creation by keying in few other details. e-KYC

Sectoral Distribution of Accounts as on 31.03.2015



Sectoral Distribution of Amount as on 31.03.2015



makes opening of accounts paper-less, instantaneous and affords friendliness to Regulator.

Performance

The performance under PMJDY has been phenomenal, more particularly at Public Sector Banks (PSBs). On the inaugural day itself, 15 million bank accounts were opened prompting the Prime Minister to appreciate the bank employees & officers and saying on the occasion - "let us celebrate the day as the day of financial freedom". Seeing the progress of the performance, the government revised the targeted number of accounts to be opened from 75 million to 100 million by 26th January 2015. The bankers surpassed the target by opening 125.8 million accounts as on 28th January 2015. The aggregate balance in these accounts was Rs.10590 Crore. With such a phenomenal performance, PMJDY entered the "Guinness Book of World Record". The number of accounts opened upto 31.03.2015 under the scheme is whopping 1471.63 lacs with a balance of Rs.15,670.29 Crore. Out of the total number of accounts under PMJDY, 57.90 per cent accounts had 'ZERO BALANCE'. The PSBs account for 78.45 per cent of accounts and 77.76 per cent of the balance under PMJDY as on 31st March 2015. Regional Rural Banks (RRBs) account for 17.40 per cent of the accounts and 16.44 per cent of the balance. It leaves a meager 4.15 per cent of the accounts and 5.80 per cent of the balance at private sector banks. The performance of banks under PMJDY is presented in the form of pie-chats as shown on left:

It can be seen from these diagrams that PSBs and RRBs constituting Public Sector have opened 95.85 per cent of the accounts which shows a firm commitment on the part of PSB employees & officers as vehicles of social development in the country. Despite the fact that opening of these accounts has cost PSBs hugely in terms of deployment of resources - monetary and non-monetary, PSBs have carried out the task with missionary zeal. It is yet another example of a sparkling performance by PSBs who have been the mainstay of all social development programmes of the government since nationalisation of banks in 1969.

Conclusion

Against all odds, the PSBs have undertaken the exercise under PMJDY Mission mode with full enthusiasm and surpassed the target much before the stipulated deadlines. They have taken substantial and forced risk in selling the insurance products having force majeure clause. It is another point that insurance products can be sold only by those who have acquired requisite qualification by passing an examination conducted by Insurance Regulatory and Development Authority (IRDA). The PSBs are the corporate insurance agents but their employees & officers who are involved in sale of insurance products do not have competence to sell insurance policies to the beneficiaries of PMJDY. Such issues need to be addressed before further loss of time to ensure healthy Public Sector Banks. It would also be appropriate on the part of Government to ensure that suitable legal infrastructure is created to help PSBs recover its NPAs. The PSBs should remain well capitalised and their workforce motivated. Anti-employees' reforms must be abandoned. The government must ensure that the job of bank employees is made attractive to become a desired destination for the younger generation. MA

sharmajaideo56@gmail.com

MAKE IN INDIA: EMPLOYMENT AND FOREIGN DIRECT INVESTMENT

'Make in India' requires FDI inflows with focus on infrastructure improvement, improving the quality and flexibility of our labour force, higher access to R & D, enhancing technology with higher value addition accompanied by readily available land to establish manufacturing unit with infrastructure development

Dr. Jayanta Kumar Seal
Associate Professor,
Indian Institute of Foreign Trade,
Kolkata

Shubhasree Bhadra
Research Scholar,
University of Calcutta

HONORABLE Prime Minister Sri Narendra Modi has taken the ambitious project to make India a manufacturing hub and also promised effective and easy governance to help achieve high growth and creation of jobs. Focus of the project is on physical infrastructure creation along with creating a digital network for making a global manufacturing hub for different products ranging from cars to softwares, satellites to submarines and paper to power in India. With 25 identified growth sectors, "First Develop India" (FDI) will help corporate to regain lost faith in Indian manufacturing sectors. That will create employment opportunities in India through which purchasing power of poor families will move upward to get rid from poverty. Make in India also aims to raise the share of manufacturing sector in country's GDP to 25% and create 100 million jobs by 2022. Currently in 2012-13(P), the GDP at current price level is 12.89% (CSO-31.10.2014). Modi government has taken the initiatives to insist both local and foreign investors to invest in India.

Challenges

Presently it takes 12 procedures and 27 days to start business, 35 procedures and 168 days to get construction permits and 1420 days to enforce contracts in India. According to World Bank's Ease to Doing Business Rank 2014, India holds 142nd position. According to the index, countries are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more favorable to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, starting a business, dealing with construction permit, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2014 (www.doingbusiness.org). Performances of India in respect of all 10 topics are see table below.

The below table shows that in India, investors are facing more favorable atmosphere regarding credit facility and protecting minority investors. So supply of credits for investment is not obstacle for the investors. From the table we can say that legal provisions for establishment and continuing business and shortfall of infrastructures are the major challenges for the investors.

Mission

Five things that Make in India is expected to do are:

• Guiding foreign investors on all aspects of regulatory and policy issues and to assist them in obtaining regulatory clearances

• Assistance to foreign investors through Investor facilitation cell. The cell will provide assistance to the foreign investors as soon as they arrive in the country till the time of their departure, with focus on green and advanced manufacturing and helping these companies to become an important part of the global value chain

• Prompt responses to prospective investors through Make In India portal by panel of experts

• Relevant information and newsletter will be provided to the registered visitors of the website

• Also a pro-active approach will be deployed to track visitors for their geographical location, interest and real-time user behavior

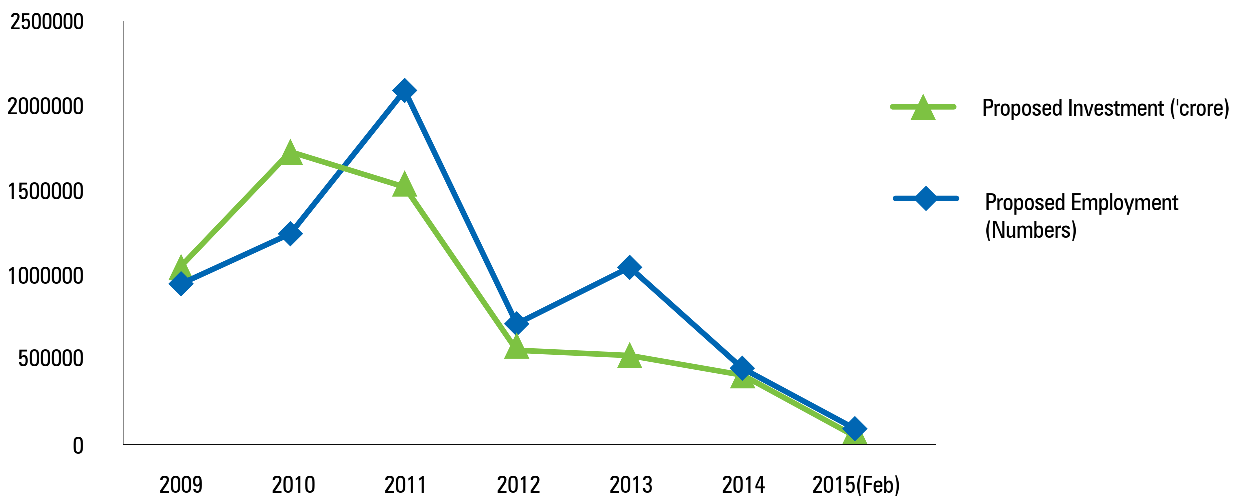
How to achieve

India is the ninth-largest in the world by nominal GDP $1.875 trillion (at current US$, The World Bank 2013 Report) with 1.252billion population (The World Bank 2013 Report) over 600 million people below the age of 25 years and every year around 13 million people are joining the workforce and by 2020, India needs 500 million skilled workers (National policy on skills development', Ministry of Labour and Employment, Government of India,2009).

Economy	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
India	158	184	137	121	36	7	156	126	186	137

Table 1: First we consider proposed investment amount with proposed employment in different years.

	1991- 2008	2009	2010	2011	2012	2013	2014	2015 (Feb)	Total
Number of Investment Proposals	80906	3475	4336	3900	2828	2387	1843	313	99988
Proposed Investment (₹ Crore)	4845683	1040259	1736322	1539728	567868	530086	405027	75509	10740482
Proposed Employment (Numbers)	17300727	953831	1247880	2095400	707775	1053208	452765	87298	23898884



Source: Department of Industrial Policy & Promotion

So the government has taken plan for development of a growth oriented environment in India with "3D" outlook: tap 'democracy', 'demography' and 'demand'

To achieve the mission, Make In India, the Government plans to execute the following programs

• New Initiatives – like, encouragement of innovations, protection of intellectual property, building of best-in-class infrastructure facility etc. are designed to facilitate investments

• Intellectual Property Facts - creating an advantageous environment for the protection of intellectual property rights

• National Manufacturing – to make world class manufacturing hub , the state has to address regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other important factors related to the growth of the sector

• Foreign Direct Investments – India has been ranked among the top 3 attractive destinations for inbound investment. To raise the FDI amount for manufacturing & related sector, the govt. wants to ease the regulatory environment for the sector. FDI has been opened up in defense production, insurance, medical devices, construction and railway infrastructure in a big way.

State has already taken certain important initiatives towards Make in India mission. Creation of Investors Facilitation Cell in 'Invest India' to assist, guide and handhold investors during the various phases of business life cycle. Detail information about FDI Policy, National Manufacturing Policy, and Intellectual Property Right - all are available at 'Make in India' web portal. A number of items have been taken off the licensing requirements from the defense products list. Development of web portal 'Shram Subidha' initiated by Ministry of Labour and Employment is another step to make ease of doing business for manufacturing sector.

Employment generation

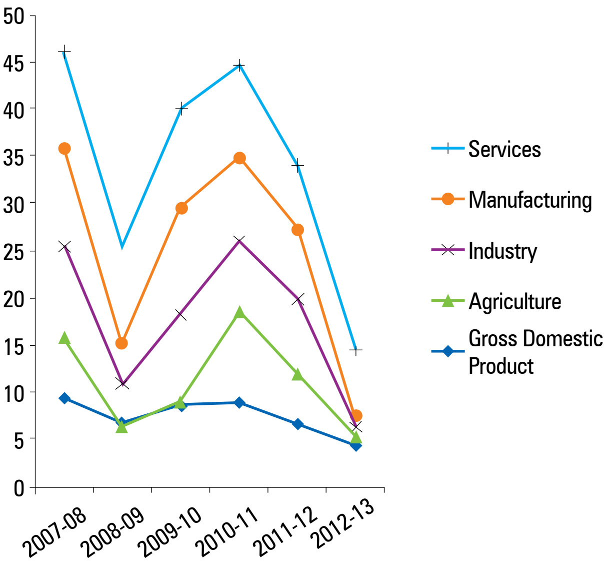
Now we try to examine whether the First Develop India will be able to generate substantial amount of employment to purge poverty from India with existing legal structure and infrastructure facilities. See table 1 on previous page.

The figure shows the trend in proposed investment amount and proposed employment over last 6years from 2009. In case of proposed employment there is a continuous downward trend from 2011 and similar for proposed investment volume also. Now we try to match the actual situation with the proposed amount. See table below.

From the below data table we try to portray trend of growth rate of different sectors over the last 5 years.

The graph shows similar trend in manufacturing sector like other sectors over the last 6years. During the last 6 years, highest growth has been found for service sector and it has been followed by manufacturing sector, agriculture and industry sector respectively. Comparing the actual growth scenario with the proposal of investment, we find negative movement in both the cases.

GDP Annual Growth Rate (YoY) in %



Source: Central Statistics Office

Now we try to analyze employment scenario in manufacturing sector during the recent past and how foreign direct investment can enhance the performance of the sector. During 1999-00 to 2004-05 cumulative annual growth rate (CAGR) of employment in manufacturing sector was 4.01% but it was -2.29%

GDP Annual Growth Rate (YoY) in %

	Gross Domestic Product	Agriculture & Allied Services	Agriculture	Industry	Mining & Quarrying	Manufacturing	Services
2001-02	5.39	6.01	6.46	2.61	1.86	2.27	6.61
2002-03	3.88	-6.6	-8.14	7.21	8.42	6.87	6.74
2003-04	7.97	9.05	10.84	7.32	2.7	6.34	7.89
2004-05	7.05	0.18	0.07	9.81	7.91	7.38	8.28
2005-06	9.48	5.14	5.53	9.72	1.31	10.1	10.91
2006-07	9.57	4.16	4.13	12.17	7.47	14.32	10.06
2007-08	9.32	5.8	6.43	9.67	3.69	10.28	10.27
2008-09	6.72	0.09	-0.27	4.44	2.14	4.33	9.98
2009-10	8.59	0.81	0.41	9.16	5.89	11.3	10.5
2010-11	8.91	8.6	9.54	7.55	6.54	8.86	9.67
2011-12	6.69	5.02	5.34	7.81	0.1	7.41	6.57
2012-13	4.47	1.42	0.91	0.96	-2.16	1.14	6.96

Source: Data-book Compiled for use of Planning Commission during the period of 2004-05 to 2009-10. This implies that in manufacturing sector employment rate has faced downward movement of growth rate. This analysis can be supported by employment elasticity data. Employment elasticity measures % change in level of employment with respect to % change in level of GDP. During 1999-00 to 2004-05 value of employment elasticity was 0.76 but it becomes -0.31 during the 2004-05 to 2009-10. This implies that initially with rise in GDP of one unit leads to 0.76 unit rise in employment. But in the later period, rise in production does not lead to creation of new job opportunity. This suggests substitution of labour by capital intensive technology resulting in fall in total employment despite an increase in total manufacturing output.

Share of employment (%) and Gross Value Added (1999-2000 and 2009-10)

Sector	Share			
	1999-2000		2009-2010	
	Employment	GVA	Employment	GVA
Agriculture	59.9	23.8	52.9	19.0
Manufacturing	11.1	15.5	10.5	15.3
Non manufacturing	5.3	11.8	12.2	12.7
Services	23.7	48.9	24.4	53.0
Total	100	100	100	100

Source: Planning Commission, 2011

The above table shows that share of employment in manufacturing sector has declined from 11.1% in 1999-2000 to 10.5% in 2009-2010. Gross value added by the sector also declined during the same period. Similar also has happened in agriculture sector. But in service sector, the trend is opposite of agriculture and manufacturing sector. In 2009-10, the manufacturing sector has been contributing 15.3% of GVA with 10.5 % of employment, whereas service sector has been contributing 53% of GVA with 48.9% of total employment. That implies the productivity of labour in manufacturing sector is lacking behind the performance in service sector. So to generate considerable growth of manufacturing sector, the government has to give significant weightage on skill development of the labour force that would be employed in the sector. In India it is estimated that 12million youth enter country workforce each year and only 5% of them are skilled workforce.

As per the 24th quarterly survey by labour ministry concludes that 2.75lakh jobs are created in eight key sectors, including apparels, leather, metals, automobiles, gems &jewellary, transport, IT/BPO during last six months.

Estimated Population and Labour Force

	2012-13	2013-14	2014-15	2015-16	2016-17
Population (in million)	1232.4	1250.1	1267.6	1285.0	1302.2
Labour Force (in million)	505.3	516.7	528.2	539.7	551.3

Source: Estimated by EPWRF

As per above projection 551.3 million will be the labour force out of 1302.2 million population in 2016-17. Currently, total 29650 thousand (http://www.tradingeconomics.com) people are employed in different sectors. So to execute the Make in India mission, the country requires huge effort in the form of skill development aligned to the market needs. In particular, manufacturing, construction, trade, transport, hospitality and financial services are the promising sectors where skill development can lead faster growth of employment opportunity

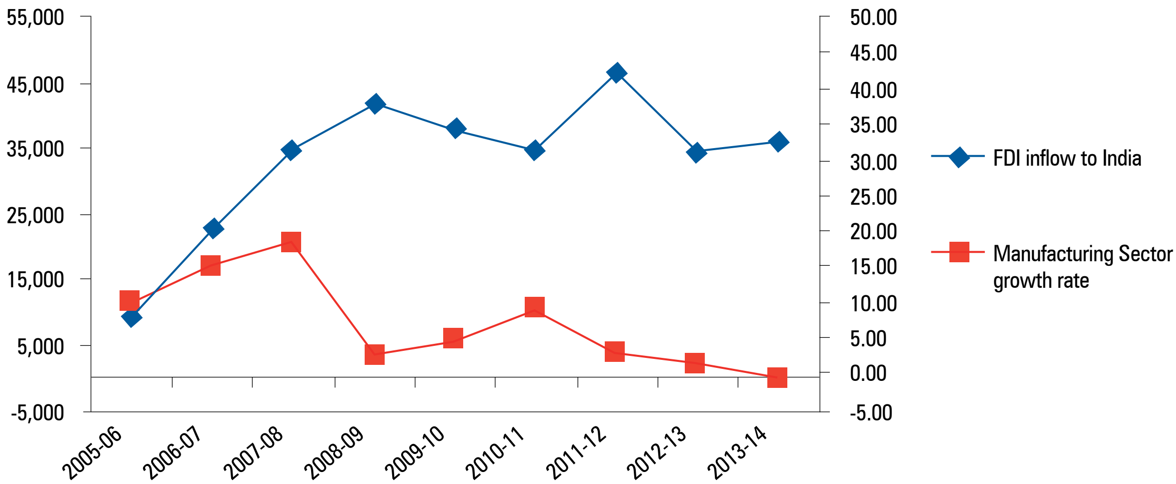
FDI Flows into India

Year	Total FDI Flows (Amount in US$ million)
2000-01	4,029
2001-02	6,130
2002-03	5,035
2003-04	4,322
2004-05	6,051
2005-06	8,961
2006-07	22,826
2007-08	34,843
2008-09	41,873
2009-10 (P)	37,745
2010-11 (P)	34,847
2011-12 (P)	46,556
2012-13 (P)	34,298
2013-14 (P)	36,046

Source – Department of Industrial Policy and Promotion

Annual Growth Rate of Industrial Production (Per cent)										
Period	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (April – Dec)
Growth rate of Manufacturing sector	10.30	15.00	18.40	2.50	4.80	8.90	3.00	1.30	-0.80	1.20

Source: Central Statistics Office



Foreign Direct Investment

In the above section we have considered scenario of one of the major factor of production, labour market growth to accompany growth of the manufacturing sector. Now we move to the major factor, capital market, more specifically FDI inflow to support the mission "First Develop India". See table on previous page.

The table depicts the FDI inflow detail during last two decades. But our objective is to consider growth of manufacturing sector with relation to FDI inflow in India. To calculate annual growth rate of industrial production, manufacturing sector is given highest weightage of 75.5% followed by mining & quarrying with 14.2% and electricity with 10.3%. On the basis of that calculation method, the following table shows the performance of the Indian manufacturing sector. See table above.

To find out the relation between the manufacturing sector growth rate and FDI inflow towards the country, we consider the following graph above.

From the analysis of the graph we find that during 2005 to 2008, there has been a positive association between the manufacturing growth rate and FDI inflow. But after that both are moving in opposite direction. This may happen for two reasons – one, additional FDI inflows that comes to India, moves towards the sectors other than manufacturing sector mainly service sector with the aim of higher return with lower blocking period and the second is, due to shortage of other factors of production and regulatory bottlenecks other sectors, mainly service becomes more attractive for investment. The first reason is associated with the industry type but the second can be resolved through skill development, change in regulatory frame work of industrial policy to make the manufacturing sector more attractive.

According to the Industrial Policy, to maintain a sustained growth in productivity along with enhancement of employment with optimal utilization of hu-

SKILL DEVELOPMENT OF LABOUR, REVISED FDI POLICY, NEW INNOVATIONS AND REGULATORY CHANGE TO EASE OF DOING BUSINESS MAY ACCELERATE GROWTH OF THE MANUFACTURING SECTOR

man resources the policy focuses on deregulation of Indian industry, allowing freedom and flexibility to the industry in responding to market forces and providing a policy regime that facilitates the sustained growth. Some initiatives are already taken by the government like, liberalization of Industrial Licensing Policy, liberal FDI policy, under which, up to 100% FDI is permitted in most sectors/activities, under the automatic route, announcement of National Manufacturing Policy, 2011 with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. The policy seeks empowerment of youth, especially rural youth through skill development to make them employable. The policy is based on the principle of industrial growth in partnership with the states and it is generally sector-neutral, location-neutral and technology-neutral except incentivization of green technology.

