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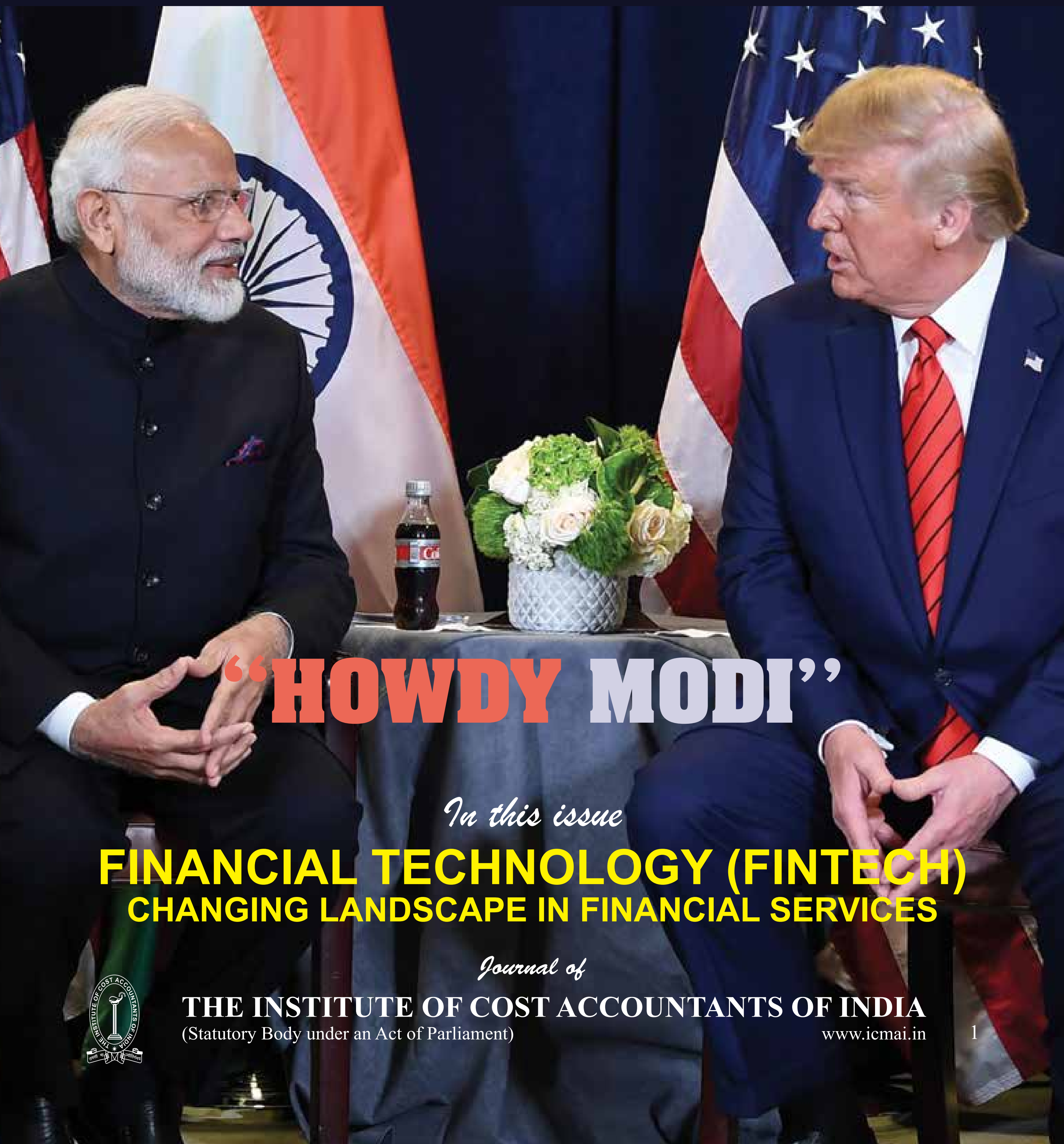

"HOWDY MODI"

In this issue

FINANCIAL TECHNOLOGY (FINTECH)
CHANGING LANDSCAPE IN FINANCIAL SERVICES

Journal of

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

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- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was 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**

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

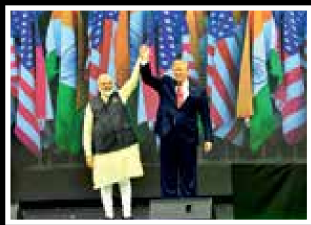
असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

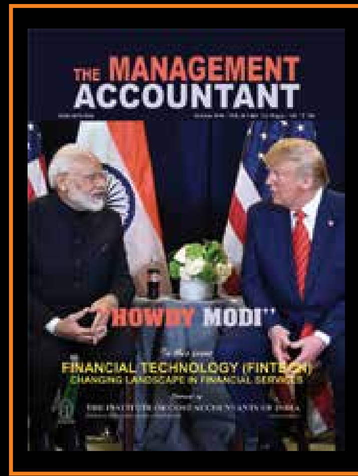
From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

Delhi Office
CMA Bhawan, 3 Institutional Area
Lodhi Road, New Delhi - 110003

CONTENTS

Special Article





October VOL 54 NO.10 ₹100

INSIDE

Cover Story

October 2019

Interview

*We have expanded our Readership from **1** to **94** Countries*

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Djibouti, Egypt, France, Gambia, Germany, Ghana, Great Britain, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Vietnam, Zaire, Zimbabwe.

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Editorial

Greetings!!!

'Fintech' is used to refer to "financial technology." Fintech is a relatively new concept for many consumers and the term can be used to refer to technological innovations that relate to concepts such as financial literacy and education, stock investment, cyber security, blockchain technology, retail banking, crypto-currencies like Bitcoin and Ripple, among other innovations.

The term "Fintech" is a combination of the two words "finance" and "technology". It refers to the technological start-ups that are emerging to challenge traditional banking and financial players and covers a wider array of services, ranging from crowd funding, mobile payment solutions to online portfolio management tools as well as international money transfers.The Fintech Weekly defines it as *"a business that aims at providing financial services by making use of software and modern technology."* A Fintech company is financial technology firm that develops new technology and innovative idea to offer financial services that disrupts the existing one.

Fintech is the latest buzzword in the world of finance, where digitisation has gained significant momentum. Fintech is short form for financial technologies, those that are disrupting traditional financial services, including mobile payments, money transfers, loans, fundraising and asset management. It shifts business and consumer from the pen-paper method to digitalization which reduces time, cost and increases efficiency. It is one of the major tools which can play a vital role to make the cashless economy. As per Global Fintech Adoption index 2019, 96% consumers globally are aware to at least one digital payment, money transfer and payment services of Fintech.

Financial industry in current scenario is focussing on technological innovation because traditional financial institutions face low penetration, high cost, scarce credit, cash driven transaction etc. Fintech industry provides technologically innovative products at lower cost with increased efficiency and diversity.

The education sector has also been significantly influenced by the advent of this new wireless technology. The conventional chalk and talk method of teaching and boundaries of classroom have been dissolved and a student today has access to an ocean of information at the touch of a key. The role of Fintech has thus emerged to provide technological solutions to conduct all financial transactions related to student and higher educational institutions profiles.

Fintech companies can now reap the benefits of the latest advancement in technology and intensive use of smartphones and come forward to help mitigate the funding gap faced by small business houses. Using technology in improving the delivery and accessibility of financial products, they can come up with initiatives to ensure increased financial inclusion of the SMEs. If Fintech can help to shrink the gap, the MSMEs will benefit the most from it. As Fintech is futuristic in nature, it can help MSMEs to explore newer opportunities and mitigate operational risks thereby amplifying the process of value creation.