Concluding remarks

Modi government has taken the initiative of Make in India with intension of eliminating obstacles in areas like land acquisition, infrastructure bottlenecks, labour regulation, licensing and taxation to make the India as global manufacturing hub in coming years. But to sustain in the global market Indian manufacturing products has to improve the quality to the global standard. High raw material cost, poor quality perception about the Indian manufacturing products seems to be addressed to increase the export of manufacturing products. Major Indian manufacturers are looking for the govt's initiatives for simplification of EXIM policies, rationalisation of tax policy, implementation of GST which will help to increase the competitiveness of our own products. Some are also looking for free trade agreement for those markets which are still unfavourable for Indian manufacturing products compare to other countries. The sector is facing another big issue - land. The centre has intimated all the states to develop a land bank by June 2015 to ensure easy availability for land for industries.

So 'Make in India' requires FDI inflows with focus on infrastructure improvement, improving the quality and flexibility of our labour force, higher access to R & D, enhancing technology with higher value addition accompanied by readily available land to establish manufacturing unit with infrastructure development.

Now the question is that, the Make in India mission is new wrap of the older one or is it an innovative measure to make sustained manufacturing sector which generate targeted employment in the country. Modi government is working with the mission to reduce poverty with higher purchasing power through employment generation in manufacturing sector. Now we have to wait how the Make in India plan comes true with existing labour market and revised FDI policy. So the most favorable combination of skill development of labour, revised FDI Policy, new innovations and regulatory change to ease of doing business may accelerate growth of the manufacturing sector to achieve 'Make in India' goal. Also, how does the enhanced productivity of the manufacturing sector meet the demand for the products in the global market? MA

shubhasree82@gmail.com

EFFICIENCY EVALUATION OF PORTS IN INDIA: DEA WINDOW ANALYSIS APPROACH

The empirical results confirm that the efficiency of ports in India can fluctuate over time to different extents, sometimes even drastically. They also reveal that there exists a substantial deficiency in productivity in terms of cost and revenue for Indian ports

Dr Manas Kumar Baidya
Assistant Professor,
Malda College,
Malda

THE present study evaluates the efficiency of ports in India by applying a relevant and appropriate technique -DEA window analysis on the panel data over five-year period of time from 2008 to 2012. This analysis provides trends and stability of efficiency of 12 selected Indian ports and their rank in terms of cost revenue management effectiveness.

Methodology

Data Envelopment Analysis (DEA) is a non-parametric linear programming based performance assessment methodology developed by Charnes, Cooper and Rhodes (1978) to measure and to evaluate relative efficiencies of organizational units termed as decision making units (DMUs) which use multiple inputs to produce multiple outputs.

DEA constructs a frontier by yielding a piecewise linear production surface i.e., identifying best practice DMU(s) from the specified identical input and output data set available from the DMUs under evaluation. This frontier is known as efficient frontier in DEA.

Frontier envelops the data and defines multiple inputs and multiple outputs productivity. It permits the comparison of a real DMU to a hypothetical DMU on the frontier. Each DMU's efficiency is then measured relative to this frontier.

DMUs lie on the frontier are efficient having efficiency score equal to 1 and the DMUs lie off the frontier are inefficient having efficiency score between 1 and 0.

DEA Window Analysis

It is tabular method for examining the changes in the efficiencies of a set of units over time. A set of time periods (1 ...t) is chosen and the efficiency of each unit (1...n) is computed separately for each period. Window analysis technique works on the principle of moving averages (Cooper et al. 2007) and is useful in detecting performance trends of a decision making unit over time. Each DMU in a different period is treated as if it were a 'different' DMU (Decision Making Unit) but remain comparable in the same window. This capability in the case of a small number of DMUs and a large number of inputs and outputs would increase the efficiency discriminatory power of

Table 1: DEA efficiencies of 12 ports for years 2008-2012 using a 3-year window								
	2008	**2009**	**2010**	**2011**	**2012**	**Mean Score**	**SD**	**Min Score**
KOLKATA	0.627	0.519	0.459			0.497	0.042	0.448
		0.534	0.471	0.494				
			0.448	0.466	0.458			
PARADIP	0.714	0.839	0.702			0.778	0.076	0.702
		0.961	0.740	0.781				
			0.740	0.796	0.732			
VISAKHAPATNAM	0.640	0.563	0.468			0.597	0.149	0.445
		0.575	0.482	0.622				
			0.445	0.574	1.000			
ENNORE	0.866	0.899	1.000			0.929	0.068	0.851
		0.900	1.000	0.974				
			0.867	0.851	1.000			
CHENNAI	1.000	0.682	0.602			0.643	0.105	0.503
		0.720	0.627	0.581				
			0.564	0.503	0.507			
V.O. CHIDAMBARANAR	0.926	0.820	0.767			0.802	0.069	0.659
		0.834	0.773	0.842				
			0.769	0.833	0.659			
COCHIN	0.417	0.366	0.331			0.358	0.029	0.318
		0.388	0.344	0.357				
			0.318	0.342	0.359			
NEW MANGALORE	0.676	0.733	0.607			0.653	0.064	0.584
		0.744	0.630	0.599				
			0.614	0.584	0.686			
MORMUGAO	0.462	0.427	0.468			0.475	0.032	0.427
		0.451	0.490	0.543				
			0.461	0.512	0.463			
MUMBAI	1.000	0.901	0.708			0.747	0.105	0.527
		1.000	0.771	0.714				
			0.551	0.527	0.551			
J. N. P. T	1.000	1.000	0.988			0.987	0.023	0.943
		1.000	1.000	0.948				
			1.000	0.943	1.000			
KANDLA	1.000	0.848	0.783			0.823	0.097	0.621
		1.000	0.906	0.833				
			0.790	0.621	0.627			
Average	0.777	0.738	0.658	0.660	0.670			

DEA models (Cooper, Seiford, & Zhu, 2011).

The input oriented DEA window analysis linear programming problem with constant returns to scale (CRS) assumption is followed for this study. Though it is difficult to find a justification for the choice of window size, present study has chosen three-year window length in common with many previous studies of this kind.

Input and Output Variables

From cost revenue management approach the present Study selects –

Two inputs – Operating Expenses and Non-operating expenses and

Two outputs – Operating income and Non-operating Income.

Findings and Analysis

The efficiency estimates are reported in Table 1 along with the average of the 9 DEA efficiency scores and their associated standard deviations, minimum scores and max-

Figure 1

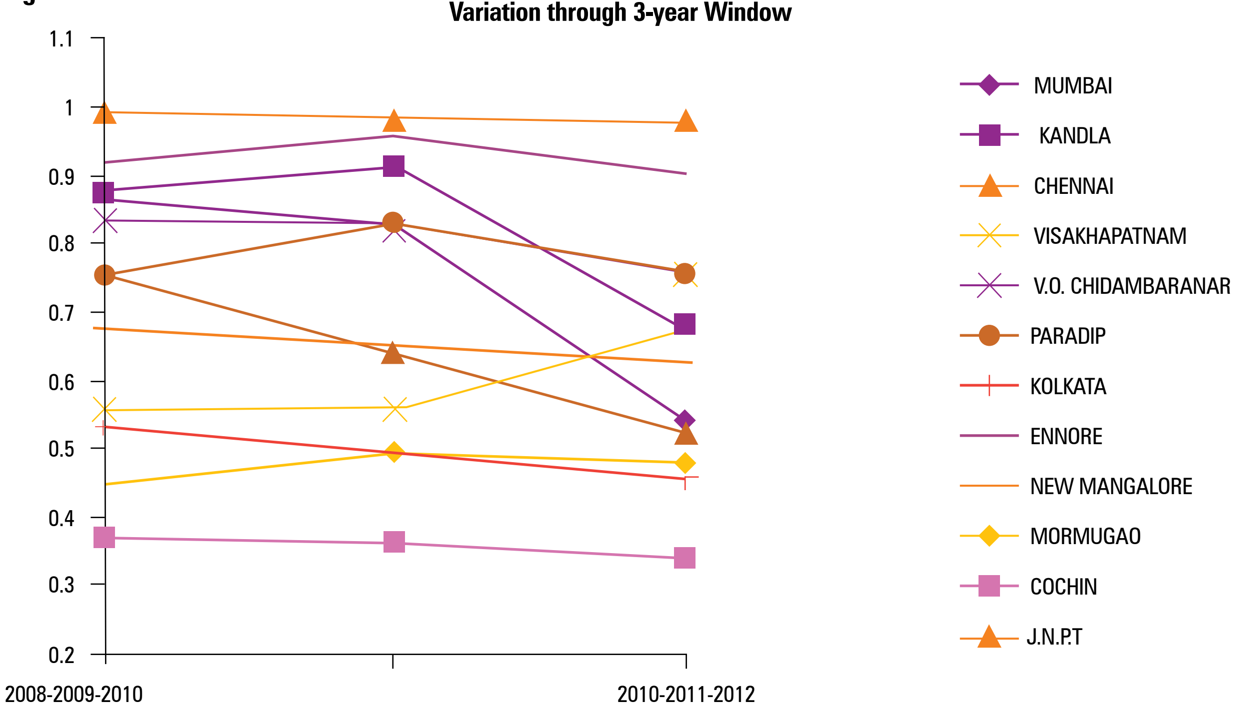
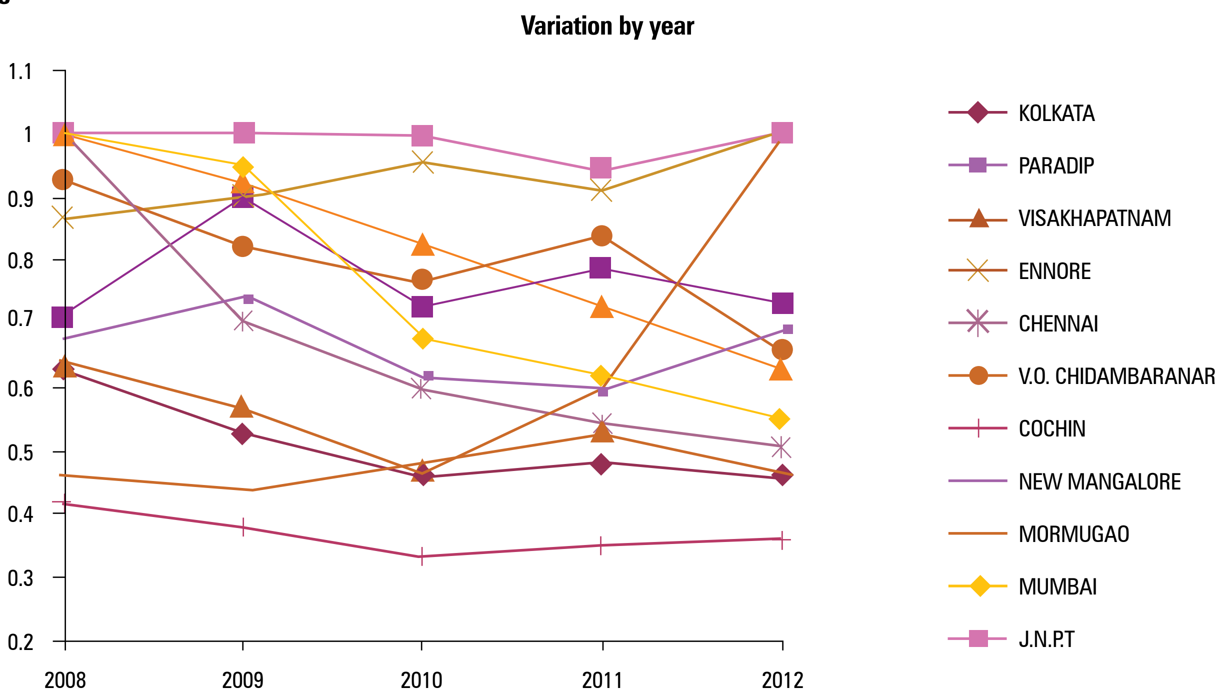


Figure 2



imum scores presented in the columns denoted 'mean score' 'SD', 'min score 'and 'max score'.

Basic idea is to regard each Port as if it were a different one in each of the reporting year. Present evaluation of 12 Ports is, therefore, conducted by reference to the entire set of 3 × 12 = 36 ports which are used to form the data matrix. Thus, the efficiency scores of 0.627, 0.519 and 0.459 (Table 1) in row 1 for Kolkata Port represents its yearly performance ratings as obtained from the matrix with 4 × 36 = 144 entries. After first row values have been similarly obtained a new3-perid window is obtained by dropping the data for 2008 and adding the data of 2011. Implementing this procedure produces the efficiency ratings in row 2 of each port. This process will continue until no further year added. Here there is row 4 with its three entries for each of the selected port. 'Row views' (Table 1) make it possible to determine trends behavior of each port over different time periods and whereas, 'column views' (Table1) enable us to examine the stability of efficiency relative to the performances of others in the same period. Thus, the observation of 'trend' and 'stability' in window analysis reflects simultaneously both the absolute performance of a port over time and the relative performance of that port in comparison to the others in the sample. See table 1.

It is observed that, not a single port shows steady behavior and stability of efficiency. That is the efficiency of a port differs significantly over time the efficiency of a firm within the different windows can also vary substantially. Ennore and JNPT show relatively more steady behavior and stable in efficiency ratings amongst 12 ports in India. Chenai, Mumbai and Cochin V.O. Chidambaranar and Kolkata Port exhibit deteriorating behavior after 2008. Degree of deterioration is the highest in case of Mumbai followed by Chenai, V.O. Chidambaranar, Kolkata and Cochin. However, Figure 1 and Figure 2 show the variations of efficiency amongst 12 studied ports. See fig. 1 & 2.

Based on the average analysis by windows, none of the ports has been found to be efficient with score equal to 1 i.e. 100%. Table: 2 provide efficiency rankings.

Table 2: Rankings of Ports

Ports	Rank based on average by 5-year window		Rank based on average of 3-year windows	
	Score	Rank	Score	Rank
J. N. P. T	0.969	1	0.987	1
ENNORE	0.859	2	0.859	2
V.O. CHIDAMBARANAR	0.779	3	0.802	4
KANDLA	0.745	4	0.823	3
PARADIP	0.731	5	0.778	5
NEW MANGALORE	0.643	6	0.653	7
CHENNAI	0.620	7	0.643	8
VISAKHAPATNAM	0.620	8	0.597	9
MUMBAI	0.605	9	0.747	6
KOLKATA	0.480	10	0.497	10
MORMUGAO	0.446	11	0.475	11
COCHIN	0.350	12	0.358	12

Conclusion

The empirical results confirm that the efficiency of different ports in India can fluctuate over time to different extents, sometimes even drastically. Empirical results also reveal that there exists a substantial deficiency in productivity in terms of cost and revenue for Indian ports. Average score of entire sample (based on 36 DEA scores in Table 1 under column 2010) is 65.8% which indicates that there is a scope of reduction by on an average 34.2% of the present cost in order to produce the present revenue. On the whole, for efficiency improvement, inefficient ports should follow the relatively good operating practices of two ports namely JNPT and ENNORE.

It is important to note that this analysis needs to be supplemented by an investigation of other more singular aspects of individual ports on a case-by-case basis as because of each individual container port has its own specific and unique context within which it operates.

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5. *programming approaches to estimating container port production. Journal of productivity Analysis, 24(1), 73–92.* MA

manasbaidya@gmail.com

FINANCING OPTIONS (THE DILEMMA – PROS & CONS)

CMA Sabyasachi Sengupta
Professor, XLRI, Jamshedpur

Deciding on suitable long term financing options to meet the financing needs of various corporate houses had emerged as the eternal riddle that had haunted finance specialists and managers across the globe (academicians and practitioners alike). Although it had been well recognized that the interest tax shield benefits available to profitable companies pursuant to the debt financing option encourages a few companies to resort to loans, it needs to be appreciated that corporate finance managers tend to evaluate the overall attractiveness of such debt financing options from a more broader perspective which prompts them to view the impact of such actions in terms of various pros and cons (that debt financing entails) which are certainly not limited to the favourable bottom line implications of such interest tax shield benefits alone. This case study (along with the list of review questions) as provided in the following pages (citing a common business problem) attempts to provide a practical insight to the practitioners about the various other aspects / issues (over and above the impact of interest tax shield benefits) that corporate finance managers (of profitable companies) need to visualize and take into consideration before resorting to debt financing options. A technical evaluation would naturally call for a detail analytical study of these numerous parameters which would lead to a more informed and appropriate management decision that may aid in effective handling of future business shocks (if any).

M/s APARAJITA AGENCY PRIVATE LIMITED (AAPL) is a company in the trading sector and it operates as distributors of electronic gadgets / home appliances like washing machines, oven toasters and grillers, microwave machines etc. Their product portfolio comprises branded products only, which are well reputed in the Indian market. Like any other company in the trading sector, the margin offered by the principal companies, namely, the manufacturers of such branded electronic gadgets / home appliances happens to be their main source of business profits. As per the business model operated by the said company, the material cost incurred by the company during a period may be regarded as the only component of variable cost in their income statement and hence, all other lines of revenue expenses incurred during a particular period are basically in the nature of fixed expenditure. As is the case with any distribution house of branded commodities, their business is also driven by their volume of operation during the year. Higher is the volume of operation, higher is the quantum of contribution generated during the year which naturally results in higher net profits as the overall volume impact on annual fixed cost exposure of the company is quite negligible. Thus, it may be commented that as per their business model, the bottom line is essentially a function of the volume of operation achieved by the company.

AAPL had been incorporated in the year 2012 and the said company had started functioning from 1st April 2013. The said company is headed by Ms. Jhinuk Sengupta who is the lead promoter of the company and also the designated CEO of AAPL. Ms. Jhinuk Sengupta (before launching this particular venture) had worked for a number of years as the Marketing Manager in three such companies who actually manufactures such branded electronic gadgets / home appliances. Due to her prior work experience in this particular sector she understands the market pretty well and hence, she acts as the key executive in AAPL for tapping the right type of retailers / customers to achieve enhanced business volume which in turn translates into higher net profits for her company. Before starting the said business she had also invested lot of time and effort for doing adequate net working with various principal companies with whom she had been acquainted for a pretty long time either in her capacity as the Marketing Manager in a few of those companies (where she had worked earlier) or while negotiating with a few other companies who were their business rivals / competitors during her tenure as Marketing Manager. All these companies have a fair idea and good impression about her abilities and professional competencies and hence, a few of these principal companies had readily agreed to appoint AAPL as one of the distributors of their branded products. In fact, her impeccable market reputation and prior track record had prompted a few of these principal companies to even offer AAPL a "distributor margin" which is more attractive as compared to her peers. In view of the attractive "distributor margin" that she had managed to obtain from various principal companies, the CEO of AAPL was quite confident that the impact of the same would naturally get captured in terms of the bottom line results of her company and she also assumed that in this particular sector her company would emerge as one of the better performers as compared to the peers. With such an optimistic mindset, she had been looking forward to review the audited financial statements of her company pertaining to the financial year ended 31st March 2015, which (as per her anticipation) was certainly expected to reflect such superior performance. She had since obtained the audited financial results of her company and the same is provided in form of Exhibit I (namely, The Income Statement for the year ended 31st March 2015) and Exhibit II (namely, The Balance Sheet as on 31st March 2015) given below.

EXHIBIT I

The Income Statement of AAPL For the Financial Year Ended 31st March 2015.

DETAILS	Rs Crores
SALES	100.00
Attributable Material Cost	40.00
Establishment Expenses	23.00
Depreciation Charges	17.00
Interest Charges	2.00
TOTAL EXPENDITURE	82.00
Profit Before Tax (PBT)	18.00
Taxation (Effective tax rate being 30% of the above PBT)	(5.40)
Profit After Tax (PAT)	12.60

EXHIBIT II

The Balance Sheet of AAPL As On 31st March 2015 (A Brief Snapshot).

EQUITY AND LIABILITIES	Rs Crores
Equity Share Holder's Funds	114
Non Current Liabilities (Long Term Loans Only)	16
Current Liabilities	20
TOTAL	150
ASSETS	
Non Current Assets (Comprising Fixed Assets at WDV)	110
Current Assets	40
TOTAL	150

After reviewing the audited financials of her company pertaining to the financial year ended 31st March 2015, the CEO had observed that AAPL had recorded a "net profit margin" of 12.60% during the financial year ended 31st March 2015. As she was aware that the "distributor margin" that she had obtained from the principal companies was more attractive than her peers (i.e. the comparable players in this sector), she naturally guessed that the overall "net profit margin" of her company would be reasonably higher than her peers. However, she wanted to cross check whether her understanding is correct or not and hence, requested the CFO of her company to compile the sector average performance of the comparable players (in this sector) pertaining to the financial year ended 31st March 2015. On her request, the CFO of her company undertook the exercise of compiling the sector average performance of the comparable companies in this industry belt and such sector average Income Statement pertaining to the financial year ended 31st March 2015 is given below (refer Exhibit III).