In India very few banks are having a strong financial strength to reach global competency, Fintech is a way to become strong in digital payments and transactions. Fintech Services are meeting the aspirations of the customers and provide a way for financial institutions to improve customer retention and preference. Data enrichment is an extremely powerful tool and Fintech firms provide an opportunity to enhance the portfolio diversification as well as fulfil customer needs.

Artificial intelligence, automation, cloud accounting, open banking, making tax digital that promise to transform the accountancy and advisory profession create new opportunities for the Cost and Management Accountants. Increasing automation of processes around invoice management, credit control, cashflow forecasting, and reconciliations, to name but a few, will reduce the time the CMAs need to spend on these traditional functions, freeing up resources and expertise to focus on more value-adding projects.

This issue presents a good number of articles on the cover story theme 'Financial Technology (Fintech) - Changing Landscape in Financial Services' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at ***editor@icmai.in***. We thank all the contributors to this important issue and hope our readers enjoy the articles.

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

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

Month	Theme	Subtopics
November 2019	Real Estate Investment and Capital Markets	• Real Estate Asset Pricing • Risk factors of real estate returns • Volatility measures for real estate portfolios • Integration of stocks, bonds and real estate • Debt Capital Markets: Risks & Opportunities • Institutional Investors: Creating Value &Managing Risk in a Mature Market • Real estate investment trusts (REITS) v/s Private Equity market • Innovation and Disruption: Investing in the Future of the Real Estate Industry • Global Real Estate Capital Markets • Role of CMAs
December 2019	Startups and Entrepreneurship	• Technological transformations and diversities in Start ups • Startup India – the next big theme for Economic Growth • Challenges faced by Startups in India • Angel Investment Ecosystem in India • Edtech Startups: a Ray of Hope for transforming the Learning Experience • Healthcare Startups: Fitness & Wellness • Fintech Startups : paving way for a financially smart India with Global Recognition • AgriTech Startups: leading India's next green revolution • Identifying opportunities for growth and addressing constraints for successful, innovative Startups and Entrepreneurship - Role of CMAs
January 2020	Steering Transformation in Banking	• Leveraging the power of Artificial Intelligence • Mega Bank Merger Drive: Most preferred technique for attainment of Competitiveness, Growth and Sustainability • Interest Rate Risk Management • The Digitalisation of SME Financing: Expanding the Rewards and Assessing the Risks • Digital Lending: Driving the Next Wave of Loan Innovation • Data & Cyber Security in Banking • Investment opportunities in stressed assets • Corporate Insolvency Resolution Procedure • Challenges and roadblocks for the New-Age Banking: Catalytic role of CMAs to rise above the barriers
February 2020	Arbitration and Conciliation: Challenges and Prospects	• Arbitration and Conciliation (amendment) Act, 2019: Expansion of scope for the CMAs • Arbitral Award: Challenge & Enforcement • Institutional, Statutory and Ad-hoc Arbitration • Legal issues that arise in the context of Online Dispute Resolution • Arbitration of Intellectual Property Disputes • Recent Developments in International Commercial Arbitration • Arbitration: Significantly Important Supplement to Enhance Ease of Doing Business • Making India an Arbitration Hub

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 anywhere else.

Please send your articles by e-mail to *editor@icmai.in* latest by the 1st week of the previous month.

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2019 London Global Convention
on Corporate Governance & Sustainability
November 13 - 15, 2019, London (UK)
also presentation of
GOLDEN PEACOCK AWARDS
& Global Business Meet
at House of Lords
Theme: Board's Opportunities and Challenges for Corporate Governance and Sustainability
GALAXY OF SPEAKERS
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Gopichand P. Hinduja
Co-Chairman
Hinduja Group, UK
Lord Adair Turner
Sr. Fellow, Institute for New Economic Thinking (USA)
Sr. Fellow & Grantee, INET & Former Chairman, UK
Financial Services Authority, UK
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• Top technical speakers loaded with professional experience from across industries
• Learn Best Practices from top companies- Business case study presentations on 'Corporate Governance' & 'Sustainability'
• Meet & Greet with Winners of Golden Peacock Awards on 'Corporate Governance' & 'Sustainability' (National & Global) @ a special presentation ceremony
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PRESIDENT'S COMMUNIQUÉ

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

> **"The best way to find yourself is to lose yourself in the service of others"**
> **– Mahatma Gandhi**

My Dear Professional Colleagues,

We Indians give special importance to our festivals and make exclusive arrangements for the celebration of various festivals each year. Be it the villages or the big cities, there is joy all around. All the places are decked up for ongoing and forthcoming festivities such as Durga Puja, Vijayadashami, Diwali and Bhai Dooj. I convey my best wishes and greetings to the entire CMA fraternity. May this auspicious occasion of Diwali bring happiness, prosperity, health, and peace in your life.

CAMPAIGN ON 'SWACHHTA PAKHWADA' AND 'HINDI DIWAS'

The month of October begins with celebrations of the birthday of our own Mahatma Gandhi, who is also called the Father of our Nation and this year it is special as we are celebrating his 150th Birth Anniversary.

I feel happy to share with you that for Commemoration of 150th Birth Anniversary of Mahatma Gandhi, Headquarters, all regional offices and chapters of our Institute are participating wholeheartedly in a campaign 'Swachhta Pakhwada', from 15th September to Gandhi Jayanti on 2nd October 2019, to make it a success. We must appreciate that the cleanliness is not merely a slogan but a practice to be followed religiously. Cleanliness is a state, the effect of which is felt immensely and instantly. Above all, we must contribute towards a clean and healthy environment not only for present but also for our future generation. Practicing cleanliness is not only a Tribute to Mahatma Gandhi but also to our motherland and global environment. In connection with Celebration of 'Hindi Divas', various activities such as essay competition, poem recital etc. are being organized.

ESTABLISHMENT OF EXTENSION CENTRES AT THE NORTH-EAST STATES AND INTRODUCTION OF 50% FEE WAIVER SCHEME

To commemorate 150th Birth Anniversary of Mahatma Gandhi and as a CSR initiative, the Council of the Institute has approved the introduction of 50% Students Fee Waiver Scheme for admissions into CAT, Foundation, Intermediate and Final Course of the Institute for the students of North East Region (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura). The Council has further decided to establish extension centers for the convenience of students in these States.

I am further happy to inform that I along with CMA Biswarup Basu, Vice President, CMA Neeraj D. Joshi, Council Member and CMA Dr. Ashish P. Thatte, Council Member addressed a press meet on 2nd October 2019 at Mumbai Marathi Patrakar Sangh wherein the introduction of 50% Students Fee Waiver Scheme was formally announced.

ONAM CELEBRATIONS

I had the opportunity to inaugurate the National Festival of Kerala - ONAM 2019 Celebrations by participating as Chief Guest at the program organized by the Trivandrum Chapter on 22nd September 2019. The occasion was also graced by CMA H Padmanabhan Council Member, CMA N P Sukumaran, Former President ICAI, CMA Jyothi Satish Chairperson ICAI SIRC, CMA Sankar Panicker VC ICAI SIRC and others.