EXHIBIT III

The Income Statement For the Financial Year Ended 31st March 2015.	
SECTOR AVERAGE PERFORMANCE	
DETAILS	**Rs Crores**
SALES	300.00
Attributable Material Cost	140.00
Establishment Expenses	25.00
Depreciation Charges	35.00
Interest Charges	40.00
TOTAL EXPENDITURE	240.00
Profit Before Tax (PBT)	60.00
Taxation (Effective tax rate being 30% of the above PBT)	(18.00)
Profit After Tax (PAT)	42.00

While reviewing the sector average performance pertaining to the financial year ended 31st March 2015, the CEO of AAPL was surprised to note that the comparable companies in this industry belt had actually reported / recorded a "net profit margin" amounting to 14.00% during the said financial year which is actually higher than AAPL. Ms. Jhinuk Sengupta (i.e. the CEO of AAPL) was interested to identify the reasons as to why her peers may record a higher "net profit margin" as compared to AAPL despite AAPL enjoying the advantage of obtaining a more attractive "distributor margin" from the principal companies and realized that she needs to review the sector average balance sheet figures as well. Now, while compiling the sector averages (as per the request of the CEO), the CFO of AAPL had also compiled the sector average balance sheet results (of the comparable companies in this industry belt) as well. Such sector average balance sheet that pertains to the date 31st March 2015 is provided below for ready reference (refer Exhibit IV).

EXHIBIT IV

The Balance Sheet As On 31st March 2015 - SECTOR AVERAGE (A SNAPSHOT)	
EQUITY AND LIABILITIES	**Rs Crores**
Equity Share Holder's Funds	102
Non Current Liabilities (Long Term Loans Only)	290
Current Liabilities	75
TOTAL	467
ASSETS	
Non Current Assets (Comprising Fixed Assets at WDV)	317
Current Assets	150
TOTAL	467

Ms. Jhinuk Sengupta had done her MBA from a reputed Institution in India where she had specialized in "Marketing". Although she is not really a finance specialist, she did recall a few of the Finance Area courses that she had to undergo as core courses in the MBA curriculum during her student days at that reputed Institution. Based on her basic / elementary knowledge of corporate finance concepts, she thought that she may undertake an exercise of conducting a detail analytical and comparative study of the financial statements of AAPL vis-à-vis the sector averages which may aid her in identifying the root cause of such an anomaly / phenomenon. While conducting such an analytical study, she jotted down some key information in her note pad (as given below, refer Exhibit V) which was extracted from the income statements & balance sheets of AAPL and the sector average results.

Based on the tabulated results (given next page in Exhibit V) she came to the conclusion that the long

EXHIBIT V

KEY INFORMATION	AAPL	SECTOR AVERAGE
Long Term Debt Equity Ratio	0.14 : 1	2.84 : 1
Effective interest rate on long term loans	12.50%	13.80%

term financing strategies adopted in AAPL vis-à-vis their peers may have a direct bearing on their bottom line performances and there is an urgent need to review and re-design the long term financing policies of her company. She picked up her phone and called the CFO to her office and communicated her findings / observations (as explained hereunder).

QUOTE

It appears that the financing strategy followed in our company is ALL WRONG. It is a well known fact that interest payment is characterized by tax shield benefits and it is very evident that the entire sector is well aware of the same. However, WE ARE NOT. Simply look at the debt-equity ratio of the sector vis-à-vis that of our company. The sector appears to be taking full advantage of such tax shield benefits which works out to (as high as) Rs 12 crores during the financial year ended 31st March 2015 (Rs 40 crores interest charges multiplied by the effective tax rate of 30% amounting to Rs 12 crores). I wish to obtain some satisfactory explanation from you as to why we are foregoing such interest tax shield benefits and preferring to operate with such a low debt-equity mix. Do not give me lame excuses like "interest rate charged by financiers is high in our company". Check the effective interest rates yourself. The sector effective interest rate is 13.80% (approximately) and our effective interest rate is 12.50% (approximately) only.

UNQUOTE

List of Review Questions

a) A simple model of "risk visualization" known to corporate finance managers may be effectively used (in the instant case) while framing a suitable explanation to clarify the issue raised by the CEO of the company. You are required to identify the said model.

b) In case you were the CFO of the said company – what satisfactory explanation would you have provided to the CEO (in the instant case)? {Hint :- Such an explanation would automatically emerge as a suitable argument once we apply the simple model of "risk visualization" as referred to in question number (a) above}.

c) As the CFO of the company could you have provided some other explanation / argument as well? What explanation / argument?

d) As per your understanding of the case situation, what should the company do FIRST before it actually resorts to debt finance? MA

ssengupta@xlri.ac.in

KEY DRIVERS OF FDI: A REVIEW WITH SPECIAL REFERENCE TO 'MAKE IN INDIA' INITIATIVE

The study finds that India lags behind in respect of 'Ease of Doing Businesses'. To attract FDI, simplification and integration of regulatory norms and processes are sought. Specifically, India lags way behind in respect of Contract Enforcement

Dr. Parimal Kr. Sen
Associate Professor,
Goenka College
of Commerce
and Business
Aministration

Debojyoti Das
Research Scholar,
IIM, Raipur

Ankit Goyal
Intern, NCDEX

FOREIGN Direct Investment (FDI) is inevitable, essentially for the growth of developing economies as it ensures cross-border capital flows for enriching various projects with resources that leads to creation of wealth. It bridges the disparity between entailed and actual capital requirements particularly in a situation where domestic capital investments are not adequate. FDI is referred as a non-debt financial resource and further it begets in advanced technologies and innovative management practices to the host country. In addition, many previous studies (Caves 1974, Globerman 1979, Blomstorm and Perssion 1983) has indicated that the benefits of Spillover Effect to the beneficiary economy. Hence, for an emergent economy like India FDI is of great significance to accelerate the growth momentum to achieve socio-economic development.

Overview of FDI in India

India has emerged as one of the fastest growing economies of the world. Thus it is perceived to be as a viable investment avenue with promising returns. It has been ranked among top 3 attractive destinations for inbound investments.[1] With the advent of economic liberalization reforms in 1991 the regulatory norms of foreign investments are considerably eased up to encourage more investment inflows and making the environment investor-friendly.

Figure 1 depicts the pattern and volume of net inflows of FDI to the country from 1975 to 2013. The representation unambiguously reflects the fact that FDI started flowing in after the liberalization reform in 1991 took place. The trends show that the response of Foreign Investors to Indian economic liberalization amendment has been positive leading to exponential growth of inflows.

Figure 2 shows that there had been steep rises and falls in GDP growth rate. In the recent past i.e. from 2005 to 2013 GDP growth rate was at peak in the year 2010 and a trough in the year 2008. The global economic meltdown in the year 2008 can be attributed as the underlying causal factor of such downfall of GDP growth rate of 3.89%. However, an important observation is the net inflow of FDI as percent of GDP was at peak in the year 2008.

During the crisis period FDI inflow in India remained insulated of vulnerabilities. The reason being foreign investments in India is more profitable (Dept. of Economic and Policy Research, RBI).

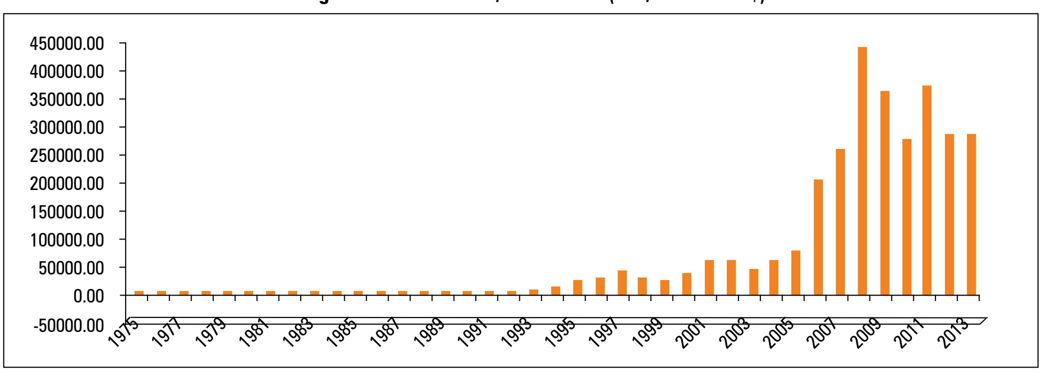
According to 'World Investment Prospects Survey' conducted by UNCTAD in the year 2010-12 out of top five destinations for FDI four are constituent of BRIC (Brazil, Russia, India and China) countries, fifth being united states. India was in 2nd position in 2010-12 however in 2012-14 report India was ranked 3rd.

Make in India initiative

To reinvigorate the inflows of FDI several

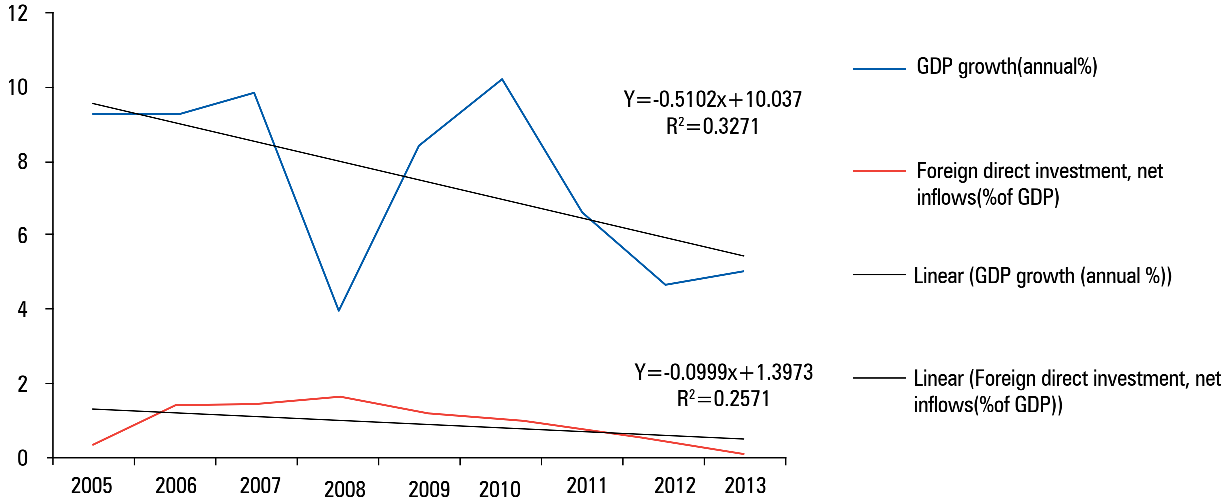
[1] http://www.makeinindia.com/policy/foreign-direct-investment/

Figure 1
Foreign direct investment, net inflows (BoP, current US$)



Source: World Bank Database and Partly Modified by Authors

Figure 2
Comparative Analysis of Gross Domestic Product (GDP) Growth Rate and FDI Net Inflows (% of GDP)



Source: World Bank Database and Partly Modified by Authors

Table 1

Year	GDP growth (annual %)	Foreign direct investment, net inflows (% of GDP)
2005	9.28	0.31
2006	9.26	1.47
2007	9.80	1.37
2008	3.89 (MIN)	1.57(MAX)
2009	8.47	1.17
2010	10.25(MAX)	0.93
2011	6.63	0.67
2012	4.73	0.46
2013	5.01	0.09(MIN)

Source: World Bank Database and Partly Modified by Authors

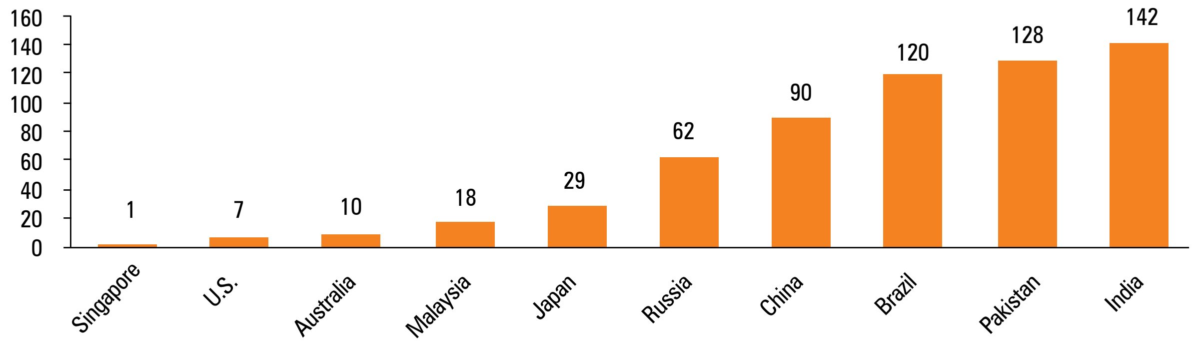
measures were undertaken. One of such is the 'Make in India' initiative. It is a major national program aimed at facilitating investment by fostering innovation and enhancing the skills of the workforce. Issues concerning the protection of 'Intellectual Property Rights' are also taken due care. The infrastructural amenities are strengthened to augment with the state of the art facilities. This has been a novel initiative in the history of Indian business and trade environment. A critical success factor of the initiative would be the quantum investments it can pool across globe. This requires stimulation of growth drivers of FDIs. Hence some of the key determinants of FDI inflow are intended to throw light upon.

Strategic Drivers of FDI

Inflow of FDI is dependent on multiple macro-economic variables. The variables are both qualitative and quantitative in nature. In this review article a qualitative analysis of selected variables with theoretical and practical relevance is done. The key enticers of FDI identified on account of 'Make in India' initiative are described as follows:

- **Ease of Doing Business:** Moderate and business-friendly regulatory framework to start up and run a business with convenience attracts foreign investors. Thus, it is indispensible to ease the system and integrate the set of formalities to a common interface. Report of World Bank (WB) shows that India has lagged behind in this respect. Hence there is a dire need to buckle up. Government of India (GoI) has shown concern regarding the issue and remedial measures are being worked upon. See fig. 3.
- **Tax Rates:** Indian corporate tax rate (33.99 %) is much higher when compared to Asian average (21.91%) and Global average (23.64%). The higher tax rate is not conducive of business and thus overall growth of economy. Higher tax rate also deters foreign investors to set-up

Figure 3
Ease of Doing Business Rank(Total Countries: 189)



Source: World Bank Database and Partly Modified by Authors

Table 2

	Segment-Wise Rank				
Country	**Brazil**	**Russia**	**China**	**Pakistan**	**India**
Starting a Business	167	34	128	116	158
Dealing with Construction Permits	174	156	179	125	184
Getting Electricity	19	143	124	146	137
Registering Property	138	12	37	114	121
Getting Credit	89	61	71	131	36
Protecting Minority Investors	35	100	132	21	7
Paying Taxes	177	49	120	172	156
Trading Across Borders	123	155	98	108	126
Enforcing Contracts	118	14	35	161	186
Resolving Insolvency	55	65	53	78	137
Source: World Bank Database and Partly Modified by Authors					

their business in India. Keeping these things in mind, the new government has announced reduction in slab rate of corporate tax by 5 percent in upcoming 4 years. The announcement of implementation of GST (Goods and Services Tax) from 1st April 2016 will also make the ease of taxation especially for manufacturing sector. The complexity of tax structure also deters the domestic and foreign investors to start their business and thus Indian government has taken various initiatives which will simplify the tax structure and also reduce the tax losses to the government.

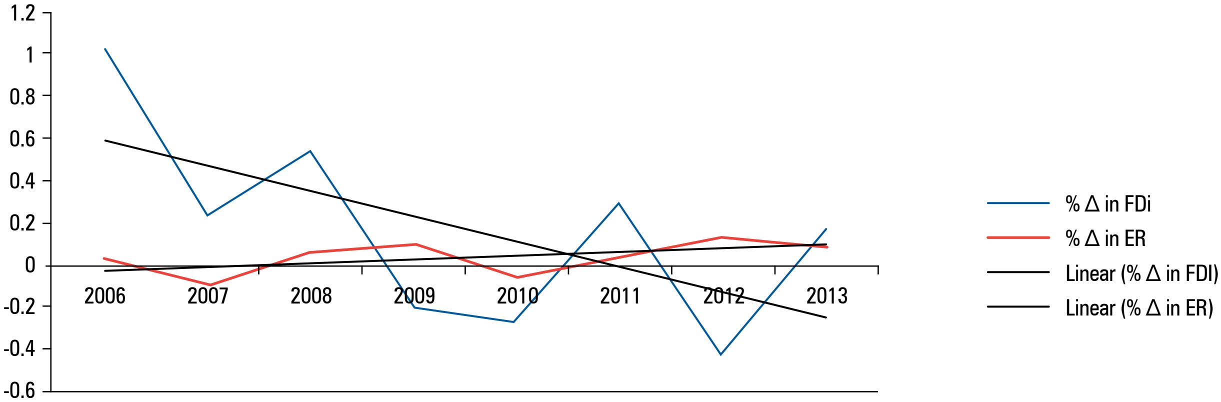
Table 3

Effective Tax Rates in 2014[2]	
Effective Tax Rate in India	33.99%
Asian Average	21.91%
Global Average	23.64%

- **Policy Reforms:** The recent announcement by government of India to merge the Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI) caps is a good initiative to bring more foreign investments in India. The merger of FPI and FDI caps will provide greater flexibility to foreign investors. Usually FPI portions gets exhausted while the FDI portion remains unutilized. The main sectors which will benefit out of this new arrangement are banking, exchanges, infrastructure, defense and ports because usually the FDI limits remain unutilized in these sectors.
- **Skilled Workforce:** It is inexorable for an economy to develop the skills of its labor force so as to increase its growth and productivity which in turn

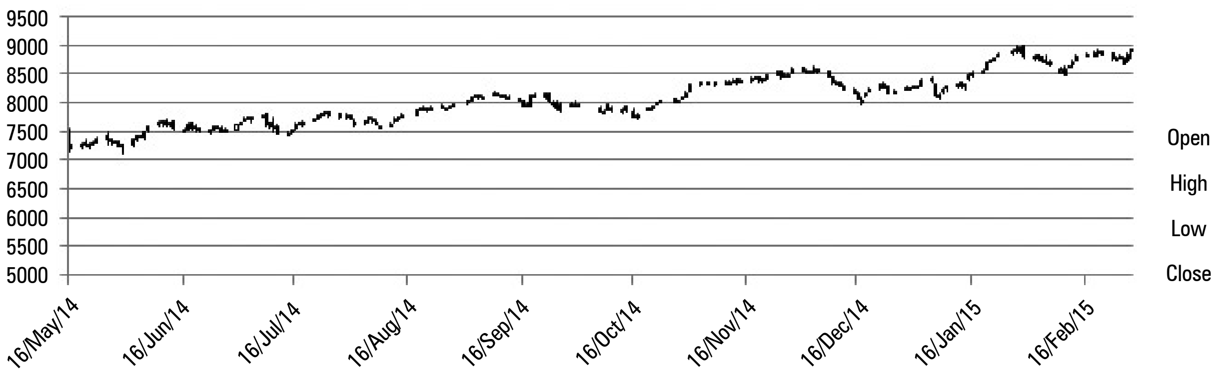
[2] http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/corporate-tax-rates-table.aspx

Figure 4



Source: OANDA, World Bank and Partly Modified by Authors

Figure 5



Source: National Stock Exchange (Partly Modified by Authors)

attract more FDI. Multinational Corporations tend to be more technology intensive and more productive and thus require local labor force to be more skilled while looking for the investment opportunities in various countries. In India, Sector Skills Councils (SSCs) have been set up to track the development of skills of labors working in various sectors such as automobiles, retail, food processing and others. It has also been argued that the increase in FDI helps indirectly in the development of skills of local labor force. Thus foreign investment and human capital development can be seen as complementary.

• **Exchange Rate:** Another main determinant of foreign investments in an economy is the Exchange Rate (ER) and its volatility. Exchange rate is highly correlated with the growth in GDP and foreign investments (Harinam Singh and Mohd. Muzammil, 2010). It has also been established that increment in FDI is highly correlated with depreciation in exchange rate and decrease in exchange rate volatility (Durairaj K., 2010). See fig. 4.