MEETING WITH VIPs

I am happy to share that I along with CMA Biswarup Basu, Vice President and CMA Chandra Wadhwa, Past President of the Institute extended greetings to Shri Hardeep Singh Puri, Hon'ble Union Minister of State (IC) for Ministry of Housing & Urban Affairs on 16th September 2019. The importance of CMAs in RERA regime was discussed at length during the interaction.

On 12th September 2019, I along with CMA Vijender Sharma, Chairman, Professional Development Committee of the Institute had an opportunity to meet with Shri Ramesh Pokhriyal, Hon'ble Union Minister of Human Resource Development (HRD). The Hon'ble Minister appreciated the contribution of CMAs in Skill Development initiatives of the Government.

MEETING WITH SECRETARY, MCA TO DISCUSS IMPLEMENTATION OF RECOMMENDATIONS OF THE HLC

I along with the members of Board of Discipline and Disciplinary Committee, CMA Rakesh Singh, Past President, CMA AVSN Murthy, Council Member and CMA Neeraj Joshi, Council Member attended meeting on 24th September, 2019, with Shri Injeti Srinivas, IAS, Secretary to the Govt. of India, Ministry of Corporate Affairs to discuss implementation of recommendations of HLC regarding the Cost & Works Accountants Act, 1959 and subsequent rules pertaining to Disciplinary Mechanism.

FIRST MEETING OF THE COMMITTEE OF EXPERTS

I wish to inform that I attended the first meeting of the Committee of Experts constituted by Ministry of Corporate Affairs held on 14th September 2019, to discuss the constitution of separate Institute which would act as regulator for both the professional valuers and the valuation professional organizations. Presently, the role and functions in this aspect are under the jurisdiction of IBBI. The Government intends to have a separate regulator.

LIVE INTERVIEW ON DOORDARSHAN

I presented my views and answered questions from students on "Career in CMA course" during a live Career programme "Disshaye" by CMA Dr. Girish Goyal, telecasted on DD Rajasthan Channel on Friday, 27th September, 2019. The 45 minute live discussion on CMA as a career was well received by the students and the public at large.

To appraise all the members of the activities / initiatives undertaken by the Departments/ Directorates of the Institute during the last month, I now present a brief summary of the activities:

REGIONAL COUNCIL AND CHAPTER COORDINATION COMMITTEE

The Institute organized State Level Chapters/ ROCCs/ CMA Support Centers/ Extension Centers Meet at Uttar Pradesh, West Bengal, AP & Telangana, Kerala and Odisha State's to have better reach and implementing the Institute activities in those States ensuring contributions to the growth of those States by the services to the Students, Members, Society as a whole including social responsibility activities. Liaison with the State Government, Corporations, Municipalities, Panchayats, Management Bodies, Educational Institutions and Industries. As President I could be part of these unique activities in two States – West Bengal & Kerela and in other States Chairman of the Committee CMA H Padmanabhan chaired with other Council Colleagues ICAI.

It was my pleasure to preside the Members Meet organized by Ludhiana Chapter on 15th September, 2019. CMA Rakesh Bhalla, Council Member and Chairman Direct Taxation Committee of the Institute and CMA Anil Sharma, Chairman NIRC also addressed during the meet. Various initiatives of the Institute were discussed which were well received by the members, who also gave suggestions towards further growth of the profession.

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

Mandatory Capacity Building Training (MCBT)

I am pleased to inform you that we have launched six days "Mandatory Capacity Building Training "(MCBT) for Practicing Cost Accountants who have obtained the Certificate of Practice (COP) w.e.f 1st February 2019 and prospective members going to opt to Practice the Profession. The training schedule has been designed w.e.f. October, 2019. This will sensitize the new COP holders with the practical aspects of the allied areas of practice. The sessions would take them through the case studies and live examples to enhance their professional competency. We are confident that this training will give further impetus to their professional endeavour and will be a booster towards the practice.

As you may be aware that the Council of the Institute has made UDIN (Unique Document Identification Number) mandatory to be mentioned on every document certified/ attested by Practicing Cost Accountants/CMAs w.e.f. 1st October 2019. I request the members in practice to kindly register on UDIN Portal to generate UDIN.

Professional Development Directorate for brought out FAQs on UDIN for ready reference of practicing members. A webinar on UDIN was also conducted on 27th September 2019 which received an overwhelming response from members.

I am glad to inform you that on the Institute's representation, Reserve Bank of India vide circular no. RBI/2019-20/69 DGBA.GBD.No.648/31.12.007/2019-20 dated 25.09.2019 has included Cost Accountants for Certifying "Agency Commission Furnishing Reconciliation Certificate."

Representations with Government, PSUs, Banks and Other Organizations

PD Directorate is regularly sending representation letters to various organizations for the inclusion of cost accountants for providing professional services. I am glad to inform that on Institute's representation, Bihar State Food & Civil Supplies Corporation Limited included Cost Accountants for conducting Internal Audit. Jammu and Kashmir State Power Development Corporation Limited (JKSPDCL), Bihar Medical Service and Infrastructure Corporation Ltd., Ferro Scrap Nigam Limited, Bihar State Food & Civil Supplies Corporation Limited, Ircon International Limited, Indian Institute of Management Jammu, Karnataka State Electronics

Development Corporation ltd. (KEONICS), Airport Authority of India, Durgapur Chemicals Limited, Jammu and Kashmir Project Construction Corporation Limited Northern Coalfields Limited (NCL), Tripura State Electricity Corporation Limited, The Fertilizers and Chemicals Travancore Limited, Guwahati Medical College, etc., have included Cost Accountants in their Tenders/EOIs during the month of September 2019.

The Institute associated with PHD Chamber of Commerce & Industry for Conclave on "Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019" on 19th September 2019 held at New Delhi.

During the month, our Regional Councils and Chapters organized 58 programs, seminars and discussions on the topics of professional relevance and importance for the members such as, Avenues for CMAs under Companies Act 2013, Awareness Programme on Progressive reforms undertaken by the Ministry of corporate affairs for Ease of Doing Business in India for the year 2019, Income Computation & Disclosure Standards, Income Tax Act & Direct Tax Code - Expectations and Way Ahead, International Taxation-An Overview, Practical Aspects of Tax Audit and Securities Market & Investment Planning, Practical Approach to GST, Product Costing in SAP Environment, Registered Valuer-Recent Updates, and so on.

I hope our members will be immensely benefited with these programmes.

Annual Function of South Odisha Chapter

Shri Chandra Sekhar Sahoo, Hon'ble MP Berhampur, Chief Guest and Shri Bikram Kumar Panda, Hon'ble MLA Berhampur, Guest of Honour graced the Annual Function of South Odisha Chapter on 8th September 2019 in Berhampur. CMA Pravakar Mohanty, Past President of the Institute also graced the occasion. CMA Niranjan Mishra, Chairman, Indirect Taxation Committee, handed over to the Hon'ble MP, the representation for Inclusion of Cost Accountants in the definition of 'Accountant' u/s 288 of Income Tax Act, 1961.

MEMBERS IN INDUSTRY COMMITTEE

The Committee organised two programs for the members, one program on 'Contemporary Challenges in Global and Indian Business – a key Level Playing field for CMAs in Industry'; consisting of two technical sessions. The technical sessions were deliberated upon by CMA Asim Mukhopadhyay, Vice President & Head – Business Finance, Tata Motors Ltd. and by CMA Debtosh Dey, Director on Board of M/s Ripley & Co Ltd. The programme was inaugurated by me as the Chief Guest. Another program was on 'IBC-2016 & Impact of Recent Amendments thereof'. The two technical sessions of this program were deliberated upon by CA Subodh Kumar Agarwal, former President of the Institute of Chartered Accountants of India and thereafter by CMA J K Budhiraja, former Sr. Director (Technical) and former CEO-IPA of the Institute. All the member delegates present in the audience showed their utmost eagerness to listen to the expert speakers on the valuable topics organized by the Committee. The programs were followed by question and answer sessions, wherein many of the listeners discussed their queries with the expert speakers. The members expressed their satisfaction and happiness to attend to such successful programs organized on the latest industry aspects.