The same relationship has been exhibited by the linear trend lines of percentage change in ER and FDI. The correlation coefficient from period 2006-13 is -0.2062.

• **Stock Market Indices:** The indices of the stock market are proxy variables for business optimism and rational expectation of anticipated financial benefits. Any favorable information concerned with impending economic spur is reflected in the stock market by way of upward movements of indices. In the recent past the declaration of pro-growth policies in the Union Budget, 2015 led to exponential rise in the stock indices. Nifty and SENSEX skyrocketed to touch the

MERGING FOREIGN PORTFOLIO INVESTMENT (FPI) AND FOREIGN DIRECT INVESTMENT (FDI) CAPS IS A GOOD INITIATIVE... AS IT WOULD RAISE THE UPPER CEILING OF INVESTMENTS

record highs. Such stock price movements have high economic relevance as it stimulates and lures foreign investors. See fig. 5.

Concluding Thought

Present article ponders upon six basic determinants of FDI. It is identified that India is lagging behind in respect of 'Ease of Doing Businesses' to attract FDI simplification and integration of regulatory norms and processes are sought. Specifically, India lags way behind in respect of Contract Enforcement (Ranked 186 out of 189 countries) which highlights the lacuna in the legal provisions. It can have detrimental impact on FDI inflows as there would be a sense of insecurity in the minds of the foreign investors. Infrastructural development is another critical issue for economic development. The rank of India in 'Dealing with Construction Permits' is again on the lower side. The tax rates in India were high as compared to global and Asian average thus the temporary rate cut is a welcome note. Merging Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI) caps is a good initiative to invite foreign investments in India as it would raise the upper ceiling of investments. A skilled workforce is a crucial factor as it eliminates wastages due to trial and error practices and increases the profitability. The government initiative to set up National Skill Development Corporation (NSDC) is a strategic move. The exchange rate as an independent variable is expected to be regulated by Reserve Bank of India (RBI) at a rate favorable to capital inflows. Finally, the stock market indices have been show signs of a bullish trend which is beneficial for the economy. Hence, the basic macro-economic variables have impending signs to attract more FDI to ensure 'Make in India' a successful leap.

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parimalsen123@gmail.com

IMPACT OF ANTI MONEY LAUNDERING LAWS ON BANKS: AN AUSTRALIAN CASE STUDY FOR INDIA

The Australian anti-money laundering law is one of the best in the world. It emphasises on preventing the crime, while the Indian act stresses on detection. The latter should be updated promptly

Dr. Vikas Madhukar
Deputy Director,
Amity Business
School, Gurgaon

Rima Bajaj
Research Scholar,
Amity University,
Gurgaon

A MONEY launderer, according to the Prevention of Money Laundering Act (2002), is defined as 'Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property is guilty of offence of money-laundering.'

The media brackets money laundering with crimes like narcotics and arms smuggling and human trafficking. Money laundering negatively impacts the economy by imposing a heavy tax burden on the people. Other fallouts include fluctuation in exchange rates, dent in financial sector confidence, a discouraging investment environment, and reduced cost of capital in terms of fund availability.

The regulatory requirements against money laundering are largely common all over the world because they were adopted from the UN-backed Financial Action Task Force on Money Laundering, which lays down 40 recommendations to combat the menace. The regulations put together by different countries are much on the lines of the Financial Action Task Force (FATF) recommendations.

The laws specified by various governments include norms to know your customer (KYC), and reporting of suspicious activity and cash transactions. These norms are to be followed by all banks in any country. The KYC makes it mandatory for banks to ask for the identity proof of all customers who approach a bank for services like opening of accounts, loans, or institutional stakeholding. It involves recording the name, address, occupation, national identity number, and similar information of the customer. The information is then matched with a government list so that no criminal can use a bank to convert black money to white.

The suspicious activity reporting norm mandates banks to report any incident where a person comes to deposit or withdraw a large sum of money but refuses to declare its source. Large sums of money deposited in a bank, could be obtained illegally, and are disguised as white money through banking channels. The cash transaction reporting norm, on it part, mandates banks to report about anyone who transacts large volumes of cash. Large cash movements usually fund terrorist, criminal, betting, narcotics transactions, and other illegal activities.

Many banks maintain correspondent accounts to facilitate transactions among each other and their customers. International correspondent accounts, however, pose an increased

KYC MAKES IT MANDATORY FOR BANKS TO ASK FOR THE IDENTITY PROOF OF CUSTOMERS WHO APPROACH A BANK FOR SERVICES LIKE OPENING OF ACCOUNTS, LOANS, OR INSTITUTIONAL STAKEHOLDING

risk of illegal transactions. Correspondent banking enables foreign financial institutions to take advantage of products and services that may not be available under the institute's jurisdiction. Besides, the services can be executed more economically and efficiently by the correspondent bank. Foreign correspondent banking (FCB) is an inherently high risk business because of the nature of products offered, the volume of business, and the operating location. FCB transactions are also monitored. New methods like prepaid access, mobile banking, mobile payment services, and internet payment services, also need to be monitored. All these transactions must be reported to the government. Most countries have set up financial intelligence units (FIUs) to collect suspicious reports from their banks. FIUs are usually government organisations that investigate reported cases. The banks must comply with government regulations specified under the anti-money laundering (AML) laws to gain legitimacy to carry out their operations.

General internal functions of a bank

Here are some of the general functions of a bank.

Client interaction: This refers to all processes where the bank directly interacts with the customer. It includes relationship management, sales, and customer information management.

Product management: This includes serving, processing and maintaining all products offered by the bank.

Operations: It refers to the operation and administration of all processes that support the core process of product management and distribution. It includes business process outsourcing (BPO) and call centre activities.

Finance and risk management: This refers to continuous monitoring, reporting and controlling the exposure to various risks. The risks could be of credits, operational, fraud and others. Audit and control are major parts of risk management.

Business strategy: It refers to long-term plans, policies, and the direction the organisation needs for mergers, acquisitions, and similar things.

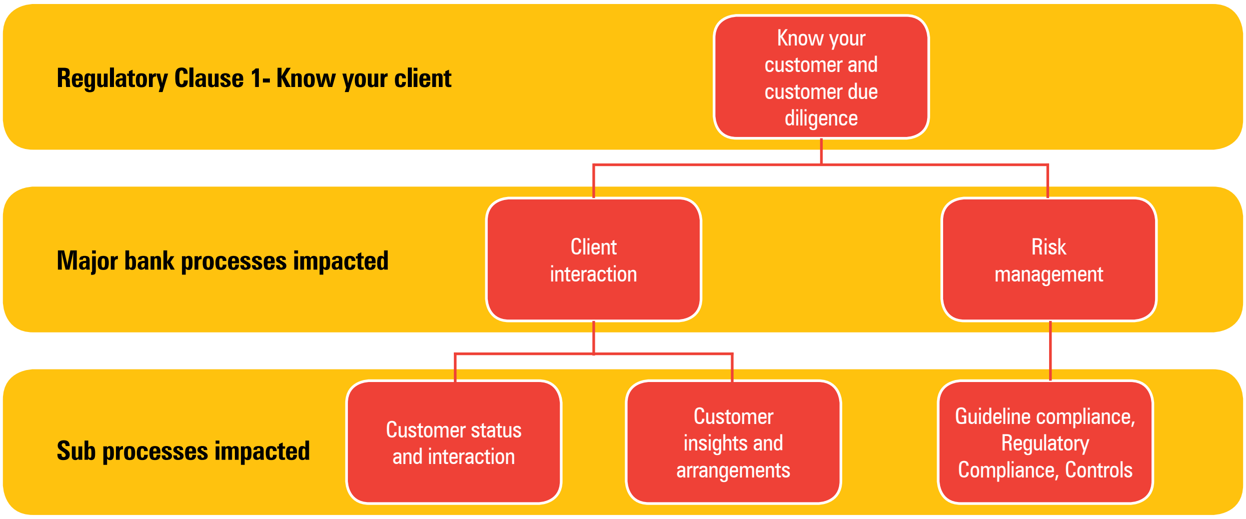
Business development: This refers to activities that bolster the business according to market demands. It includes product introduction and improvement.

All these processes have a direct link to chances of money laundering. It is not merely the responsibility of the chief risk officer to comply with government regulations. The client interaction desk, too, must be aware of KYC norms to collect true information about the customers. The product management department, at the same time, must be aware of dubious schemes to people who do not disclose their source of income or hide their identity. The operations department needs to know that transactions above a threshold limit, and violations must be reported to the government. The finance and risk management team tracks all non-compliant items that violate set policies on money laundering. Business strategy must be revised to disallow relationships with companies that exist only on paper. The business development team, on its part, needs to know that market demands may not be always legal. It should be aware of rules on electronic transfers and prepaid card transaction.

Money Laundering Regulations in Australia

Australia has one of the strongest apparatus to fight money laundering and terror financing. The Australian Transaction Reports and Analysis Centre (AUSTRAC) annual report claims that the country has done most of the work to control and measure money laundering activity. It was one of the first countries to set up a FIU in 1988. The unit improved its functioning, courtesy the experience

Diagram 1: Impact of KYC



it acquired over the years, and is now widely regarded as a "best practice" FIU. AUSTRAC plays a pivotal role in the country's AML strategy.

Data released by the Australian Institute of Criminology in 2004, revealed that approximately $2.8-6.3 billion crime proceeds in the country were laundered. The total cost is likely to be much higher when lost tax revenues and the full scope of unreported proceeds are factored in. The Australian Crime Commission conservatively estimates that serious organised crime costs the country around $10–15 billion every year. This cost comprises loss of business and taxation revenues, expenditure on law enforcement and regulatory efforts, and the social impacts of crime.

Australia's AML and counter-terrorism system, empowers AUSTRAC to collect financial data from regulated entities, including the financial and gambling sectors. The data significantly assists to identify and analyse money laundering activities and methods. The reporting mechanism helps to combat financial crimes and prosecute criminals within the country and overseas.

Peter Lilley, a veteran global AML expert, in his 2006 book—Dirty Dealings, Money Laundering Country Risk Index—said that AUSTRAC received 59,244,235 financial transaction reports in 2011-12. This was a 34.4% increase over 2010–11 and equates to an average of more than 2,26,980 transaction reports on each working day.

Major Australian AML law clauses

The AML clauses of AUSTRAC and the Australian government's Anti-Money Laundering and Counter Terrorist Financing (AMLCTF) Act, 2007, and their impact on a bank's internal functions are given below.

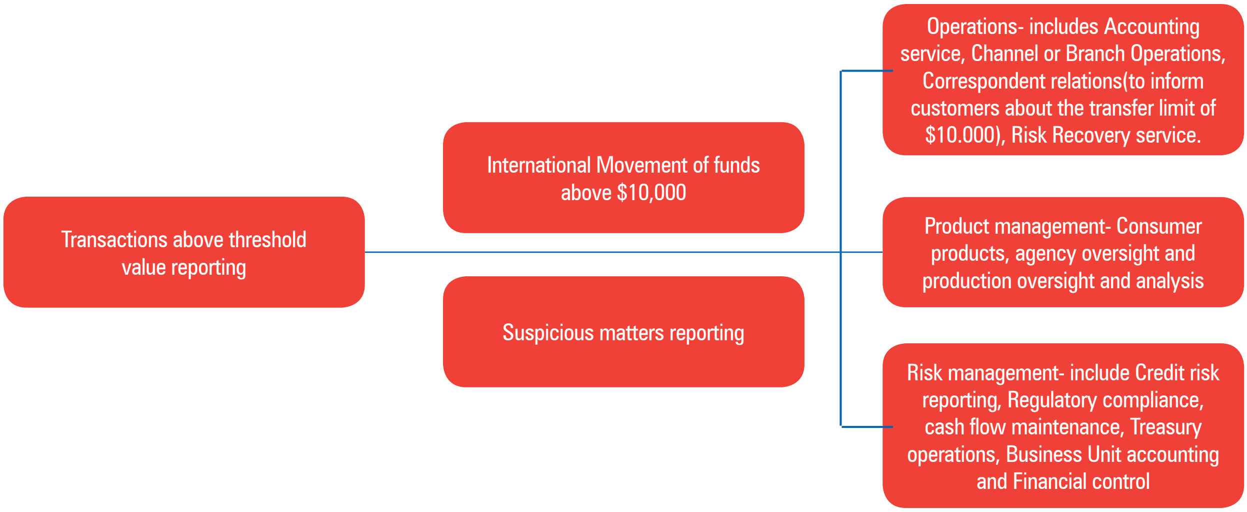
Designated service

This is defined as carrying out services that involves account providers, deposit takers, loan providers, lease givers, suppliers of goods, account holders in a credit union, trustees, issuers of promissory notes, issuers of debit cards, issuers of stored value card, or other functions generally performed by a bank, credit union or a building society.

Identification procedures: A reporting entity must verify a customer's identity before providing a designated service. However, in special cases, the procedure may be carried out after the providing the service. Certain pre-commencement customers are subject to modified identification procedures that must be completed within five business days. Certain low-risk services are also subject to a modified identification procedure. The procedure can also be carried out by the reporting entity's agent.

Impact: Properly identifying customers before providing them service, will impact the bank's client interaction and risk management departments. Customer status and interaction, and their insights and arrangements, would

Diagram 2: Impact of above-threshold transactions



also be affected, The former includes contact handler, self services (internet services), and customer status and call centres (to provide information on mandatory documents). The latter includes relationship management, customer contact, event history, case and exception handling, customer agreements (to provide proper identity proofs), and relationship oversight. Risk management, on the other hand, includes guidelines and regulatory compliance and controls to ensure that services are provided only to those customers who have submitted identity proofs (diagram 1).

According to a 2012 KPMG survey, 81% of the banks in India collect customer documents as per KYC norms and verify them before opening an account. Additionally, 83% of all banks have procedures to monitor the sanctions-list before account opening. This means, a customer intending to avail banking services, may be disqualified, based on a list of suspects, who are most likely to be criminals. Besides, 77% of all Indian banks have apparatuses in place to identify politically exposed persons, before opening bank accounts.

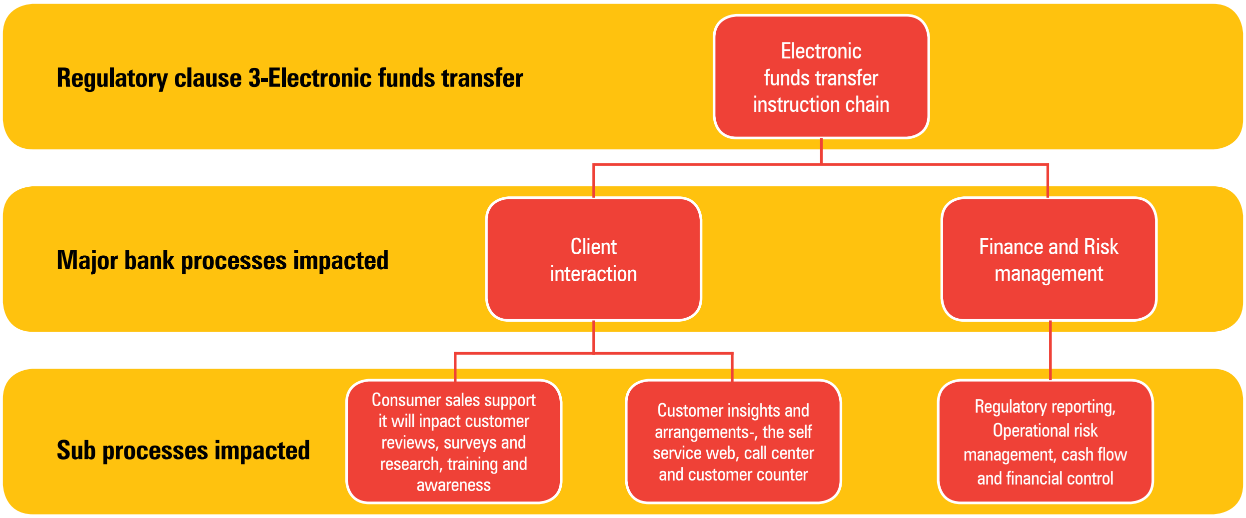
Reporting obligations

A reporting entity must report to the AUSTRAC CEO about suspicious matters within three business days for all cases, and within 24 hours in cases related to terror financing. The CEO must be intimated if a reporting entity provides a service, which involves a threshold transaction. For transfer of physical or e-currency exceeding $10,000, the CEO must be informed within 10 business days. Also, those sending or receiving an international funds transfer instruction, must report the AUSTRAC CEO within a similar period of time. A reporting entity may be required to give AMLCTFA compliance reports to the AUSTRAC CEO. Cross-border movements of physical currency must be reported to the CEO, a customs officer, or a police officer, if the total moved value is above the threshold. A police or customs officer may require a person to report to the AUSTRAC CEO about bearer negotiable instruments while leaving or arriving Australia.

Physical currency: A person must inform relevant authorities about movements of physical currency in or out of Australia, exceeding $10,000, on the first opportunity after landing, or on reaching the custom's department. Punishment includes imprisonment for two years, or 500 penalty units, or both. The authorities must be informed within five business days about physical currency receipts from outside Australia, for amounts not less than $10,000. Else, similar penalties could be levied.

Impact: A bank's operations, product management and risk management departments will be affected by the threshold regulations. In the operations section, accounting services, channel or branch operations, correspondent

Diagram 3: Impact of electronic funds transfer



relations (to inform customers about the transfer limit of $10,000), and the risk recovery services could be affected. Sub-processes likely to be affected include consumer accounting, corporate accounting, cash and currency handling, clearing and settlement, account receivables, collections and recovery (above the threshold amount from abroad) and operational services planning. Product management impacted by AML laws include consumer products, agency and production oversight and analysis. Consumer products sub- processes to be affected include funds transfer and remittance services, e-trading portfolio services, cards fulfilment and merchandise financing. Risk management processes include credit risk reporting (cross-border credit provision), regulatory compliance, cash flow maintenance, treasury operations, business unit accounting and financial control and reporting of incidences (diagram 2).

The KPMG survey states that 71% of all Indian banks have a formal procedure to test and monitor the effectiveness of AML systems and controls. Besides, about 81% of all Indian banks agree that regulatory scrutiny will remain high in the area of transaction monitoring/reporting, according to FATF standards.

Electronic funds transfer

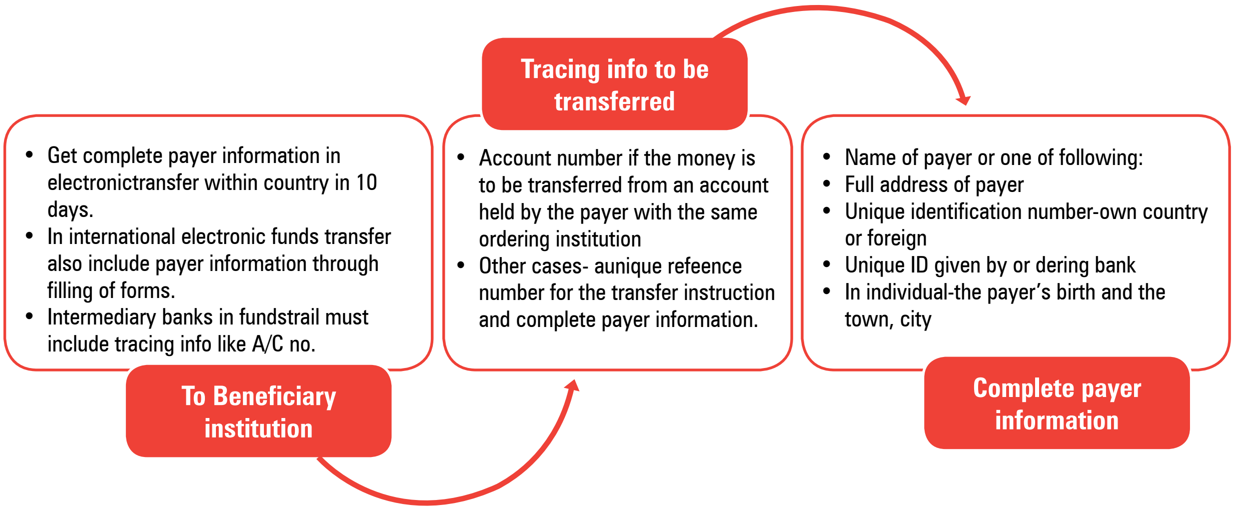
The electronic funds transfer instructions must include certain information about the origin of the transferred money. The funds transfer chain comprises the ordering institution, beneficiary institution, and each person (if any) between the two. Each person in the chain is to be known as an institution.