BANKING & INSURANCE COMMITTEE

I appreciate the efforts of Chairman, Banking and Insurance Committee for launching a dedicated knowledge portal on Banking and Insurance to facilitate and update the members.

During the month, CMA Chittranjan Chattopadhyay, Council Member & Chairman of Banking and Insurance Committee had meetings with the various authorities to expand the horizons of CMAs in Banking & Insurance Sector. He met Ms Alka Rehani Bhardwaj, IA&AS, Director General of Regional Training Institute, CAG, Mumbai. In the meeting, academic collaboration including exchange of faculty and providing faculty references, as also for joint research in areas like Insurance and GST were discussed. The Chairman of the committee had meeting with Shri B. Rajkumar, Deputy Chief Executive of Indian Bank Association, to discuss on the various initiatives undertaken by the Institute for capacity building of its members in the Banking Sector. A meeting also took place with Shri V. Chilana, Professor and Shri Harideesh Kumar B, Director, Institute of Banking Personnel Selection. The matter related to the inclusion of CMAs for appointment in the different categories of specialist officers in the banks was discussed. The Chairman also met RBI Officials for discussions on various matters relating to our profession.

TAXATION COMMITTEE

Luck occurs when preparation meets opportunity... (Vince Lombardi) and I would like to Congratulate Tax Research Department and its mentors for conceptualising, nurturing and preparing with the idea of celebrating Direct Tax Month from 5th September to 5th October. We, at the helm of the Institution urge every contribution from all our Chapters and Regional Councils to take up this observance in a big way. I am also feeling happy to see some chapters have already initiated by conducting Seminars on the topic "Income Tax Act and Direct Tax Code – Expectations and Way Ahead". I would like to name the chapters on their endeavours. They are Erode, Kharagpur, Serampore, HQ, Allahabad, Howrah, Indore Dewas, Ranchi, Bhubaneshwar, Talcher Angul, Jamshedpur, Guwahati, Noida, Bharuch Ankleshwar and Rajpur Sonarpur, Hyderabad and EIRC. Around 20 seminars have been conducted in the occasion of Direct Tax Month Celebration and in most of the locations senior people from the Income Tax Department like Principal Chief Commissioner and like graced the seminar and enlightened the audience with their thoughts. This would definitely showcase the strength and competencies of CMAs. I urge the chapters other than the one mentioned above also to come up and participate for this cause and for the profession, since every little contribution counts. Raise yourself to the occasion and make it a Grand Success.

The department has also conducted two seminars on Indirect Tax in South Odisha Chapter and Serampore Chapter during this month. Apart from publishing two tax bulletins this month, the TRD have conducted a Webinar on the topic "Capital Gain Tax on Shares & Mutual Fund". Three representations were submitted in September 2019

- Follow-up representation was sent requesting to include CMA in the Tender Notice (Ref No.12(48)/LC/GST/2016 dt. 5th August 2019)of Tea Board for E-filling of GST Returns, TDS, TCS Returns and other related work
- Request for inclusion of "Cost Accountants" in the

Circular No. 31/2019-Customs dated 13.09.2019

- Inclusion of Cost Accountants for providing the certificate in different matters relating to Customs and Compendium drawing a parallel between two Professions

In addition, the TRD has successfully conducted Examination on 15th September 2019 for Certificate Course on GST(4th Batch), Advanced Certificate Course on GST, Certificate Course on Filling of Return, Certificate Course on TDS PAN India basis.

The Certificate Course on GST (5th Batch) has already been started during this month PAN India basis through Online Mode as well as Offline Mode.

Notifications and Recent amendments are being uploaded in Taxation Portal time to time for the benefit of Stakeholders & Members as a part of departmental routine activity.

INTERNAL AUDITING AND ASSURANCE STANDARD BOARD

I feel pleasure to share that the "Internal Auditing and Assurance Standard Board" of the Institute has been constituted by the Council in its 321st meeting held on 22nd July, 2019 considering the fact of inclusion of "Cost Accountant" in practice in the field of Internal Audit as per the amendment in Companies Act,2013. I am glad to inform that the Board conducted their 1st meeting on 01.09.2019 at CMA Bhawan, New Delhi under the Chairmanship CMA P. Raju Iyer, Council Member. I am sure that this Board will be able to contribute in the field of Internal Auditing by framing standard along with relevant guidelines coupled with training programmes such as workshop, seminar for the capacity building for our members. I also thanked all the eminent resource persons for attending the 1st meeting of the Board and also hopeful that this Board will achieve its goal and object with the active contribution of the Eminent Resource Persons associated with board.

DIRECTORATE OF STUDIES

Student Admissions in Srinagar

I am happy to share that after screening test, 231 students fully sponsored by our Institute have been admitted in the 1st batch of Foundation and Intermediate course in Srinagar. The total admissions including CAT course are 350. I am sure the initiative of the Institute will go a long way in the empowerment of the youth in the State of J&K.

National Seminar on "Contemporary Issues on Accounting & Finance"

I am pleased to inform that Directorate of Studies had organized a National Seminar on "Contemporary Issues on Accounting & Finance" on 21st September 2019 at J.N. Bose Auditorium, Kolkata in association with Calcutta University, Commerce Alumni Association of Calcutta University and Indian Accounting Association, Kolkata Branch. Prof. Asish Kr. Bhattacharyya, Director, IMT Ghaziabad and CMA V. Murali, Council Member of the Institute were the key speakers of the seminar. Prof. D.R. Dandapat, Dean - Calcutta University, Prof. Ashish Kr. Sana, Head - Department of Commerce, Calcutta University, CMA Biswarup Basu, Vice President of the Institute and CMA Chittaranjan Chattopadhyay, Council Member were also present. More than 150 professors and eminent dignitaries attended the seminar.

TRAINING & PLACEMENT DIRECTORATE

The Institute has started campus placements activities for June 2019 batch of qualified CMAs. Reputed companies like L & T, ITC Ltd. - Tobacco, Foods, Hotels, TM&D Divisions, MECON, TATA Motors, Vedanta, Capgemini etc. recruited fresh CMAs at Kolkata campus. This will be followed by Delhi, Chennai and Mumbai campus in the month of October. I wish all the newly qualified CMAs of June 2019 term for their successful professional career.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Insolvency Professional Agency of the Institute organized various Round table Interactions, workshops and webinars during the month on:

- Certificate Course on Cross Border Insolvency – 3rd September 2019
- Webinar on claim Verification 4th September 2019
- Workshop on services Provided by Information Utility for Resolution Professional on 9th September 2019
- Workshop on how to retrieve hidden and deleted files from laptop/computers on 11th September 2019
- Workshop on Recent Amendments under Insolvency and Bankruptcy Code & Regulations & their Implications on 13th September 2019
- Orientation Program on IBC in association with IBBI and RMLNLU – Lucknow on 14th September 2019
- Orientation Program on IBC in association with ICAI – Cochi – 16th September 2019
- Workshop on Insurance for Insolvency Professionals- 20th September 2019
- Orientation Program on IBC in association with ICAI – Kota – 21st September 2019

A notification has been received from the Ministry of Corporate Affairs (MCA) stating that to avoid last minute rush and system congestion on the MCA21 Portal on account of Annual filings during the months of October and November, 2019, it is advised to file Financial Statements and Annual Returns at the earliest. Detailed notification can be downloaded from link: *http://www.mca.gov.in/Ministry/pdf/PeakFiling_27092019.pdf*

I wish prosperity and happiness to members, students and their family on the occasion of Mahatma Gandhi Jayanti, Durga Puja, Vijayadashami and Diwali and wish them success in all of their endeavours.

Thanking you,

Warm Regards,

CMA Balwinder Singh

October 2, 2019

VICE PRESIDENT'S COMMUNIQUÉ

CMA Biswarup Basu
Vice President
The Institute of Cost Accountants of India

"In a Gentle way, you can Shake the World"

.... Mahatma Gandhi

Dear Professional Colleagues,

I express my heartfelt thanks to the President and the Council for giving me this great opportunity to serve the Institute as the Vice President of the Institute. As a member of the Council, it is my great pleasure and privilege to serve the Institute, its stakeholders and to take the profession to greater heights.

I am happy to share with you that for the last three months, the Institute has experienced a growth of 30% on an average from the previous year in student admissions. We have already started with the Campus Placement activity giving a thrust to the recruitment drive of our professional students who are waiting to be placed in the Corporate World. Some of the companies of repute that have come to select our achievers are ITC, TATA Motors, L&T, Vedanta, MECON Limited, Capgemini etc.

It is nice to share with you that the Institute has been holding several programs for the benefit of the members, wherein experts from the Industries are invited for face to face interaction with the participants. These help to provide industry exposure to the participating members and facilitate them resolve their industry related queries. Apart from the publication of the regular Management Accountant journal, a number of e-journals, like the 'CMAs' Industry Bulletin', the 'Tax Bulletin' etc. are being circulated every month to individual members for reading purpose and knowledge sharing.

I am glad to share with you that I, along with the President and other Council Members, participated in ICoAS Day and congratulated Smt. Aruna Sethi, Chief Adviser (Cost), Department of Expenditure, Ministry of Finance, GoI and other ICoAS officials at ICoAS Foundation Day Celebrations at New Delhi.

We had also extended greetings to Shri Injeti Srinivas, IAS, Secretary to the Government of India, Smt. Anjali Bhawara, IAS, Additional Secretary to the Government of India and Shri K.V.R. Murty, Joint Secretary to Government of India, Ministry of Corporate Affairs. We also had detailed discussions on RERA with Shri Hardeep Singh Puri, Hon'ble Union Minister of State (IC) for Ministry of Housing & Urban Affairs on 16th September 2019.

I wish the Members, Students, Employees and their Family members on the festivals of Durga Puja, Laxmi Puja, Dipawali and wish everyone Health, Happiness and Prosperity.

Biswarup Basu

CMA Biswarup Basu
October 2, 2019

ET CFO.com
From The Economic Times

COST ACCOUNTANTS

Balwinder Singh, President, Institute of Cost Accountants of India, discusses the importance of a possible tweak in the definition of accountant under the income tax law.

Mannu Arora | ETCFO | September 13, 2019, 17:20 IST | Updated: September 14, 2019, 09:26 IST

Balwinder Singh
President, Institute of Cost Accountants of India

The inclusion of cost management accountants (CMAs) in the definition of "accountant" under the Income Tax Act, will create healthy competition and supplement the efforts of the Chartered Accountant profession in improving the quality of services, said ***Balwinder Singh,*** *President at the* ***Institute of Cost Accountants of India,*** *in an exclusive interview with ETCFO.*

The Institute of Cost Accountants of India has sent a representation to the finance ministry over expanding the definition of "accountant" in the income tax law. Section 288 (2) of the Income-tax Act, 1961, currently, defines accountant as a chartered accountant in the meaning of Chartered Accountants Act, 1949. Following this move, the Institute of Chartered Accountants of India (ICAI), too, sent its representation to the finance ministry, raising opposition to any tweak in the law.

Today, there are more than 85,000 cost accountants in the country. In the interview below, Balwinder Singh, President, Institute of Cost Accountants of India takes some questions on the hot topic in the world of accounting. Edited excerpts:

Q: Why are you seeking a change in the definition of Accountant in the existing Income Tax Act, 1961?

Balwinder Singh: We are seeking a change in the definition of Accountant in the Income Tax Act, 1961 as there is no difference in the CA and CMA because both are known as 'accountant' as per their regulations.

Regulation 166 of the Chartered Accountants Act, 1949 and Regulation 111 of the Cost and Works Accountants Act, 1959 have identical provisions i.e. members in practice to engage only in the profession of "accountancy". The Supreme Court and some High Courts have pronounced both CA and CMA as "Accountant" and "Auditor".

Also, Parliamentary Committee in its 49th Report of 15th Lok Sabha, relating to "The Direct Taxes Code Bill, 2010" had already recommended inclusion of Cost Accountants in the definition of 'accountant'.

The Comptroller and Auditor General of India (CAG), in its Report No. 32 of 2014 (Performance Audit), observed serious flaws in the existing practice of tax audit & certification work performed by the Chartered Accountants. As per CAG report, 22 CAs signed more than 400 tax audit reports for AY 2013-14. One signed 2471 reports and another, 990 reports. This is fraught with serious quality of tax audits. This had resulted in substantial loss of tax revenue to the government. This can be corrected by opening the profession to greater competition.

Both ICAI-CA & ICAI-CMA have similar curriculum & pedagogy for their students and they are equally skilled in the domain areas of accountancy, audit, corporate laws, and direct & indirect taxes. Their Members are subjected to same conduct & disciplinary mechanism, professional ethics, accounting & auditing standards, peer review system, and quality review.

CMAs are already treated at par with the CAs for financial Audit of cooperative entities, Internal Audit u/s 138 and all certification work under the Companies Act, 2013, audit and certification under the GST Act, Customs Act, erstwhile Central Excise Act, Service Tax Act, VAT Acts, etc.

CMAs are equally allowed to appear before all statutory and quasi-judicial authorities. They can equally practice as Insolvency Professional under the Insolvency and Bankruptcy Code, 2016; and as Registered Valuer under the Companies (Registered Valuer & Valuation) Rules, 2017.

As per US Laws, Indian CMA firms are permitted to undertake statutory financial audit of all US-Securities Exchange Commission-listed companies operating anywhere in the world.

The monopolistic and restrictive practices breed inefficiency, complacency, & corruption. Thus, allowing monopoly to the CAs is not in the best interest of the Government nor it benefits the auditees. Recognizing CMAs as 'accountant' will surely bring healthy competition and benefit all companies & other legal entities, especially the MSMEs.

Therefore, there appears no justification for making any difference between a CA and CMA for doing tax audit and other certification work under the Income Tax Act 1961.

Q: What the change in the definition could imply for cost accountants?

Balwinder Singh: Both CA and CMA are treated at par under u/s 288 of the Income Tax Act for appearance before the tax authorities on behalf of the assessee.

But a different definition of the term "accountant" assigning the meaning only to the "chartered accountants" creates a clear disparity among them for providing services under various other sections of the Act. This does injustice to one profession who are equally qualified and competent by virtue of standards and capabilities.