Obligations: The ordering institution must obtain the complete payer information. It must comply with any written notice issued by the AUSTRAC CEO to disclose full payer information. The ordering institution has three business days to reply, if the notice is issued within six months after the acceptance of the transfer instruction. In other cases, reply must be given within 10 business days.

Impact: Consumer sales support, to obtain full customer information of the payer if the bank is a payer bank, is likely to be affected. It will also impact customer insights and arrangements, and customer status and interactions. In consumer sales support, it will impact customer reviews, surveys and research, and training and awareness. The self-service web, call centre and customer counter should ask for full payer information. Customer status and interactions shall be affected in agreement and relationship oversight, customer contact/event history and brokered product sales. It will also impact regulatory reporting, operational risk management, cash flow/maturity ladder maintenance, and financial control and reporting oversight in risk management (diagram 3).

KPMG says that in 76% of all Indian banks, internal audit plays an important role in the testing and monitoring procedures.

Diagram 4: Electronic funds transfer and transfer of payer information



Beneficiary institution obligation

The beneficiary institution in Australia requests the ordering institution in writing to disclose complete payer information and report to the AUSTRAC CEO within 20 days. Interposed institutions in the funds transfer series, before passing on the transfer instruction to another institution in the chain, must ensure that the data include tracing information. The AUSTRAC CEO may write to the beneficiary institution to request the ordering institution to include the required transfer information in all future electronic funds transfers. The beneficiary institution must comply with the order within 10 business days. It must obtain complete payer information before making the transferred money available to the payee. Account number is the tracing information, if the money is transferred from an account held by the payer with the ordering institution. The account number, in any case, is a unique reference number for the transfer instruction.

Complete payer information: This includes the payer's name, and either his/her's full business or residential address (not post office box), or a unique identification number generated by the Commonwealth or an authority of the Commonwealth (for example, an Australian Business Number or Australian Company Number), or a foreign government, or a unique number given to the payer by the ordering institution. The payer's date of birth, country of origin, and the town, city or locality will also suffice if the payer is an individual (diagram 4).

Impact: Accounting services, correspondent relations, branch distribution services and operational services of the bank would be affected. The accounting services department must maintain a clear ledger about the source of the money (payer bank information). It needs to work on consumer accounting, fraud detection, entitlement processing, customer account oversight, payments, and corporate accounting. Electronic fund transfer also impacts correspondent bank administration, and correspondent planning and oversight. Branch distribution services shall affect channel operations to know the money's source, even on the internet and ensure that complete payer information is included. Besides network oversight, operations planning will also be affected.

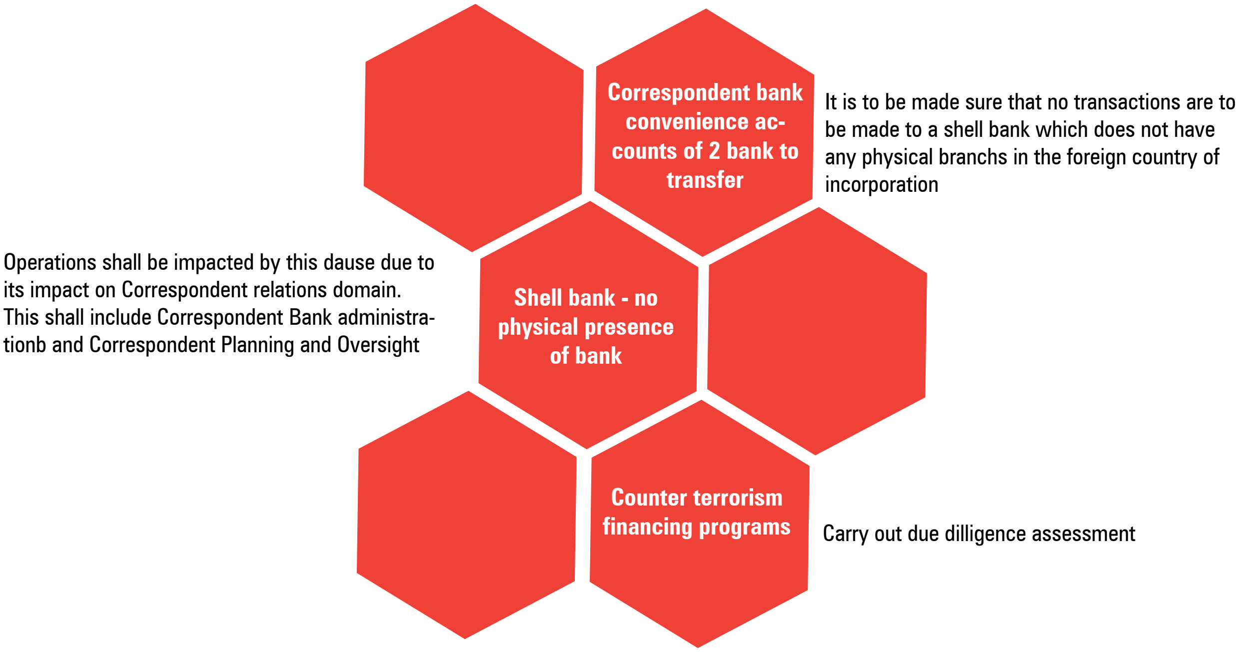
AMLCTF programmes

All reporting entities must comply with the AMLCTF programs that are divided into two parts.

Part A: This part identifies, mitigates and manages the risks that a reporting entity may reasonably face when an Australian (whether inadvertently or otherwise) involves in or facilitates money laundering and/or terror financing.

Part B: This part sets out the applicable customer

Diagram 5: Impact of AMLCTF programmes



identification procedures for customers of the reporting entity.

Correspondent banking: A financial institution must not enter into a correspondent banking relationship with a shell bank or any financial institution that has a correspondent banking relationship with a shell bank. A financial institution, before entering a correspondent banking relationship with another financial institution, must carry out a due diligence assessment. A shell bank is a corporation which is incorporated in a foreign country and is authorised to carry out banking business there. It has no physical presence in its country of incorporation and is neither an affiliate of another similar corporation.

Impact: AMLCTF programmes can affect a bank's operations that include correspondent planning and oversight. No transactions are to be made with a shell bank. The business strategy department should also avoid banking relationship with such banks.

Countermeasures

Countermeasure regulations may prohibit banks from entering into transactions with residents of some proscribed countries.

Record keeping requirements: AMLCTF rules say that if a customer of a reporting entity gives a document relating to the provision of a designated service, then the latter must retain it for seven years. The reporting entity must also retain a copy of its AMLCTF program.

Impact: The operations, information technology (IT) and finance risk management departments are to be affected because of the countermeasures. In operations, it would impact media services, in the areas of document management and archives. It may impact client interaction in customer contact and event history. In the IT department it impacts the choice of servers for maintaining digital information. In risk management, it impacts both guideline and regulatory compliance.

Australia versus India, Difference in AML

The Indian money laundering law is more 'detective' in nature than Australia, which is more on the

Differences in Australian and Indian AML laws		
Parameters	**Australia**	**India**
Nature	Preventive	Detective
Monitoring	Electronic transfers	Physical inspection of premised of the accused
	High value transactions and suspicious activity	Duties, powers, authorities, terms of employment and mode of selection of inspecting officials
	Shell and correspondent banks	No such provision. Stress on KYC
Clauses	Credit card transactions, prepaid cards, mobile money	Suspicious activity and cash transaction reporting. Not on electronic money

lines of prevention. The Indian law gives directions to carry out investigations against the accused based on complaints, and lays emphasis on powers to physically inspect the premises of a person alleged of money laundering. The authorities can enter the premises of the accused and inspect all transactions, money accumulated, and other evidences. The Indian law allows seizure of records, and confiscation of property of people engaged in the crime.

The Indian law talks about appointing officials to find out whether money has been laundered, and search and seize, and hear complaints from the accused against the government officers. It lays down the duties, powers, authorities, terms of employment and mode of selection of officials who would carry out raids. The law also state the powers of the accused in terms of applying to the courts against the activities of the AML team. The Indian law stresses more on correcting and detecting the crime.

However, the laws of more developed countries, emphasises on the prevention of illegal money from entering the economy through financial institutes like banks. The Australian laws describe the incidences and transactions that could draw the attention of the FIU. The Indian Prevention of Money Laundering Act (2002), except in the beginning, has no clear mention about reporting suspicious activities and high value cash transactions. It passes the onus to create AML laws on the Reserve Bank of India (RBI).

The Australian law clearly states that suspicious activity defined by any individual's behaviour, where he/she is trying to hide the source of funds or the identity of the fund holder through complex financial instruments and levers, must be reported to the government. This impacts bank functions like operations, product management and risk management. The Indian law has no clear definition in this regard. The Australian law also necessitates the disclosure of high value transactions above $10,000 to the FIU. In India, the threshold limit is ₹10 lakh, and banks must alert their

INDIAN MONEY LAUNDERING LAW IS MORE 'DETECTIVE' IN NATURE THAN AUSTRALIA'S... AND GIVES DIRECTIONS TO CARRY OUT INVESTIGATIONS AGAINST THE ACCUSED BASED ON COMPLAINTS

operations and risk management department.

The Australian framework also talks about collecting information about the destination bank in case of international electronic funds transfers to prevent the money being used for illegal activities like terrorism, narcotics smuggling etc., through shady shell bank accounts. The Indian law, on the other hand, is silent on such transfers. Indian banks have to set up the correspondent bank administration, and planning and oversight departments in this regard. This is currently absent in many Indian banks.

Both Indian and Australian banks have KYC requirements for all customers. The Australian law, however, goes a step further to tally customer information with the credit reporting agencies. The Australian law also requires the customer to disclose the purpose of the funds to ensure that the identity is not faked and that the money from the bank is being used legally. The Indian KYC norms are limited to the identity proofs issued by the government. The customer may not disclose the purpose of funds. AML laws of various developed countries have clauses on electronic money transfer, credit card transactions, prepaid cards, and mobile transfers to prevent these instruments from being arsenal in the hands of criminals to channel funds. This seems to be missing in the Indian law.

One possible reason behind India adopting only physical currency money laundering norms is that most transactions in the country happen in cash. Credit and debit card transactions are still not popular. The Indian of e-commerce space is limited, but of late, is growing rapidly. The Indian AML law thus emphasises more on the physical inspection of the premises, as already said. Embracing electronic money and ecommerce monitoring will make the Indian law time befitting and more exhaustive.

Learning for India

The RBI, as the central bank, issues AML notifications to banks. It has laid down several guidelines, in collaboration with the FIU, which operates under the finance ministry, to nab frauds in the banking system largely through KYC, and reporting of suspicious cash transactions and counterfeit currency. The details, however, are not mentioned in the AML act. This makes the document a mandate by the executive and not the legislative. Suspicious activity reporting involves incidents that are out of the ordinary. There are also restrictions on the movement of large sums of money abroad. The Indian law also does not specify obtaining complete payer information on electronic funds transfer between banks, both within and outside India.

Conclusion

The impact of the AML regulations in countries like Australia, impacts almost all the domains of a bank's internal operations. A cobweb connecting all the business domains of a bank needs to be set up to make it fully compliant with AML norms. The finance and risk department of a bank is responsible for tracking items that do not comply with the AML policies, and take steps to control or mitigate the risk arising from such situations. Besides finance and risk management, AML regulations also impact the strategic, tactical and operational functions of a bank. It is not merely limited to the chief risk officer's department.

The Indian AML laws, only touches client interaction, finance and risk management, and product management functions only. The lesson to be learnt from the Australian AML laws is to emphasise more on alerting the illegal flow of money through banking channels. The Indian law is silent on several aspects of money laundering adopted by the more developed countries. Indian banks must set up a correspondent banking department to collect details about money sent abroad. This will prevent terror funding. Besides, the KYC forms must include disclosure of the purpose for which the funds are sought, to prevent money used for illegal activities. The Indian AML regulatory mechanism can learn important lessons from the Australian system to prevent money laundering through banks.

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rimabajaj@rediffmail.com

ECONOMY UPDATES

Cost Audit

- **MCA notifies revised forms for filing notice of appointment of cost auditor and cost audit report**

In exercise of the powers conferred by sub-sections (1) and (2) of section 469 and section 148 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies {cost records and audit) Rules, 2014. These rules may be called the Companies (cost records and audit) (Amendment) Rules, 2015.

Read more at: http://mca.gov.in/Ministry/pdf/Companies_Cost_Records_and_Audit_%20amdt_Rules_2015.pdf

- **MCA extends time for filing notice of appointment of cost auditor and cost audit report**

The Ministry has received several representations about the non-availability of the revised form CRA-2 on MCA-21 required for filing of notice of appointment of the Cost Auditor for the F.Y. 2015-16, although the time Limit for filing of the same has either lapsed or will be lapsing.

The revised form CRA-2 has now been notified on 12th June, 2015 and is available on the MCA 21 system form filing. In view of the delay in availability of revised Form CRA-2 on the MCA 21 portal, however, the additional fee on account of any delay beyond the prescribed period of 30 days from the date of Board Meeting in which the appointment of the Auditor was made for filing of CRA-2 for the financial year starting on or after 1st April, 2015 is waived for all such filings till 30th June, 2015 vide General Circular No. 8, 2015 dated: 12th June, 2015

The revised e-Form CRA-4 has also been notified vide the above mentioned notification and will be made available on MCA-21 portal shortly. Therefore, on the similar lines mentioned in above paras, additional fees on delayed filing of form CRA- 4 beyond the prescribed period of 30 days from the date of receipt of a copy of Cost Audit Report from the Cost Auditor for the Financial Year starting on or after 1st April, 2014 is also waived for all such filings till 31st August, 2015

Read more at: http://mca.gov.in/Ministry/pdf/General_Circular_8-2015.pdf

Taxation

- **Section 119 of the Income-Tax act, 1961 - Income-Tax authorities - Instructions to subordinate authorities - Condonation of delay in filing refund claim and claim of carry forward losses under section 119(2)(b)**

In supersession of all earlier Instructions/Circulars/Guidelines issued by the Central Board of Direct Taxes (the Board) from time to time to deal with the applications for condonation of delay in filing returns claiming refund and returns claiming carry forward of loss and set-off thereof under section 119(2)(b) of the Income-tax Act, (the Act) the present Circular is being issued containing comprehensive guidelines on the conditions for condonation and the procedure to be followed for deciding such matters.

The Principal Commissioners of Income-tax/Commissioners of Income-tax (Pr.CsIT/CsIT) shall be vested with the powers of acceptance/rejection of such applications/claims if the amount of such claims is not more than Rs.10 lakhs for any one assessment year. The Principal Chief Commissioners of Income-tax/Chief Commissioners of Income-tax (Pr.CCsIT/CCsIT) shall be vested with the powers of acceptance/rejection of such applications/claims if the amount of such claims exceeds Rs.10 lakhs but is not more than Rs. 50 lakhs for any one assessment year. The applications/claims for amount exceeding Rs.50 lakhs shall be considered by the Board.

No condonation application for claim of refund/loss shall be entertained beyond six years from the end of the assessment year for which such application/claim is made.This limit of six years shall be applicable to all authorities having powers to condone the delay as per the above prescribed monetary limits, including the Board. A condonation application should be disposed of within six months from the end of the month in which the application is received by the competent authority, as far as possible.

In a case where refund claim has arisen consequent to a Court order, the period for which any such proceedings were pending before any Court of Law shall be ignored while calculating the said period of six years, provided such condonation application is filed within six months from the end of the month in which the Court order was issued or the end of financial year whichever is later.

The powers of acceptance/rejection of the application within the monetary limits delegated to the Pr.CCsIT/CCsIT/Pr.CsIT/CsIT in case of such claims will be subject to following conditions:

i. At the time of considering the case under Section 119(2)(b), it shall be ensured that the income/loss declared and/or refund claimed is correct and genuine and also that the case is of genuine hardship on merits.

ii. The Pr.CCIT/CCIT/Pr.CIT/CIT dealing with the case shall be empowered to direct the jurisdictional assessing officer to make necessary inquiries or scrutinize the case in accordance with the provisions of the Act to ascertain the correctness of the claim.

A belated application for supplementary claim of refund (claim of additional amount of refund after completion of assessment for the same year) can be admitted for

ECONOMY UPDATES

condonation provided other conditions as referred above are fulfilled. The powers of acceptance/rejection within the monetary limits delegated to the Pr.CCsIT/CCsIT/ Pr.CsJT/CsIT in case of returns claiming refund and supplementary claim of refund would be subject to the following further conditions:

i. The income of the assessee is not assessable in the hands of any other person under any of the provisions of the Act.

ii. No interest will be admissible on belated claim of refunds.

iii. The refund has arisen as a result of excess tax deducted/collected at source and/or excess advance tax payment and/or excess payment of self-assessment tax as per the provisions of the Act.

In the case of an applicant who has made investment in 8% Savings (Taxable) Bonds, 2003 issued by Government of India opting for scheme of cumulative interest on maturity but has accounted interest earned on mercantile basis and the intermediary bank at the time of maturity has deducted tax at source on the entire amount of interest paid without apportioning the accrued interest/ TDS, over various financial years involved, the time limit of six years for making such refund claims will not be applicable.

Source: Circular 9/2015 [F.NO.312/22/2015-OT], dated: 9-6-2015

- **Release of Return Preparation Software:**

Software for preparing ITR 1 & ITR 4S in Java, Excel & Online for AY 2015-16 are now available for e-Filing. ITR 1 & ITR 4S can also be filled and submitted online after logging to the e-Filing website. E-filing of ITRs 2 and 2A will be enabled shortly. Refer *https://incometaxindiaefiling.gov.in/*

- **Due date for filing Income Tax Returns:**

CBDT vide Order u/s 119 extended the due date for filing return of income for AY 2015-16 for certain classes of taxpayers from 31st July, 2015 to 31st August, 2015.
For details click here:
https://incometaxindiaefiling.gov.in/eFiling/Portal/StaticPDF/Order_under_section_119.pdf

- **Regarding facility of centralized registration to manufacturers of aluminium roofing panel under Rule 9(2) of Central Excise Rules, 2002**

Central Board of Excise and Customs exempts from the operation of said rule, every manufacturing unit engaged in the manufacture of aluminium roofing panels falling under tariff item 7610 90 10 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), subject to the conditions that such roofing panels are consumed at the site of manufacture for execution of the project and the manufacturer of such goods has a centralized billing or accounting system in respect of such goods manufactured by different manufacturing units and opts for registering only the premises or office from where such centralized billing or accounting is done vide *Notification No. 17/ 2015 - Central Excise (N.T.) dated: 8th June, 2015.*

Banking

- **Revision in Bank Rate – UCBs/ StCBs/ CCBs**

As per the Monetary Policy Statement dated June 2, 2015, the Bank Rate stands adjusted by 25 basis points from 8.5 per cent to 8.25 per cent with effect from June 2, 2015. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised as indicated below. The interest rate on refinance for SSI under Section 17(2) (bb) read with Section 17(4) (c) of the Reserve Bank of India Act, 1934, also stands revised to 8.25 per cent with effect from June 2, 2015.

- **Liquidity Adjustment Facility – Repo and Reverse Repo Rates**

Penal Interest Rates which are linked to the Bank Rate:

Item	Existing Rate	Revised Rate (Effective from June 2, 2015)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls)	Bank Rate plus 3.0 percentage points (11.5 per cent) or Bank Rate plus 5.0 percentage points (13.5 per cent)	Bank Rate plus 3.0 percentage points (11.25 per cent) or Bank Rate plus 5.0 percentage points (13.25 per cent)

Source: Notification No. RBI/2014-15/625 [DCBR. BPD. (PCB/ RCB).Cir.No.37/16.11.00/2014-15] dated: June 2, 2015

RBI has decided to reduce the Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 7.75 per cent to 7.50 per cent with immediate effect. Consequent to the change in the Repo rate, the Reverse Repo rate under the LAF will stand adjusted to 6.50 per cent with immediate effect vide *Notification No. RBI/2014-2015/487 [FMOD.MAOG. No.108 /01.01.001/2014-15] dated: June 2, 2015.*

- **Marginal Standing Facility**

RBI has been decided to reduce the Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 7.50 per cent to 7.25 per cent with immediate effect. Consequent to the change in the Repo rate, the Marginal Standing Facility (MSF) rate will stand adjusted to 8.25 per cent vide Notification

No. RBI/2014-2015/623[FMOD.MAOG. No.109/01.18.001/2014-15] dated: June 2, 2015.

- **Standing Liquidity Facilities for Banks and Primary Dealers**

As per Second Bi-monthly Monetary Policy Statement repo rate under the Liquidity Adjustment Facility (LAF) has been reduced by 25 basis points from 7.5 per cent to 7.25 per cent with immediate effect. Accordingly, the Standing Liquidity Facilities provided to Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate, i.e., at 7.25 per cent with effect from June 2, 2015.

As per the circular no MPD BC.376/07.01.279/2014-15 dated February 3, 2015, the Export Credit Refinance (ECR) facility was merged with the system level liquidity provision with effect from February 7, 2015, but refinancing availed up to February 6, 2015 may continue till its maturity. In consonance with the reduced LAF repo rate, the interest rate applicable to outstanding ECR will be at the revised rate of 7.25 per cent with effect from June 2, 2015.

Source: Notification No. RBI/2014-15/621 [REF.No.MPD.BC.378/07.01.279/2014-15] dated: June 2, 2015

- **Rationalization under LRS for Current and Capital Account Transactions**

I.Liberalized Remittance Scheme (LRS) for resident individuals- increase in the limit from USD 125,000 to USD 250,000 and rationalization of current account transactions

II.Remittance facilities for persons other than individuals

Source: Notification No. A.P. (DIR Series) Circular No. 106 dated: June 1, 2015

- **Issue of Long Term Bonds by banks for Financing of Infrastructure and Affordable Housing – Cross Holding**

RBI has been decided that henceforth, banks can invest in the long term bonds issued by other banks under the provisions of the above-mentioned circular dated July 15, 2014. However, the primary objective of allowing regulatory exemptions on CRR and SLR requirements as well as priority sector lending is to encourage issue of long term bonds for lending to infrastructure projects and affordable housing. To preserve this objective and in order to prevent double counting of regulatory exemptions allowed, such investments will be subject to conditions as follows:

i. Banks' investment in such bonds will not be treated as 'assets with the banking system in India' for the purpose of calculation of NDTL.

ii. Such investments are not to be held under HTM category.

iii. An investing bank's investment in a specific issue of such bonds will be capped at 2% of the investing bank's Tier 1 Capital or 5% of the issue size, whichever is lower.

iv. An investing bank's aggregate holding in such bonds will be capped at 10% of its total Non-SLR investments.

v. Not more than 20% of the primary issue size of such bond issuance can be allotted to banks.

vi. Banks cannot hold their own bonds.

Source: Notification No. RBI/2014-15/618 [DBR.BP.BC.No.98/08.12.014/2014-15] dated: June 01, 2015

- **Customs:**

Notification No. 36/2015-Cus, dt. 04-06-2015 amends Notification No. 60/2011 – Customs, dated 14th July 2011, so as to include Kamalasagar (Tripura) on the India-Bangladesh Border, in order to extend exemption from the whole of the duty of Customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 to specified goods traded in the Kamalasagar (Tripura) Border Haat, with effect from 6 June, 2015.

- **Courier Imports and Exports (Clearance) Regulations**:

Amendment in Courier Imports and Exports (Clearance) Regulations, 1998 vide Notification No. 62/2015-Cus (NT), dt. 17-06-2015

- **Anti-dumping duty:**

Levy of definitive anti-dumping duty on imports of Hot Rolled Flat Products of Stainless Steel of ASTM Grade 304 with all its variants originating in, or exported from People's Republic of China, the Republic of Korea and Malaysia for a period of five years vide Notification No. 28/2015-Cus (ADD), dt. 05-06-2015.

- **Anti-dumping duty:**

Levy of definitive anti-dumping duty on imports of Vitamin E, originating in or exported from the People's Republic of China for a period of five years vide Notification No. 29/2015-Cus (ADD), dt. 10-06-2015.

- **Facility of centralized registration to manufacturers of aluminium roofing panel under Rule 9(2) of Central Excise Rules, 2002**

In exercise of the powers conferred by sub-rule (2) of rule 9 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby exempts from the operation of said rule, every manufacturing unit engaged in the manufacture of aluminium roofing panels falling under tariff item 7610 90 10 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), subject to the conditions that such roofing panels are consumed at the site of manufacture for execution of the project and the manufacturer of such goods has a centralised billing or accounting system

in respect of such goods manufactured by different manufacturing units and opts for registering only the premises or office from where such centralised billing or accounting is done.
Source: Notification No. 17/ 2015 - Central Excise (N.T.) dated: 8th June, 2015

Foreign Trade

- **Prohibition on import of milk and milk products from China**

Prohibition on import of milk and milk products (including chocolates and chocolate products and candies/ confectionary/ food preparations with milk or milk solids as an ingredient) from China is extended for one more year, i.e., till 23.6.2016 or until further orders, whichever is earlier vide Notification No. 12 /2015-2020 dated: 24th June, 2015..

- **Provision for Import, auction/ sale and re-export of rough diamonds in Special Notified Zone (SNZ) is notified**

Central Government hereby inserts a new paragraph 4.49 A in the Foreign Trade Policy (FTP) 2015-2020 with immediate effect. Import, auction/sale and re-export of rough diamonds by entities, as notified vide RBI Notification 116 of 1st April, 2014, as amended from time to time, on consignment or outright basis, will be permitted in Special Notified Zone (SNZ) administered by the operator of SNZ, under supervision of Customs. The procedure of import, auction/ sale and re-export of rough diamonds (unsold) would be as specified by CBEC vide Notification No: 11 /2015-2020 dated: 15th June 2015.

- **Amendment in Foreign Trade Policy 2015-20.**

(a) Mandatory documents required for export of goods from India:
1. Bill of Lading/ Airway Bill / Lorry Receipt / Railway Receipt / Postal Receipt.
2. Commercial Invoice cum Packing List
3. Shipping Bill/Bill of Export

(b) Mandatory documents required for import of goods into India:
1. Bill of Lading / Airway Bill / Lorry Receipt / Railway Receipt / Postal Receipt.
2. Commercial Invoice cum Packing List
3. Bill of Entry

(c) For export or import of specific goods or category of goods, which are subject to any restrictions/policy conditions or require NOC or product specific compliances under any statute, the regulatory authority concerned may notify additional documents for purposes of export or import.

(d) In specific cases of export or import, the regulatory authority concerned may electronically or in writing seek additional documents or information, as deemed necessary to ensure legal compliance.
(e) The above stipulations are effective from 1st April, 2015
Every Authorization shall, inter alia, include following terms and conditions (as applicable), in addition to such other conditions as may be specified:
(a) Description, quantity and value of goods;
(b) Actual User condition (as defined in Chapter 9);
(c) Export Obligation;
(d) Minimum Value addition to be achieved;
(e) Minimum export/import price;
(f) Bank guarantee/ Legal undertaking / Bond with Customs Authority / R.
(g) Validity period of import/export as specified in Handbook of Procedures

<u>Duties Exempted and Admissibility of Cenvat and Drawback</u>
(i) Duty Free Import Authorization shall be exempted only from payment of Basic Customs Duty.
(ii) Additional customs duty/excise duty, being not exempt, shall be adjusted as CENVAT credit as per DoR rules.
(iii) Drawback as per rate determined and fixed by Central Excise authority shall be available for duty paid inputs, whether imported or indigenous, used in the export product. However, in case such drawback is claimed for inputs not specified in SION, the applicant should have indicated clearly details of such duty paid inputs also in the application for Duty Free Import Authorization, and as per the details mentioned in the application, the Regional Authority should also have clearly endorsed details of such duty paid inputs in the condition sheet of the Duty Free Import Authorization.
Source: Notification No.08 /2015-2020 dated: 4th June, 2015

(For further details on these issues, please visit the Institute's website: <u>www.icmai.in</u> for the complete CMA e-Bulletin, July 2015, Vol 50, No. 7, in the 'Research and Publications' section.)

The Institute of Cost Accountants of India
(Statutory Body under an Act of Parliament)

27th February, 2015
Sub: Clarification on Notification No. CMA(2)/2015 dated 12th February, 2015
Sub: CEP requirements for Members in Practice/Industry
Amendment in Para 5 of the Existing Guidelines
Applicability of the Guidelines w.e.f. 01.04.2015

Further to Notification No. CMA(2)/2015 dated 12th February, 2015 on CEP requirements for Members in Practice/Industry, it is clarified that with effect from April 1, 2015, the requirement of CEP Credit Hours are as follows subject to the following exemptions:

(i) A member who has attained the age of 65 years.
(ii) For the first year for a member who is admitted to the membership of the Institute. A year in this context is to be considered as the period from April 1 to March 31.
(iii) A member who is having permanent disability and members who have been handicapped due to an accident for a prolonged period may be exempted from fulfilling the requirement of CEP Hours on submission of valid documents in support of the same.
(iv) A member who is resident outside India.
(v) In case of members residing outside India for a period of not less than 6 months may be exempted from the requirement for the particular year on submission of valid documents in support of the same. However, no such exemption/relaxation is available to a member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute and such member would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

The new block will be effective from 1.4.2015 and will supersede the existing block.
CEP Credit Hours requirements for the block of three (3) years starting effective April 1, 2015 to March 31, 2018, to be complied with by different categories of members.

Members holding Certificate of Practice
Below the age of 65 years: The member should undergo minimum mandatory training of 15 hours per year or 50 hours in a block of 3 years.
Holding Certificate of Practice for part of the year:
A member holding Certificate of Practice is exempt from the CEP requirement for the first year or part of the year.
Members not holding Certificate of Practice
It is recommended that a member should undergo minimum training of 7 hours per year or 25 hours in a block of 3 years.

Note:
- No carry forward is allowed for excess Credit Hours from block of three years to the next block of three years.

(Kaushik Banerjee)
Secretary (Acting)

THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA-700 016

Telephones : 91-33-2252-1031/1034/1035
: 91-33-2252-1619/1492/1602
: 91-33-2252-7373/7143/2204
Fax : 91-33-2252-1026/7993
: 91-33-2252-1723/2872
E-mail : studies@icmai.in/bos@icmai.in
Website : www.icmai.in

Ref. No: DOS/08/05-02/2015-16

Kolkata, 8th May, 2015

CIRCULAR

Sub:"On-line Assessment Test on Computer "after completion of 100-hours Compulsory Computer Training

It is hereby notified that students registered to CMA Intermediate Course, on or after 1st February,2015, shall have to qualify "On-line Assessment Test on Computer" after completion of the prescribed hours of hands on Training on Computer. The objective is to bring about uniformity in the teaching-learning methodology besides uniform evaluation mechanism across the board.

The successful completion of this assessment test shall be mandatory, as a pre-requisite for appearing in Examinations of the Institute, from December 2015 term of Examination, except the following category of students, who shall be excluded from this mandatory on-line assessment test:

❖ Students completed 100-hours Computer Training, till the date of circulation of this notice
❖ Students exempted by requisite Qualification from undergoing 100-hours computer Training, till the date of circulation of this notice
❖ Students who are registered to the course prior to Syllabus 2002 and pursuing Intermediate Course

Note:

CMA Students having professional qualification like CIMA- UK or ACCA - UK, shall be exempted from undergoing Computer Training and also this Test.

The information for completion of the prescribed hours of computer training, shall be furnished by the respective Regional Council/Chapter/ CMASC (with coaching and training facilities). Thereafter, the students shall be allowed to appear in this on-line assessment test. The respective Computer Training Center [viz. Regional Council/Chapter/ CMASC (with coaching and training facilities)], may continue with their conducting of computer test, post-completion of prescribed hours of training, before recommending students to appear in the "on-line assessment test on computer".

Furtherance, w.e.f. 1st June 2015, all applications for seeking "Qualification based exemption from undergoing Computer Training" would be granted, only after successful clearance of the "on-line assessment test on computer".

"On-line Assessment Test on Computer" - Question Paper Pattern:

- ❖ Multiple Choice Questions (MCQ)
- ❖ Coverage : Topics as per Syllabus, as per Weight age specified on respective topics
- ❖ No of questions to be answered: 30 (thirty). All questions are compulsory
- ❖ Time Allowed : 60 (sixty) minutes

A candidate shall have to secure at least 50% marks in such "on-line assessment test on computer", to be eligible for being granted with "exemption" from undergoing the prescribed hours of Computer training.

THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA-700 016

Telephones : 91-33-2252-1031/1034/1035
: 91-33-2252-1619/1492/1602
: 91-33-2252-7373/7143/2204
Fax : 91-33-2252-1026/7993
: 91-33-2252-1723/2872
E-mail : studies@icmai.in/bos@icmai.in
Website : www.icmai.in

On successful completion of this web-based "on-line assessment test on computer", the same would be then considered as compliance for appearing in Examinations of the Institute. Each student shall be awarded with an "e-Certificate" recognizing the "completion/qualifying of the stated Examination", which will have a system-based reference number for reference and control. The results would be linked and updated automatically in the records of the respective student.

A student failing to secure qualifying marks within the first two attempts (free of cost to students), shall be allowed to appear in further three attempts (i.e. maximum 5 attempts within which the student shall have to qualify the on-line assessment test on computer) for which, a nominal fee of Rs.250 (Rupees Two Hundred and Fifty only) per attempt, shall have to be paid through on-line mode (by debit/credit card or net banking).

Time Period of the "on-line assessment test on computer":

(1) For students who are not availing qualification-based exemption:
This assessment test will be conducted on scheduled time period with scheduled hours, which would be term specific and would be informed/communicated from time to time. The time schedule would be as follows (specific date/s would be communicated for every month/term):

For December term of Examination	First week of September, October, November (5 days per week per month from 10 am to 8pm)
For June term of Examination	First week of March, April, May (5 days per week per month from 10 am to 8pm)

(2) For students who are applying for qualification based exemption:
This assessment test will be conducted on scheduled time period with scheduled hours, every month as follows:

During 4th Saturday and the next day (i.e. Sunday) of every month	Between 10am to 5pm

For mock-test purpose, this facility would be made available from 25th May,2015 to 31st May,2015 during 10am to 8pm. During this time period, students may take up tests, for preparation and also to get acclimatized with the e-environment. Thereafter, the facility would be made available during the specified date and time period only.

All concerned are directed to note the same and send/display with appropriate advisory for the students and stakeholders.

(CMA Chiranjib Das)
Joint Director, Head - Academics Dpt. & Tax Research Dpt.
& In-Charge of Directorate of Studies
studies.chiranjib@icmai.in,
Mobile No. +91 9830766740

Corrigendum

There has been a mistake in the illustration on page 45 of the previous issue journal issue, June 2015. The corrected illustration is produced Here:

Diagram illustrates interfaces of Management Accounting with other systems; Circle represents Information System connecting all systems; Arrows represent information-flows.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – SEPTEMBER 2015

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2012	
	Paper – 1 & 2 (100 Marks) Time : 10 A.M. to 12.00 Noon	Paper – 3 & 4 (100 Marks) Time : 2 P.M. to 4.00 P.M.
Saturday, 19th September, 2015.	**Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	**Paper 3** : Fundamentals of Laws & Ethics (50 Marks) **Paper 4** : Fundamentals of Business Mathematics and Statistics (50 Marks)

Examination Fees

Foundation Course Examination	Inland Centres	₹ 1200/-
	Overseas Centres	US $ 60

1. **The Foundation Examination under syllabus-2012 will be conducted in M. C. Q. Mode through Online only.**

2. Total Questions: 100 (Multiple Choice Questions) in each session, Maximum Marks: 100 (Each Question will carry 1 Mark) in each session. There will be no negative marking for wrong answers.

3. **Foundation Examination will be conducted under 2012 syllabus only.**

4. **Application Forms for Foundation 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.**

5. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**

6. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**

   (b) Students can also pay their requisite fee through payfee module of IDBI Bank.

7. **Last date for applying for Foundation Examination of September 2015 term is 4 th August, 2015.**

8. **Examination Centres**: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Faridabad, Gandhidham, Ghaziabad, Guwahati, Hardwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nasik, Nellore, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Valsad, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat. **(If no examination centre is available at a particular location, examinees will be accommodated at the nearest Centre available)**

9. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**

10. **Probable date of publication of result : 22rd September, 2015.**

A. Das
Director (Examination)

*** For any examination related query, please contact exam.helpdesk@icmai.in**

CMA DOSSIER

Microfinance and Self Help Group

Name of the topic	Author	Reference with date	Link
Microfinance in South India: A Case Study	Arjun Bhaskar	Wharton Research Scholars Journal APRIL 2015	http://repository.upenn.edu/cgi/viewcontent.cgi?article=1125&context=wharton_research_scholars
Role of Self-Help Groups in Financial Inclusion in Goa – A Case Study	DR. ANTHONY SATHISH P. A. PATIL	A Journal of Radix International Educational and Research Consortium Volume 4, Issue 5 (May, 2015)	http://www.rierc.org/social/paper551.pdf
Poverty and Micro Finance: Interrogating Self Help Groups Experience from Chandipur and Burdwan of Eastern India	Dr. Manjari Sarkar (Basu)	Asian Studies International Journal - Vol. 1, No. 1, January 2015	http://uniqueca.com/archieves/wp-content/uploads/2015/01/Manjari.pdf
Scope for Mature Self-Help Groups to Graduate into Microenterprises	Syed Iliyas Basha	National Bank for Agriculture and Rural Development A.P.R.O, Hyderabad. 2011-2012	http://www.researchgate.net/profile/Emmanuel_Murray/publication/273096488_Scope_for_Mature_Self-Help_Groups_to_Graduate_into_Microenterprises/links/54f6e7870cf2ca5eff0057cc.pdf
Spirituality and Its Impact on Economic Empowerment of Self Help Group Members	Dr. A. Somu Sujatha. V. S	www.iosrjournals.org	http://www.iosrjournals.org/iosr-jbm/papers/Vol17-issue4/Version-5/B017451118.pdf
Micro financing Decentralized Solar Energy Systems in India: Innovative Products Through Group Approach	Satish Pillarisetti	Decentralized Solutions for Developing Economies Springer Proceedings in Energy 2015, pp 153-166	http://link.springer.com/chapter/10.1007/978-3-319-15964-5_14
Analysis of Agricultural Training Needs of Tribal Women Self Help Groups (SHGs)	Dr. Kamble B. V. Deshmukh Shubhangee D.	Journal of Commerce and Management Thought Year : 2015, Volume : 6, Issue : 2	http://www.indianjournals.com/ijor.aspx?target=ijor:jcmt&volume=6&issue=2&article=001
Microfinance: An Approach towards Socio-Economic Development	Udayan Karnatak	International Journal of Management and Social Sciences Research (IJMSSR) Volume 4, No. 5, May 2015	http://www.irjcjournals.org/ijmssr/May2015/1.pdf
Economic Empowerment of Women Through Self-Help Groups With Special Reference to Obulavaripalli Mandal	Dr. K. Maddileti Mrs. A.Lakshmikanthamma Mrs. G. Sarika	http://www.ijbarr.com	http://www.ijbarr.com/downloads/0803201520.pdf
Perception of Beneficiaries Regarding the Micro Finance to the Self Help Groups (SGHs): A Case Study	K.S. Ramola Neeraj Kumar	Asian Resonance Vol.-IV, Issue-II, April-2015	http://www.socialresearchfoundation.com/upoadreserchpapers/1/44/1506130553001st%20k.s.romala.pdf
A Study of Women Empowerment through Self-Help Groups in Sangli District	Prof Vinayak Gramopadhye	ASM's International E-Journal on Ongoing Research in Management and IT INCON – X 2015	http://www.asmgroup.edu.in/incon/E%20-%20JOURNAL%20INCON%202015/INCON-GM%20Vol2/INCN15_GM_26.pdf
Problems of Women Self Help Groups in Cuddalore District	Mr.M.Ramesh Dr.A.Rajamohan	IJEMR – February 2015 - Vol 5 Issue 2 -	http://ijemr.in/Problems%20of%20Women%20Self%20Help%20Groups%20in%20Cuddalore%20District.pdf
International Journal for Administration in Management, Commerce and Economics Women Empowerment : Challenges And Prospects	Hemlata D.Mor	International Journal For Administration in Management, Commerce and economics January-2015	http://ijamce.org/pdf/jan22.pdf
An Attempt to Empowering Rural People Through Micro-Finance	M.Chittibabukannan Dr.R.Prabhu	http://www.ijbarr.com	http://www.ijbarr.com/downloads/0604201525.pdf
An Empirical Study of Microfinance Revisited, with Reference to a Few Villages of Balasore District, Odisha	Prof. Amit Kumar Debadatta Bhuyan	ASM's International E-Journal on Ongoing Research in Management and IT INCON – X 2015	http://www.asmgroup.edu.in/incon/E%20-%20JOURNAL%20INCON%202015/Finance_2015/INCN15_FIN_014.pdf
The 2010 Microfinance Crisis in Andhra Pradesh, India and its Implications for Microfinance in India	Shruti Saxena	ReconsideringDevelopment.org Volume 3 (1) 2015	http://reconsideringdevelopment.org/wp-content/uploads/2015/03/RD-3.1-Saxena-2015.pdf
Performance of Micro Finance SHGS Bank-Linkage Programme: A Study of Select Commercial Banks YSR Kadapa District, A.P	O. Mohammad Rafee	International Journal Of Marketing, Financial Services & Management Research Vol.4 (4), APRIL (2015)	http://indianresearchjournals.com/pdf/IJMFSMR/2015/April/2.pdf