A cost accountant recognised as "accountant" u/s 288 shall be able to do audit/certification under several provisions in the Income Tax Act.

In all these cases, cost accountants would be assigned "at par role as accountant" vis-à-vis CAs as we feel that the CMAs are more competent to correctly certify and enable better tax compliance/assessment.

Q: While seeking a change in the definition, are you not intruding into the territory of chartered accountant profession?

Balwinder Singh: There is no question of intrusion into the territory of CA profession as it is an anomaly in law that is proposed to be corrected as several pronouncements by the Courts have recognized CMA as "Accountant" as well as "Auditor".

CMAs are allowed to do financial Audit, Internal Audit, GST Audit, Excise Audit, VAT audit, stock audit, etc. as well as financial audit of all US-Securities Exchange Commission listed companies. Then why they should not be treated at par under the direct tax laws in India. On a similar plank, India allowed CAs to do indirect tax audit, which was originally the domain area exclusively reserved for the CMAs.

Globally, members of multiple accounting bodies, wherever these exist, are allowed to render accounting and audit services. For example, in several countries such as UK, South Africa, Canada, Nigeria, and Pakistan, members of multiple accounting bodies, including CMAs, are licensed as professional accountants and auditors.

In India, there is a dearth of accounting & auditing professionals. To some extent, CMAs will be able to fill this gap, who are equally qualified & trained.

Q: What the change in the definition could mean for CA profession?

Balwinder Singh: Change in the definition of 'accountant' under the Income Tax Act would, in fact, will do a favour to the CA profession.

It will create healthy competition and supplement their efforts in improving the quality of services. It would rather save the CA profession which is on the brink of reputational collapse. At the end, it is a win-win proposal for the government, assessees and the CA profession.

To complete all audit/certification work in a limited timeframe ensuring true & fair view of financial statements of every legal entity and providing comfort to all stakeholders is huge & cumbersome job for the limited number of CAs in full time practice.

This has affected the quality of their services as is visible from the large number of corporate frauds, Non-Performing Assets, financial embezzlements, failure of financial controls, etc.

All this is the result of monopoly of CAs that has created a sense of complacency. The solution lies in opening the profession to greater competition based on competence, ethics and performance. The change would surely benefit the CA profession as well.

Q: The Direct Tax Code (DTC) panel, headed by Akhilesh Ranjan already submitted its report to the finance ministry last month. What is their stance?

Balwinder Singh: We are not privy to the details given in final report submitted on DTC. We got opportunity to interact with Chairman, DTC Task Force only in the last month and made our presentation on merits. We were assured that our representation shall be deliberated on by the Committee.

Q: You sent a representation Aug 16 seeking change in the definition of accountant term. How hopeful are you that finance ministry will consider this?

Balwinder Singh: As already said, we are not privy to the recommendations made by DTC Task Force. However, we are of the view that this vital issue of national importance should be decided not based on the likes or dislikes of any one or more stakeholders but in the larger public interest.

It is a well-known fact that creating healthy completion among the accounting professionals in the country would be in the best interest of the government. It would also benefit all assessees, especially the much larger number of MSME assessees.

Hence, we are sure that while processing the recommendations of DTC Task Force, our request to include 'Cost Accountants' in the definition of term 'Accountant' would be favourably considered on merits by the Ministry of Finance, who is already convinced and is positive in the matter.

Extracted from: https://cfo.economictimes.indiatimes.com/news/change-in-definition-of-accountant-under-income-tax-act-will-save-ca-profession-which-is-on-the-brink-of-reputational-collapse-president-institute-of-cost-accountants-of-india/71112923

CMA Balwinder Singh, President along with CMA Vijender Sharma, Chairman, Professional Development Committee of the Institute extending greetings to Shri Ramesh Pokhriyal, Hon'ble Union Minister of Human Resource Development on 12th September 2019.

CMA Balwinder Singh, President along with CMA Biswarup Basu, Vice President and CMA Chandra Wadhwa, Past President of the Institute extending greetings to Shri Hardeep Singh Puri, Hon'ble Union Minister of State (IC) for Ministry of Housing & Urban Affairs on 16th September 2019.

Shri M.P. Shaw, Regional Director of MCA for Andhara Pradesh, Telangana & Karnataka and Shri Ramesh Chander Mehra, ROC of Telangana State interacted with CMA members on 16th Sept. 2019 at Hyderabad on ease of doing business.

CMA Chittaranjan Chattopadhyay, Chairman, Banking & Insurance Committee of the Institute met Shri B. Raj Kumar, Deputy Chief Executive and Shri K. Eswar, Senior Advisor of Indian Banks' Association (IBA) on 17th September 2019 at Mumbai.

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee along with CMA P Raju Iyer, Chairman, and Internal Audit Standards Board met Shri Yogendra Garg, Principal Commissioner, GST Policy, CBIC on 14th August 2019 and discussed about various recent initiatives of Tax Research Department of the Institute.

CMA H Padmanabhan Council Member ICAI and Chairman RC & Chapter Coordination Committee ICAI with CMA Dr PVS Jaganmohan Rao, President SAFA, CMA S Papa Rao, Council Member ICAI, CMA Jyothi Satish, Chairperson, ICAI SIRC, CMA K Panduranga Rao, RCM ICAI SIRC and Chapter ERs of AP-TELANGANA States at State Level Chapters & ROCC Meet held at Visakhapatnam.

STATE LEVEL CHAPTERS MEET of AP-TELANGANA inaugurated by CMA Dr PVS Jaganmohan Rao, President SAFA and CMA H Padmanabhan, Council Member ICAI and Chairman Regional Council and Chapter Coordination Committee ICAI at Visakhapatnam on 15th SEP 2019.

CMA H Padmanabhan Chairman RC & Chapters Coordination Committee ICAI, CMA NIRANJAN Mishra Council Member ICAI and CMA B B Nayak, VC ICAI EIRC with Chapters of Odisha STATE in Odisha Chapters Meet held at Bhubaneswar.

CMA Balwinder Singh, President ICAI inaugurating Trivandrum Chapter, ICAI SIRC Onam Celebrations by lighting the lamp. Also seen CMA H Padmanabhan Council Member, CMA N P Sukumaran, Former President ICAI, CMA Jyothi Satish Chairperson ICAI SIRC, CMA Sankar Panicker VC ICAI SIRC and others.

CMA Balwinder Singh, President ICAI honoring CMA N P Sukumaran, Former President ICAI (1996-97) with Institute Medallion along with CMA H Padmanabhan Council Member ICAI, CMA Jyothi Satish Chairperson and CMA Sankar Panicker VC ICAI SIRC with TCCA MCMs.

CMA Balwinder Singh, President ICAI presiding Kerala State Level Chapters/ROCCs/CMA Support Centers Meet at Trivandrum. CMA H Padmanabhan Council Member and Chairman RC & Chapters Coordination Committee ICAI addressing. Also seen CMA Jyothi Satish Chairperson and CMA Sankar Panicker VC ICAI SIRC.

CMA Dipankar Das Purkayastha, Managing Director & CEO, ABP Pvt Ltd is being felicitated by CMA Chittaranjan Chattopadhyay, Council Member, CMA Harijiban Banerjee, Past President and CMA Dr Debaprosanna Nandy, Sr. Director - Studies, Advanced Studies & Placement of the Institute.