CMA DOSSIER

Name of the topic	Author	Reference with date	Link
Microfinance in India- A way forward	Hardeep Kaur Jasmindeep Kaur	IISUniv.J.Com.Mgt. Vol.3(1), 11-22 (2014)	http://iisjcm.org/sites/default/files/IISJCM/2014/2.%20Hardeep%20Kaur,%20Jasmindeep%20Kaur.pdf
Performance of Self-Help Groups in Government and NGO Sectors: A Comparative Analysis	Dr. Ravindra K.	International Journal of Liberal Arts and Social Science Vol. 3 No. 5 June, 2015	http://www.ijlass.org/data/frontImages/gallery/Vol._3_No._5/10._107-122.pdf
The Microfinance Guarantee for Financial Inclusion: Evidence to Support in India	Mr. Shekhar S. Gangadhar	ASM's International E-Journal on Ongoing Research in Management and IT INCON – X 2015	http://www.asmgroup.edu.in/incon/E%20-%20JOURNAL%20INCON%202015/Finance_2015/INCN15_FIN_025.pdf
Women Empowerment Through Self Help Groups – A Statistical Approach	Asia Pacific Journal of Research	Asia Pacific Journal of Research 2015	http://apjor.com/downloads/110420156.pdf
Impact of Self Help Groups on Empowerment of Women: A Study in Krishnagiri District, Tamilnadu	D. S. Selvakumar, B. Samundeeswari	ASIAN JOURNAL OF BUSINESS AND MANAGEMENT 2015	http://www.ajouronline.com/index.php?journal=AJBM&page=article&op=view&path%5B%5D=2155
Micro-finance: Tool for Sustainable Livelihood Sou.	Suneeta Pimpale	ASM's INTERNATIONAL E-Journal on Ongoing Research in Management and IT INCON – X 2015	http://www.asmgroup.edu.in/incon/E%20-%20JOURNAL%20INCON%202015/Finance_2015/INCN15_FIN_042.pdf
Factors Affecting the Competitiveness of the Agribusiness Sector in Swaziland	Bongiwe P. Dlamini, Johann F. Kirsten, Micah B. Masuku	http://ijmsrr.com	http://ijmsrr.com/downloads/2802201510.pdf
A Study on The Impact of Micro Finance In Empowerment of Self Help Groups' Women In Theni District	Dr. D. Gnana Senthil Kumar	http://ijmsrr.com	http://www.ijbarr.com/downloads/3004201522.pdf
Self Help Groups And Economic Empowerment of Women In Paramakudi	Dr. M. Meganathan M. Magheswari M. Arumugam	International Journal of Research in Engineering and Social Sciences ISSN 2249-9482, Impact Factor: 5.343, Volume 5 Issue 5, May 2015	http://www.indusedu.org/IJESS/may15/2.pdf
Role of microfinance in generating income and employment for rural households in Punjab-An econometric approach	Kapila Munish Singla Anju Gupta M.L.	Indian Journal of Economics and Development Year: 2015, Volume : 11, Issue : 2	http://www.indianjournals.com/ijor.aspx?target=ijor:ijed1&volume=11&issue=2&article=004
Role of self help groups in economic empowerment of rural women: a theoretical perspective	Dr. Parashurama G.S. Shakunthala C Shashikumar TP	Arth prabandh: A Journal of Economics and Management Year : 2015, Volume : 4, Issue : 5	http://www.indianjournals.com/ijor.aspx?target=ijor:apjem&volume=4&issue=5&article=007
Study of Micro Finance in India	N.Vani	http://ijmsrr.com	http://www.ijbarr.com/downloads/020420157.pdf
Empowerment of Women through SHG's: An Analysis	Nayana Sail Rajendra Kumbharjuvenkar	International Journal of Science and Research (IJSR) Volume 4 Issue 1, January 2015	http://www.ijsr.net/archive/v4i1/SUB151187.pdf
Role of commercial banks in microfinance	Dr. Aggarwal Vipin Kumar	SAARJ Journal on Banking & Insurance Research Year : 2015, Volume : 4, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:sjbir&volume=4&issue=1&article=002
The Role Of Swarn Jyanti Gram Swarojgar Yozana In Development Of Shg-Model In Jhansi District of Uttar Pradesh	Radhika Choudhary	International Journal of Business Management and Economics Research. Volume 2, Number 1 (2015)	http://www.irphouse.com/ijbmer/ijbmerv2n1_04.pdf
Can community-based microfinance groups match savers with borrowers? Evidence from rural Malawi	Rachel Cassidy Marcel Fafchamps	Centre for the Study of African Economies	http://r4d.dfid.gov.uk/pdf/outputs/IIG/csae-wps-2015-13.pdf
Microfinance in India: Past, present and future	Dr. Mahajan Mukesh Kumar	Excel International Journal of Multidisciplinary Management Studies Year : 2015, Volume : 5, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:xijmms&volume=5&issue=1&article=006
Do Credit Constraints Limit Entrepreneurship ? Heterogeneity In The Returns to Microfinance	Abhijit Banerjee Emily Breza Esther Duflo Cynthia Kinnan	Heterogeneity And Entrepreneurship	http://www.iies.su.se/polopoly_fs/1.230189.1427364972!/menu/standard/file/el3_writeup_2015_march_submit.pdf
Transaction Cost Reduction Models For Micro Finance Institutions	Kumar T. S. Anand Sanu V. Praseeda Newport Jeyanth K.	Journal of Commerce and Management Thought Year : 2015, Volume : 6, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:jcmt&volume=6&issue=1&article=002

Name of the topic	Author	Reference with date	Link
Micro Finance and It's Impact an SHGS In Karnataka – A Special Reference to Tumkur and Chitradurga	Prof.(Smt) Sheela Jayanth Dr.Suresha K.P.	ELK Asia Pacific Journal 2015	http://www.elkjournals.com/microadmin/UploadFolder/3061MICRO-FINANCE-AND-ITS-IMPACT-ON-SHGs-IN-KARNATAKA.pdf
Women Empowerment through Self-Help Groups – A Case of Two Backward Districts of West Bengal	Bisai Santanu Dr. Mazumdar Debashis	Asian Journal of Research in Social Sciences and Humanities Year : 2015, Volume : 5, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrssh&volume=5&issue=1&article=006
Micro Finance: A Tool for Self Employment with Special Reference to Rural Poor	Dr. Babaraju K. Bhatt Ronak A. Mehta	International Journal of Advanced Research in Management and Social Sciences Vol. 4 | No. 3 | March 2015	http://www.garph.co.uk/IJARMSS/Mar2015/7.pdf
Role of Micro-Finance in Development of Rural Women: A Case Study of Boipariguda Village In Koraput District of Odisha	Dr. Arangi Venu D. Sravani	International Journal Of Multidisciplinary Advanced Research Trends	http://ijmart.in/wp-content/uploads/2015/05/VOLUME-2-ISSUE-2-MARCH-2015-14.pdf
Rural Agricultural Development through Micro Finance in North-East Region	Dr. Hedayatullah Choudhury Dr. Ananta Pegu	International Research Journal of Interdisciplinary & Multidisciplinary Studies (IRJIMS) Volume-I, Issue II, March 2015,	http://www.irjims.com/files/Hedayatulla-Choudhury.pdf
Drivers of Microfinance in India: An Exploratory Study Assistant Professor Department of Business	Syed Ahmed Saad Dr. Asif Akhtar	European Academic Research Vol. Ii, Issue 12/ March 2015	http://euacademic.org/UploadArticle/1494.pdf
Socio-Economic Development Of Women Self Help Groups (WSHG)	Durga Prasad Padhi	http://cutm.ac.in	http://cutm.ac.in/pdf/durga_fulltext1.pdf
Development of Schedule Caste Women Through Self Help Groups In Paramakudi Taluk	Dr. M. Meganathan R. Saravanan R. Sudha Ganthi	International Journal of Research in Management, Economics & Commerce	http://www.indusedu.org/IJRMEC/jan15/3.pdf
Enhancing the productivity of Small Scale Women Entrepreneurs and Small Farmers availing Microfinance services through Self-Help Groups – The emerging role of Information and Communication Technology (ICT)	Soumitro Chakravarty Umesh Prasad Amar Nath Jha	American International Journal of Research in Humanities, Arts and Social Sciences AIJRHASS 15-126; © 2015	http://iasir.net/AIJRHASSpapers/AIJRHASS15-126.pdf
Impact of Microfinance on Poverty Eradication through SHGs: A Case Study of Pratapgarh District (Uttar Pradesh)	Harikesh Maurya	International Journal of Science and Research (IJSR) Volume 3 Issue 12, December 2014	http://www.ijsr.net/archive/v3i12/U1VCMTQxMTIz.pdf
The Role of Self Help Groups- Bank Linkage Programme in Financial Inclusion	Palak Mehta	International Journal of Engineering Technology, Management and Applied Sciences May 2015, Volume 3, Issue 5	http://www.ijetmas.com/admin/resources/project/paper/f201505161431754103.pdf
Redesigning Women Self Help Group Training Program For Self Employment	Dr. Devaki Kutty	Tactful Management Research Journal 2015	http://tmgt.lsrj.in/SeminarPdf/332.pdf
Economic Empowerment of Rural Women Entrepreneurs in Rajasthan through Self- help Group: A Case of SAKHI	Anju Singh Choudhary	Imperial Journal of Interdisciplinary Research (IJIR)\ Vol.1, Issue.4- 2015	http://onlinejournal.in/IJIRV4/03.pdf

Eastern India Regional Council

Bhubaneswar Chapter of Cost Accountants

The Chapter organized a seminar for its members on the theme 'Provision Relating to Depreciation and Fixed Assets under Companies Act,2013' due to drastic change of Schedule-II of the Companies Act,2013 on May 3, 2015. The chief speaker of the seminar was CA. (Dr.) Debasish Mitra, Managing Partner, Debashis & Associates, Chartered Accountants, Kolkata. CMA Siba Prasad Kar, the then Chairman PD Committee of the Chapter delivered the welcome address, CMA Akhaya Kumar Swain, the then Chairman of the chapter delivered the key note address and CMA Damodar Mishra, the then secretary of the chapter extended formal vote of thanks.

Northern India Regional Council

Kanpur Chapter of Cost Accountants

The Chapter organized a seminar on GST & Role of Independent Director, Board Members on May 10, 2015 in UP Stock Exchange Civil Lines Kanpur. Shri M.R. Vyas, ex-vice president, LML Ltd, Sri M.S. Ray GM (Finance) ALIMCO initiated the programme with lighting of the lamp. Shri Suraj Prakash, AGM (Finance) BHEL in his presentation on GST explained in detail

about the proposed GST and highlighted that GST is the biggest tax reform in India. Sri Harsh Chauhan said that the corporate houses need to adopt omni channel approach to survive and thrive in age of omnipresent competition, aggression from employees, investors, government bodies, customers etc. He also explained that the independent directors will ensure the compliances of disclosure of interest by interested directors, convening of board or committee meetings or general meetings, formulation and disclosure in website / annual report, a policy on remuneration, appointment of directors, related party transactions, evaluation criteria of independent directors, familiarization programmes, analysis of the major business proposals. The programme ended with the vote of thanks by Sri M.R. Vyas, Sri Rakesh Misra, Sri D.S. Kapoor, Sri M.S. Ray, Sri Ashok Kumar, Sri Ashutosh Gupta, Sri Hri Om Mishra, Mrs Neena Tandan and many other participants.

Southern India Regional Council

Madurai Chapter of Cost Accountants

The Chapter organised yoga practice on June 21, 2015 at its oral coaching premises in tune with the international yoga day celebrations. CMA S. Kumararajan, Chairman of the chapter emphasised on yoga and he stated that it increases the power of the individuals to excel in their life. CMA Dr. I. Ashok, Council Member (elect) inaugurated the programme and explained the importance of yoga in day to day life. Ms. Alar-

mel Mangai, programme faculty from the Art of Living taught the participants some techniques of yoga and further certain yoga demonstrations were also made by the students. CMA D. Venkat Raman, Vice Chairman of the Chapter gave the vote of thanks.

Coimbatore Chapter of Cost Accountants

On April 18, 2015 the Chapter conducted PDP programme on 'New Concepts under Companies Act 2013, CS & CMA Perspective' attended by members and students of the Chapter. The interactive session on the topic was conducted by CMA Mohan Kumar A., DGM Legal & Company Secretary at Allsec Technologies Ltd. On May 19, 2015 the inaugural function of the new batch of oral coaching was held at the Chapter. Vice Chairperson of the chapter, CMA Meena Ramji, Secretary of the chapter, CMA A. Hariharasubramanian and Coaching Committee Member, CMA Subbaraman. S addressed the students explaining oral coaching facilities and its aspects. CMA Sathish R, one of the faculties also addressed the students.

Hyderabad Chapter of Cost Accountants

The Chapter conducted annual general meeting on May 16, 2015 where CMA Radha Krishna Komaragiri, Chairman of the chapter highlighted the salient features of performance of the chapter from the

Annual Report 2014-15. On May 19, 2015 the chapter celebrated Foundation Day where CMA B.V. Ramana Murty, past President of the Institute, CMA P.A.P. Murthy, Past Central Council Member, CMA K.C. Sarma, CMA M. Kameswara Rao, past chairman of the chapter, CMA K.K. Rao, past chairman of the chapter, CMA G. Satyanarayana were among the experts attending the function. On May 30, 2015 the chapter organized campus placements by Genpact at CMA Bhavan where the representatives of Genpact briefed about their organization initially and also asserted the role of a Cost and Management Accountant.

Trivandrum Chapter of Cost Accountants

The Chapter conducted a Professional Development Programme on April 19, 2015 on the theme 'A Review of Amended Cost Records & Audit Rules 2014'. CMA George Mathew V. Dy. Director, Rubber Board, Kottayam conducted the session and he explained each and every rule and its practical implications and also emphasized the scope of these rules to practising CMAs. CMA Joseph Louis, Chairman of the chapter explained the relevance of the subject and about the implications of the amended Cost Records and Audit Rules under Companies Act 2013. The meeting had been concluded by CMA Isac Kutty M.K, the Professional Development Committee Chairman of the chapter with the vote of thanks. On June 14, 2015 the chapter conducted a professional development programme on the theme 'Government Budget - the tool for Cost Control in Public Governance' where Sri R. Suresh, Additional Secretary (Rtd.) to Government of Kerala was the guest speaker who explained various steps viz. preparation, passing execution and review of Government budgets and vehemently stated that the success of every budget is assessed by the review of proper implementation of budgetary proposals and in case of Government budget it is done professionally by Comptroller and Auditor General(CAG) of India. The meeting was presided over by CMA Sudhakaran R., Chairman of the chapter emphasizing the relevance of the subject since budgetary control is the main tool for cost control in all organizations and without proper budgeting, and nobody will be able to achieve organizational goals properly.

Western India Regional Council

Aurangabad Chapter of Cost Accountants

The Chapter celebrated International Yoga Day on June 21, 2015. Chairman of the chapter, CMA S.J. Deore, Vice Chairman of the chapter, CMA Bisheshwar Sen, Managing Committee Member, CMA M.R. Pandit, CMA S.P. Bhangale, CMA N.L. Kuyate, CMA S.B. Maniyar, CMA Shailendrasing Rajput, CMA M.A. Avhad, students and staff members were present on the occasion.

Pune Chapter of Cost Accountants

The Chapter celebrated June 21, 2015 as Yoga Day where CMA Anant Dhavale, Chairman of the chapter introduced CMA D.V. Patwardhan, yoga teacher of Patanjali, Pune Unit who explained the concept of yoga giving reference to the writings of famous Maharshi Patanjali. CMA Amit Apte, CCM felicitated CMA D.V. Patwardhan on this occasion.

From the Research Desk

Microfinance and Self Help Group (SHG)

Role of CMAs

- **Performance Management-** Social performance is the effective translation of an institution's social mission into practice. The social value of microfinance relates to the way financial services improve the lives of poor and excluded clients and their families and widen the range of opportunities for communities. The CMAs can assist Micro Finance Institutions (MFIs) to improve the quality and appropriateness of the financial services available to target clients through the systematic assessment of their specific needs. The CMAs through Performance Management can assist MFIs to measure these objectives and outcomes but also about the actions and corrective measures taken by an MFI to generate those outcomes. The aim is to determine whether the MFI gives itself the means to reach its social goals, by monitoring progress towards those goals and understanding how to use the information it gathers to make improvements in its operations. This endeavour would improve the social responsibility of the MFI towards its employees, clients and the community it serves.

- **Community Audit-** The SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. It is an organized set up to provide microcredit to the rural women on the strength of the group savings without insisting on any collateral security for the purpose of encouraging them to enter into entrepreneurial activities. Community audit is highly beneficial in this context for efficient utilization of financial assistance, mobilization of savings, eradication of embezzlement of cash and surplus cash management. Community audits focus not only on the needs of a community, but also on its assets. A huge amount of fund is being mobilized through these SHGs. Thus CMAs can help out in proper auditing of accounts on regular basis to provide the transparency and accountability among the members. SHG Audit is an effective medium as SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend to rural poor for their socio-economic empowerment.

- **Empowering & Sustainability of SHGs-** Economic empowerment may be defined as a state wherein the SHG members are able to fulfill their basic needs through reasonable opportunities for income generation and to own assets, liquid or immovable properties such as land through individual or group activity. Empowerment by way of participation in SHG can bring enviable changes and enhancement in the living conditions of women in poor and developing nations. The above problems can be solved by taking into account followings; with increasing educational opportunity among women, giving financial assistance, market facilities, developing of self employment programs, training through microenterprises programmes, subsidies, and new schemes and organizing workshops, conducting research programme etc. The Institute in association with various National and international organizations are trying to promote professional education across the globe. The CMAs can keep a track on allocation and apportionment of fund allotted to the rural and urban woman entrepreneurs. With their professional expertise can facilitate women entrepreneurs to take suitable strategies for business sustainability.

- **Micro Credit-** Micro Credit has emerged as a visible credit channel to the poor as their access to conventional credit channels is constrained by the requirement of collateral and high transaction cost. Although microcredit is lent to individuals as well as groups, the Microcredit Institutions (MFIs) prefer the latter as it helps to reduce transaction cost apart from contributing to prompt repayment through peer pressure and to the empowerment of the beneficiaries. A simple system requiring minimum procedures and documentation is a pre-condition for augmenting flow of micro credit. The CMAs in this regard can facilitate the banks to formulate their own model(s) or choose any conduit/ intermediary for extending micro credit and formulate the criteria for selection of micro credit organizations. They can lend a hand to the banks to deal with micro credit organizations having proper credentials, track record, system of maintaining accounts and records with regular audits in place and manpower for closer supervision and follow-up.

- **Financial Inclusion-** The Micro Finance Institutions are an integral part of financial inclusion and instrumental in providing last mile connectivity. But there need to be a balance. They should be kept viable but within certain boundaries. The CMAs in these regard should examine the issues confronting the microfinance industry, suggest in the fixation of interest rate structure and suggest recommendation to the competent authority. The CMAs by risk mapping techniques should eradicate risks associated with financial inclusion. To make financial inclusion successful, the CMAs through their professional expertise apply suitable strategies for unhindered access to the financial services like Savings, Credit, Micro insurance and remittance facilities in favor of the small and marginal farmers and landless labourers.

- **NPA Management-** The overall NPA percentage of loans to SHGs has come down marginally from 7.08% as on 31.3.2013 to 6.83% during the current year thereby reversing upward swing in NPA observed during the last few years. However, the level of NPA is still alarmingly high compared to position 5 years back (2.9% as on 31.3.2010). Moreover, the decline in the NPA percentage has been reported only in the Southern Region with high progress, while all other regions have continued with the upward swing in NPAs during the year. Alarming growth rate of NPAs, willful defaults, faulty processing of loan proposals are the causes for loan assets becoming NPAs. NPAs impinge on the cost competitiveness, revenue generation, interest income, operational surplus, profits, and provisions. The CMAs can help in the risk management procedure by Resource Mapping and Risk Mapping techniques. The problem of NPAs can be tackled only with proper credit assessment and risk management mechanism.

SYLLABUS 2016

Kolkata, the 26th June, 2015

NOTIFICATION

No. CMA (3)/2015 : In pursuance of sub-regulation (b) of Regulation 20B and Regulation 31 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by clause (a) of sub-section (2) of Section 15 of the Cost and Works Accountants Act,1959, the Council of the Institute of Cost Accountants of India at its 293rd Meeting held on 20/5/2015 has approved the "Syllabus 2016" for introduction w.e.f. 1st February, 2016 as annexed in Annexure 1.
Students admitted to the Courses of the Institute w.e.f. 1st February,2016 shall pursue Courses under "Syllabus 2016".

The First Examination under "Syllabus 2016" shall be conducted in December,2016.

The Last Examination under "Syllabus 2012" shall be conducted in June 2017.

Examinations under both Syllabi shall be conducted simultaneously as under:

Examination to be held in	Examinations to be held under	
December 2016	Syllabus 2012	Syllabus 2016
June 2017	Syllabus 2012	Syllabus 2016
December 2017 and onwards (until further notification)		Syllabus 2016

This issues with the approval of the competent authority.

(Kaushik Banerjee)
Secretary (Acting)

SYLLABUS 2016

Annexure I

Syllabus 2016 - Foundation Course	
P1	Fundamentals of Economics & Management
P2	Fundamentals of Accounting
P3	Fundamentals of Laws and Ethics
P4	Fundamentals of Business Mathematics & Statistics
Foundation Course Examination: On-line MCQ Mode. Foundation Examinations - Four (4) times in a year in every three (3) months.	

Syllabus 2016 - Intermediate Course (Modules I, II,III & IV)
Module I P 5 - Financial Accounting P 6 - Laws, Ethics & Governance
Module II P7 - Direct Tax and International Taxation P8 - Cost Accounting & Financial Management
Module III P9 - Operations Management P10 - Cost & Management Accounting
Module IV P11 - Indirect Taxation P 12 - Company Accounts & Audit

Trainings and Quality Assessment Tests during Intermediate Course
❖ 100 hours Compulsory Computer Applications Training
❖ Communication & Soft Skills Training (Mandatory requirement) (3 days)
❖ On-line (24x7) Web-based Centralized Quality Assessment Test to seek eligibility (Mandatory Requirement to Qualify) with an eligibility criterion of 40% marks for appearing in Examinations

Special Features of Intermediate and Final Course _ Syllabus 2016
✓ Groups consisting of 4(four)papers segregated into "Module" of 2(two) papers at Intermediate Level and Final Level. ✓ 7 (seven) Papers at Final Level would be compulsory, spread in Modules. 1 (one) optional paper to be chosen from amongst 5 (five) different specialization options. ✓ Each student at Final Course would enjoy the option to go ahead with their respective specialization subject/area, as per choice and preference. ✓ Option to appear in Module/Modules as per choice of the student.

Note:

(1) Detailed contents of the Syllabus to be uploaded by 18th July,2015.

(2) Option for Switchover/changeover from Syllabus 2012 to Syllabus 2016 - detailed guidelines to be uploaded by 18th July,2015.

SYLLABUS 2016

Syllabus 2016 - Final Course (Modules V, VI, VII & VIII)
Module V Paper 13 - Corporate Laws & Compliance Paper 14 - Strategic Financial Management
Module VI Paper 15 - Strategic Cost Management & Business Strategy Paper 16 - Advanced Direct Tax Laws and International Taxation
Module VII P17 - Cost and Management Audit P18 - Financial Analysis and Reporting
Module VIII P19 - Advanced Indirect Tax - Laws & Practice P20 - "Optional" to be selected from "Specialization Papers"

PAPER 20: OPTIONAL SUBJECTS - Specialization Papers (any one to be selected/opted)

20A	Strategic Performance Management and Business Valuation
20B	International Business
20C	Treasury Management, Security Analysis and Portfolio Management
20D	Project Management and Control
20E	Supply Chain Management

Trainings and Quality Assessment Tests during Final Course (Mandatory)
❖ Computer Training - SAP -FI & CO Module (50 hours) ❖ Industry Oriented Training Program (7 days) ❖ Advanced Managerial Skill Development Training (8 days) including Project Preparation and Presentation by Individual students.
❖ On-line (24x7) Web-based Centralized Quality Assessment Test to seek eligibility (Mandatory Requirement to Qualify) with an eligibility criterion of 40% marks for appearing in Examinations.

Practical Training (Mandatory) for appearing in Final Course	
❖ For being eligible to appear in Examinations	Out of the total period of 3-years of Practical Training, a student must complete at least 6 (six) months of Practical Training at any time before appearing for "all the modules together" or "for the remaining Module/s" (i.e. Modules when appearing jointly, having qualified in the other module/s) of the Final Course.
❖ Recognition of Work Experience	For students who are already engaged in specified/recognized fields of work/activities including their past experience, would be considered for the purpose of ascertaining their period of practical training.

Note:

(1) Detailed contents of the Syllabus to be uploaded by 18th July,2015.

(2) Option for Switchover/changeover from Syllabus 2012 to Syllabus 2016 - detailed guidelines to be uploaded by 18th July,2015.

NOTIFICATION

1) The names of certain members had been removed from the Registrar of Members vide notification no. CWR-16 (23548-23572)/2015 dated 9th March 2015 on account of death, the details of which are uploaded on the Institutes' website.
2) The names of certain members had been removed from the Registrar of Members vide notification no. CWR-16 (23573-23579)/2015 dated 9th March 2015 on their own request, the details of which are uploaded on the Institutes' website.
3) The names of certain members have been removed from the Registrar of Members vide notification no. CWR-16 (23580-23581)/2015 dated 10th June 2015 on their own request, the details of which are uploaded on the Institutes' website.
4) The name of a member has been removed from Registrar of Members vide notification no. 16-CWR (23582)/2015 dated 10th June 2015 pursuant to an order of the Disciplinary Committee, the details of which are uploaded on the Institute's website.

The Institute of Cost Accountants of India
(Statutory Body under an Act of Parliament)
www.icmai.in

Research Bulletin, Vol. 41, No. III (ISSN 2230 9241)

Call for Research Papers/Articles

We invite you to contribute research paper/ article for "**Research Bulletin**", a peer-reviewed **Quarterly Journal** of **The Institute of Cost Accountants of India**. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Research Bulletin is now a **Quarterly Publication** of the Institute. The next issue will be published in **October, 2015**.

Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word 2003 (.doc) format.
- Each paper should be around 15 typed pages and preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Papers are invited on the following topics, but not limited to:

- Urbanization: Issues & Challenges
- Economic Empowerment of Women in India
- Emerging Trends in Information Technology in Management
- Corporate Social Responsibility & Swachh Bharat Abhiyan
- Investment Scenario of Manufacturing Industries in India
- Health Insurance among Rural Population
- Impact of Social Media in Indian socio-economic perspective

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Papers must be received within 1st September, 2015 in the following email id:
research.bulletin@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA Bhawan
12, SUDDER STREET, KOLKATA – 700 016.

Kolkata, the 19th June, 2015

NOTIFICATION

EL–2015/26 : The election to the Nineteenth Council of the Institute of Cost Accountants of India was held in accordance with the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and as per the following Notifications :

1. Notification No. EL – 2015/1 dated 16th February 2015
2. Notification No. EL – 2015/2 dated 16th February 2015
3. Notification No. EL – 2015/5 dated 16th February 2015
4. Notification No. EL – 2015/6 dated 16th February 2015
5. Notification No. EL – 2015/7 dated 16th February 2015
6. Notification No. EL – 2015/8 dated 16th February 2015
7. Notification No. EL – 2015/9 dated 16th February 2015

In pursuance of Rule 36 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and order of the Council of the Institute of Cost Accountants of India, it is hereby notified for information that the following members have been declared elected to the Nineteenth Council of the Institute of Cost Accountants of India for the term 2015 – 2019 :-

A. WESTERN INDIA REGIONAL CONSTITUENCY :

1. Apte, Amit Anand (M/16105)
   11/7, Laxminarayan Nagar,
   S. No. 11 & 12, Erandawane,
   Pune – 411 004.

2. Bhattad, Pramodkumar Vithaldasji (M/6095)
   General Manager (Finance),
   Western Coalfields Ltd.
   Coal Estate, Civil Lines,
   Nagpur – 440 001.

3. Nawal, Ashok Bhagawandas (M/5720)
   701, Supriya Classic, Survey No. 112/1/3,
   Baner Road, Baner,
   Pune – 411 045.

B. SOUTHERN INDIA REGIONAL CONSTITUENCY

1. Ashok, I. (M/11929)
   4, Madurai Road, Near Periyar Statue,
   Tirumangalam,
   Madurai – 625706.

2. Iyer, P. Raju (M/6987)
   17, (Old No. 8), Hasthinapuram Main Road,
   Nehru Nagar, Chromepet,
   Chennai – 600044.

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12, SUDDER STREET, KOLKATA – 700 016.

: 2 :

3. Jagan Mohan Rao, P.V.S. (M/7781)
308, Himasai Gardens,
Gulmohar Block, Jawahar Nagar,
RTC Cross Roads,
Hyderabad – 500 020.

4. Padmanabhan, H. (M/16200)
Sr. Manager – Indian Overseas Bank,
Sr. DGS, IOBOA, 763, Anna Salai,
Chennai – 600002.

5. Sunkara, Papa Rao (M/8045)
40-7-31, Modern Academy,
Jammichettu Center, Mogalrajapuram,
Vijayawada – 520010.

C. EASTERN INDIA REGIONAL CONSTITUENCY :

1. Basu, Biswarup (M/8237)
261/14, Prince Anwar Shah Road,
Kolkata – 700033.

2. Goswami, Avijit (M/9147)
68-C/1, Beleghata Main Road
Kolkata – 700010.

3. Mishra, Niranjan (M/13060)
Niran & Co., Cost Accountants,
Esen Den, 475, Asiana Plaza Entry,
Aiginia, Khandagiri,
Bhubaneswar – 751019.

4. Thakur, Manas Kumar (M/12867)
22/4, Verner Lane, Belgharia,
Kolkata – 700 056.

D. NORTHERN INDIA REGIONAL CONSTITUENCY :

1. Gupta, Sanjay (M/18672)
C–4E/135, Janak Puri,
New Delhi – 110 058.

2. Sharma, Vijender (M/18513)
11, (3rd Floor), Hargovind Enclave,
Vikas Marg,
Delhi – 110092.

3. Singh, Balwinder (M/19898)
F-125, Phase VIII-B,
Indl Area, Sector-74, Mohali,
Chandigarh – 160071.

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CMA Bhawan
12, SUDDER STREET, KOLKATA – 700 016.

Kolkata, the 19th June, 2015

NOTIFICATION

EL–2015/27 : The elections to the four Regional Councils of The Institute of Cost Accountants of India were held in accordance with the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, The Cost and Works Accountants Regulations, 1959 as amended and as per the following Notifications :

1. Notification No. EL – 2015/1 dated 16th February 2015
2. Notification No. EL – 2015/2 dated 16th February 2015
3. Notification No. EL – 2015/5 dated 16th February 2015
4. Notification No. EL – 2015/6 dated 16th February 2015
5. Notification No. EL – 2015/7 dated 16th February 2015
6. Notification No. EL – 2015/8 dated 16th February 2015
7. Notification No. EL – 2015/9 dated 16th February 2015

In pursuance of Rule 36 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulations 114, 115, 118, 121 and other applicable Regulations of The Cost and Works Accountants Regulations, 1959 as amended and order of the Council of the Institute of Cost Accountants of India, it is hereby notified for information that the following members have been declared elected to the four Regional Councils of the Institute of Cost Accountants of India for the term 2015 – 2019 :-

A. WESTERN INDIA REGIONAL COUNCIL :

1. Desai, Pradip Harilal (M/12092)
   121, Devpath Complex,
   B/H Lal Bunglow, Off. C. G. Road,
   Ahmedabad – 380 006.

2. Deshpande, Harshad Shamkant (M/25054)
   1254, Sadashiv Peth, Sadbhav
   Sadanika, Near Nimbalkar Talim,
   Pune – 411 030.

3. Gandhi, Kailash Ratanlal (M/24407)
   C-414, Venkateshwara Housing
   Society, Station Road,
   Bhayander (West),
   Thane – 401 101.

4. Joshi, Neeraj Dhananjay (M/24118)
   'CMA Pride', 1st Floor, Plot No. 6,
   S. No. 16/6, Erandawana Hsg. Soc.,
   Erandawana,
   Pune – 411 004.

5. Mahankaliwar, Shriram Narayan (M/22055)
   Shriram & Co., A/15, NIT Complex,
   Opp. Sudama Theatre, Gokulpeth,
   Nagpur – 440 010.

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: 2 :

6. Mitra, Debasish (M/15379)
B/502, Mayuresh Srishty Park,
Off Lake Road, Bhandup (W),
Mumbai – 400 078.

7. Pawar, Laxman Digambar (M/17598)
Pawar & Associates,
16, 1st Floor, Bhakti Complex,
Behind Dr. Ambedkar Statue,
Mumbai-Pune Road, Pimpri,
Pune – 411 018.

B. SOUTHERN INDIA REGIONAL COUNCIL :

1. Anegundi, Yankappa H. (M/16148)
Anegundi & Co., No. 130,
Sainagar, Phase – I, Post : Vidyaranyapura,
Bangalore – 560 097.

2. Badrinath, A.R.V. (M/21573)
Senior Manager Finance,
Indian Oil Corporation Ltd.,
Marketing Division,
3-6-436 to 438, 3rd Floor,
Naspur House, Himayatnagar,
Hyderabad – 500 029.

3. Gunjalli, Suresh Rachappa (M/22121)
No. 10, 1st Floor,
Vinayak Apartments, Vinayak
Layout, Basaveshwara Nagar,
Bangalore – 560 079.

4 Mayil Murugan, A. (M/20245)
9, Kammalar Lane, North Car Street,
Thirupparankundram,
Madurai – 625 005.

5. Murali, V. (M/29241)
Rain Tree, Flat No. 1A, Block-E,
21, Venus Colony, Second Cross
Street, Alwarpet,
Chennai – 600 018.

6. Panicker, Sankar P. (M/25794)
64/768, Jaikunj, Chittoor Road,
Kochi – 682 035.

7. Sanyasi Rao, K. (M/16865)
Flat No 503, VVRR Empire,
Door No 31-27-49,
Ward No 53, Kurmannapalem,
Vishakhapatnam – 530 046.

8. Satish, Jyothi (M/31292)
No. 5, Thames, Pacific City
Akshaya Homes, 62,
Guruswamy Road, Nolumbur,
Madhuravoyal,
Chennai – 600 095.

9. Suryanarayanan, K. (M/24946)
Flat 'A', Brindhavan Apartments,
No. 1, Poes Road, 4th Street,
Teynampet,
Chennai – 600 018.

10. Zitendra Rao, Dendukuri (M/10087)
H. No. 104, Praveen Residency,
2-2-14/2/104, D. D. Colony,
Hyderabad – 500 007.

C. EASTERN INDIA REGIONAL COUNCIL :

1. Banerjee, Ashis (M/19645)
Kalitala Road,
P.O. Bara Bahera,
Dist: Hooghly (WB),
Pin – 712 246.

2. Basu, Arundhati (M/25144)
FE-130, Sector – 3, Salt Lake,
Kolkata – 700 106.

3. Bhattacharjee, Shyamal Kumar (M/5828)
8/4, S. P. Mukherjee Road,
Durgapur – 713 204.

4. Chakrabarty, Pranab Kumar (M/8614)
72/9, Saikhpara Lane,
Howrah – 711 103.

5. Farooque, Umar (M/23193)
PGCIL, 6th Floor, Alankar Place,
Boring Road,
Patna – 800 001.

6. Mukhopadhyay, Bibekananda (M/26671)
B-20, Amarabati, Sodepur,
Kolkata – 700 110.

7. Padhi, Shiba Prasad (M/20719)
   Plot No. N/1-163, IRC Village,
   Nayapalli,
   Bhubaneswar – 751 015.

8. Venkata Ramana, Cheruvu (M/15030)
   C/o, Hotel Jyoti Residency, Opp.
   Old Bus Stand Dist: Ganjam,
   Berhampur – 760 001.

D. NORTHERN INDIA REGIONAL COUNCIL :

1. Bhati, Rajendra Singh (M/33509)
   1st Floor, Plot No. 42,
   Hari Om Tower, Manji Ka Hata,
   Paota, Rajasthan,
   Jodhpur – 342 001.

2. Bhatt, Sandeep Kumar (M/14652)
   F-103, DAV Complex,
   Mayur Vihar, Phase – 1,
   Opp. Samachar Apartment,
   New Delhi – 110 091.

3. Jain, Navneet Kumar (M/17133)
   2-D, OCS Apartments, Mayur Vihar,
   I Phase Extn.,
   New Delhi – 110 091.

4. Kumar, Arvind (M/25573)
   45, Gayatri Vihar,
   Near Balliwala Chouck,
   Vijay Park Ext. Main Lane,
   Dehradun - 248 001.

5. Sahni, Ravi Kumar (M/16339)
   C-40, West Gorakh park
   Extension,
   Shahdara,
   New Delhi – 110 032.

6. Sharma, Anil (M/15091)
   232, Sector -3-A, FF,
   Chandigarh – 160 036.

7. Singh, Sunil Kumar (M/23553)
   SSCO Tower, D-2/28,
   Vibhuti Khand, Gomti Nagar,
   Lucknow – 226 010.

(Kaushik Banerjee)
Returning Officer

Workshop on "National Skill & Entrepreneurship Development Programme at College & University Level"

The Institute organized a Workshop on "National Skill & Entrepreneurship Development Programme at College & University Level" on 13th June, 2015 at EIRC Auditorium, CMA Bhawan, Kolkata, with the determination of skill development and to promote entrepreneurship for creating self-employment through enterprise creation pan India basis. The Institute and National Skill Development Agency (NSDA), an autonomous body of the Ministry of Skill Development & Entrepreneurship, Government of India have recently entered into a MOU to enable offering various collaborative activities to promote and encourage skill and entrepreneurship in India.

We were privileged to have some eminent delegates from different Universities & Colleges almost from all districts of West Bengal and resource persons from Industries, Academics, Banks and Policy making bodies. Prof. Malayendu Saha, Vice Chairman of West Bengal State Council of Higher education being the Chief Guest of the first session, shared his thoughts on the topic and discussed in details about the outcomes of the India Skill Report, 2014 and hence, the utility of the programme. Prof. D.R. Dandapath, Dept. of Commerce, Calcutta University also highlighted the need of Skill & Entrepreneurship Development and discussed in detail about the gap of skilled manpower in India. CMA Mrityunjay Acharya, Associate VP, Corporate Taxation & Internal Audit, Balmer Lawrie also shared his opinions from the industry point of view about the gap between industry's requirement and jobseekers' skill. The welcome address was given by CMA Dr. Debaprosanna Nandy, Director Research & Journal of the Institute. In this session the Directorate of Research & Journal, made a presentation covering the details of "NSEDP", viz. its necessity from different aspects, support to be provided by ICAI, programme structure and evaluation process etc. First session ended with the summing up and vote of thanks by CMA Dr. Sumita Chakraborty, Jt. Director, Research of the institute.

The 2nd half of the Workshop was Brainstorming session where the house was kept open for questionnaires and discussions considering the pros and cons which may happen after the implementation of "NSEDP". Mr.Gautam Banerjee General Manager, Corporate Communication- TATA Hitachi, CMA M. Acharya VP, Balmer Lawrie, CMA Chittaranjan Chatterjee, Former Chairman, EIRC of ICAI, CMA Dr. Debaprosanna Nandy, Director Research & Journal of the Institute were answering the queries raised by the house. The eminent dignitaries felt that the unemployed scenario can be turned better through effective skill and entrepreneurship development program. Few of the colleges present had requested us to conduct the programme in their campus so that awareness among the students can be generated. The workshop ended with the summing up and vote of thanks by Mr. Pradipto Ganguly, Deputy Director, Journal of the Institute.

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