‘Contemporary Challenges in Global and Indian Business – A Key Level Playing field for CMAs in Industry’

A Programme Organized by

The Members in Industry Committee

Members in Industry Committee organised a program on ‘Contemporary Challenges in Global and Indian Business – A Key Level Playing field for CMAs in Industry’ on 9th of September, 2019 at JN Bose Auditorium of the Institute Headquarters. The program was graced by the President of the Institute CMA Balwinder Singh, CMA Amal Kumar Das, CMA Harijiban Banerjee former Presidents of the Institute, Council Members CMA V. Murali, CMA Chittaranjan Chattopadhyay and Vice President CMA Biswarup Basu who is also the Chairman of the Committee. This session was followed by two technical sessions. The first technical session was deliberated upon by CMA Asim Mukhopadhyay, Vice President & Head – Business Finance, Tata Motors Ltd. The second technical session was deliberated upon by CMA Debtosh Dey, Director on Board of M/s Ripley & Co Ltd. All the member delegates present in the audience showed their utmost eagerness to listen to the expert speakers on the valuable topic. The program was followed by Question and Answer session, wherein many of the listeners discussed their queries with the expert speakers.

Kind Attention !!!

To make the wide publicity of your Region and Chapter of the Institute we print the matters/happenings/news achievements/activities related to your Region and Chapter. For the wide coverage of the same you are hereby requested to provide us the brief write-ups related to any activities organised by your Region and Chapter for the purpose of publication in *“The Management Accountant”* Journal along with the selected high resolution pictures (.jpeg format) within 45 days of the date of the event and within 20th of every month to ***editor@icmai.in***

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

GLOBAL SUMMIT 2020
"MISSION 5 TRILLION – CMA AS A CRYOGENIC FORCE"

USD 5 Trillion Economy goal for 2024, set by ourHon'ble Prime Minister, requires policy makers and professionals to act as accelerators propelling various engines of the economy. Cost and Management Accountants (CMAs), a vital part of that team, designs, redesigns, evaluates and improve upon the cost competitiveness of the business entity. This enables the decision makers to fine-tune their strategies for creating value, cutting across the value chain.

The Institute is planning to hold its next knowledge sharing forum in the form of a Global Summit in New Delhi in the month of January 2020. The theme of this summit is "*Mission 5 Trillion – CMA as a Cryogenic Force*" that aligns with the national goal. Previous such summits were held in 2008(Global Summit on Management Accounting) and 2015 (Asian Summit on Healthcare). Various countries from SAARC Region, Asia Pacific, Europe, Australia, Canada, and USA,who have participated in the past, are expected this time as well.

Topics & Sub-Topics(1):

- **Mission 5 Trillion – CMA as a Cryogenic Force**
  - Conquering Space through Cost and Technological Efficiencies
- **Mission 5 Trillion –Strategies**
- **Mission 5 Trillion – Levers**
  - Disruptive Technologies
  - Digital Banking
  - Start-up India
- **Mission 5 Trillion – Driving SDG thru' CMA**
  - Health for All
  - Environment – Single use Plastic
  - Accounting for Water Bodies
- **Mission 5 Trillion – Driving Value Creation thru' Governance**
  - Boardroom Governance for Value Creation
  - SDG in MSMEs
  - Management Systems for Sustainable Strategy
  - Sustainable strategies in Public Sector

Hon'ble Prime Minister of India has been requested to Inaugurate the Global Summit

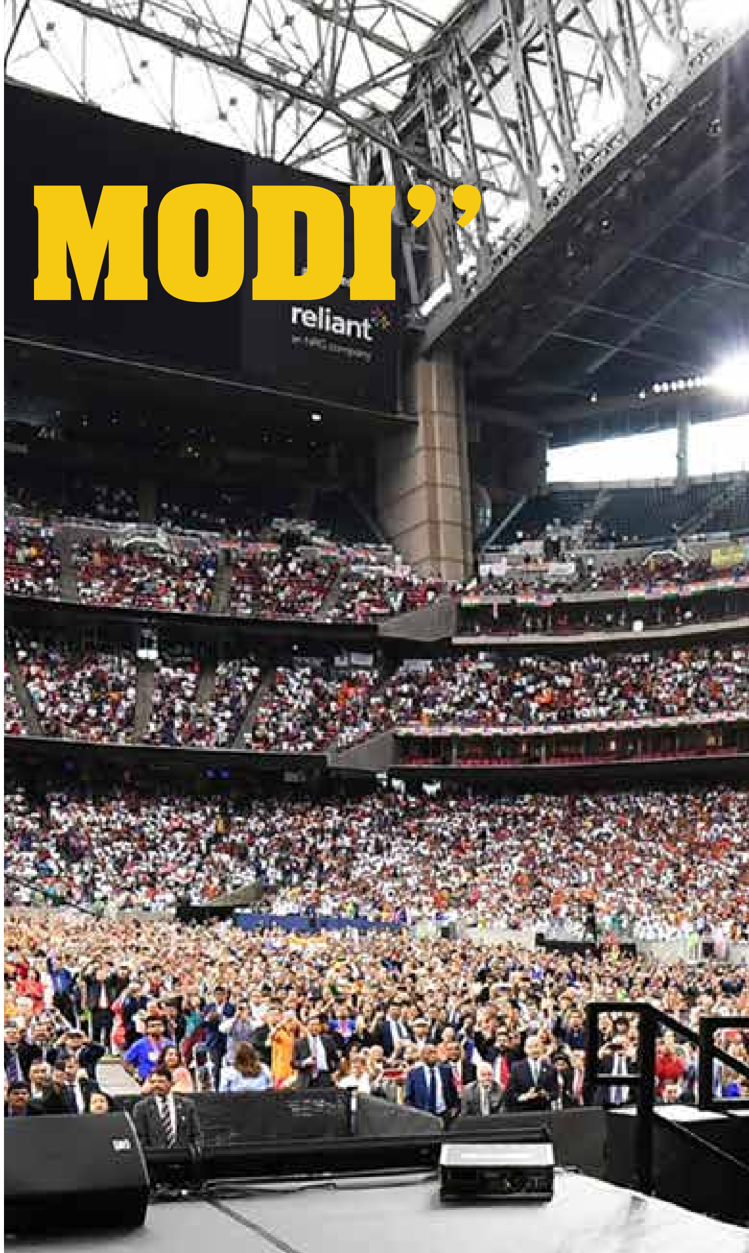
Tentative Date: 9th - 11th January 2020
Venue: Vigyan Bhavan, New Delhi

Topics & Sub-Topics(2):

- **Mission 5 Trillion – Cost Management Strategies/ Tools**
  - Designing Cost Effective Sustainable Products
  - Strategy Execution Excellence through CMA
  - Importance of Sustainable Business Model based CMA
  - Performance Appraisal – ATool for Success
- **Mission 5 Trillion – Global Cost Management Practices**
  - Japanese Costing Practices
  - German Costing Practices
  - Chinese Costing Practices
  - Korean Cost Practices
- **Mission 5 Trillion – SectorSpecific CMA Cryogenic Roles**
  - Agriculture
  - Infrastructure – Housing for All
  - Defence
- **Mission 5 Trillion by 2024**

PROPOSED PARTNERS		
Government of India	**NGO/Industry Federation**	**IFAC MEMBERS**
• Ministry of Corporate Affairs • Ministry of Finance • NITI AYOG	• GRI • IIRC • ASSOCHAM • FICCI • CII	• ICMASL • ICMAB • CIMA • CPA Australia • ACCA

"HOWDY MODI"



CMA Harijiban Banerjee
Past President
The Institute of Cost Accountants of India

What a paradox!

The gentleman who was once denied visa a number of times was bedecked with the title "the trusted friend of America" by none other than a person who is the President himself of the same country, the United States" offering hearty welcome to him in his land! More so, his statement was duly accompanied by a thundering applause and standing ovation of more than half a million strong audience in Houston – a prominent and significant city of importance in mainland USA itself.

It is not just a fable, neither it is a myth collaged with indigenous imagination. It is not even a fact that happened overnight – rather a hard core reality that has been achieved, earned and outright won by an enigmatic and dedicated personality with attributes to lead the largest democracy of the world. Yes, he is our Prime Minister Shri Narendra Damodardas Modi.

While the one-act-play was organized by the diaspora, American Indians, living in Houston, the craftsmanship of PM Modi could efficiently convert the said situation into a happy ending drama of appreciation and recognition by the world at large. He could very efficiently utilise the forum to make the world community feel that the montherly image of Mother India has now been turned into an up- coming economic force of the world called Nation India.

No doubt, in the eyes of United States and other economically established countries the image of India is more prevalent as big market where concept of Market India is stronger than the idea of nation India. Who can deny that a forceful demand pull of hundred and thirty crores of people can do or undo many things in the tactical areas of Market Economy a fact even a non conformist country like China acknowledges.

It is widely known that both American and European economists have so long been advocating for open market economy supporting the principle of global village. But Mr. Donald Trump, the President of the most powerful economy of the world, a country which so far has pleaded for open market economy, perhaps does not belive in the said idea. As such, penultimate and conclusive portion of most of his speeches relating to economy or environment carry the massage of "America First". And obviously this does not go well in tandem with over PM's perception "MAKE IN INDIA".

Yet whatever may be dictions or contradictions, in the economic or political purview of the two countries, the vibrating effect created by the event "Howdy Modi" was absolutely historic and remarkable. The performance of PM Modi in the stadium of Houston was truly effective in all senses to establish the image of the country and India as a nation. He indeed executed his role as a star performer and mostly the limelight was on him even though he was all along accompanied by a flamboyant President, who is no other than Donul Trump himself.

In fact it was not Modi in singularity, it was the Prime Minister of India, who was then embodiment of congregated strength of the souls of hundred thirty crores Indians, all of whom were present on that stage at that particular moment

! He could, indeed, prove his worth very efficiently to orchertrate the rhythmic feeling a strong nation called India. Which is why the voice of PM Modi in the event "Howdy Modi" was terse, forceful and also "agressive" as Mr. Donald Trump called it. His message was well communicated and eventually duly heard also by the quarter for whom it was meant.

Thank you PM Modi for make us realized that we are Indians and we are very much proud to be Indians in all senses and in true sense also! MA

harijibanbanerjee@gmail.com

THE US-INDIA ECONOMIC RELATIONS:

AN ENTHUSIASTIC RENEWAL

Dr. Saibal Kar
Professor of Economics
Centre for Studies in Social Sciences, Calcutta
Research Fellow, IZA Bonn
Director (Hon.), Eastern Regional Centre, ICSSR
Managing Editor, South Asian Journal of Macroeconomics and Public Finance (SAGE)

Very recently, the economic relations between the United States of America and India has received significant impetus following the meeting of the head of the states in Washington, and subsequently, in other states. It seems that after a long gestation period, the connection is renewed and this could herald a warmer beginning of economic exchanges between two democratic giants. Global economic and political relations at the bilateral level are commonly driven by a myriad of factors that tend to change considerably owing to similarly large number of external influences. In recent times, particularly, there has been a resurgence of protectionist tendencies in large countries, predominantly to protect its own market from exposure to international trade in goods and services. The US-China trade talks on the verge of reciprocal tariff escalations, the referral of these events to the World Trade Organization's appellate forum, the weakness of many developed countries in the face of aggressive cost-cutting in the developing world - and many such global chain of events seems to be responsible for the trade-related backlash facing the world. The US-India summit level talk is especially important in the backdrop of these developments that have affected, investments, production, prices and consumption in multiple countries around the world. Albeit, India's share of trade with USA is still fairly low at about 5%, and non-comparable to that of China's at 45%, yet the swing of events through better political and bureaucratic relations developing via the mutual appreciation in these countries could help to create greater political balance in Asia as well as in the West, generally speaking. In this context, it would perhaps not be incongruous to refer the readers to how the global order for international trade in goods and services has evolved over the last several decades. In fact, the following discussion should offer a clear direction regarding how successful would any bilateral relations be in a multilateral world, while also interrogating the future of multilateralism in the 21st century and beyond.

From its start in 1946 until it was superseded by the World Trade Organization in 1995, the GATT (General Agreement on Tariffs and Trade) promoted win-win multilateral cooperation by setting up what Douglass North would call an "institution". These institutions, like a set of well-defined rules and conditions of operation, guide political and economic interactions, often using informal restraints as well. Indeed, the well-known case of voluntary export restraints treaty between USA and Japan with respect to the export and import of automobiles existed well within the ambit of GATT. Nevertheless, the principles of the GATT fostered a self-enforcing pattern of cooperation and success. As the GATT's liberalization process started working its magic, exports of manufactured goods boomed—growing twice as fast as the production of manufactured goods from the late 1960s until just before the 'collapse of trade' in 2009. Booming trade and incomes strengthened the belief of GATT members that following the code of conduct was good policy. As nations and interest groups came to expect that the rules would be respected, they adopted behaviors that conformed to the rules, thus making compliance almost automatic.

In other words, when the General Agreement on Tariffs and Trade was signed by 23 nations in 1947, the goal was to establish a rules-based world trading system and to facilitate mutually advantageous trade liberalization. Richard Baldwin, a rather well known practitioner of international economics and a professor in Geneva comments in a recent article in the Journal of Economic Perspective that, "as the GATT evolved over time and morphed into the World Trade Organization in 1993, both goals have largely been achieved."

It is well-known that the WTO presides over a rule-based trading system based on norms that are almost universally accepted and respected by its 163 members. Tariffs today are below 5 percent on most trade items, and zero for a very large share of imports. It should be appreciated at the same time, however, that, the change in tariff structures have been asymmetric between countries. One of the main reasons as to why the aforementioned resurgence of protectionism attained the height that it has in recent times, could be ascribed to what many considers an unlevel playing field and the stark differences in the structures of trading partners, especially those between the North and the South. A set of protectionist arguments clarify that the difference in pay structures for the workers are too wide between developed and developing countries to bridge with the help of existing set of rules and conditions. Since China and some of the South and East-Asian countries can truly keep their wage cost low not only because they are populous, but also because there are off-market arrangements prevailing strong in such places, competing with such wage structure can be incredibly difficult for developed countries. In Europe, the prevalence of minimum wages, and generally, the higher cost of living keeps wages high. The presence of some bargaining capacity among the workers, although it is on a fall globally, also keeps wages negotiated and therefore higher than the market-clearing level in Europe, Canada and the USA alike. The general low cost of living and the inability of the state to offer better conditions of work has kept millions of workers in the developing world under informal arrangements - where the market rules supreme. Entry of new workers lowers wage, while exits does the opposite, although the lack of opportunities, high degree of corruption and industrial lobbies capturing political power continues to keep wages at a level, which USA simply cannot offer to its workers. Naturally, this raises the overall cost of production, the prices respond to it, and developed countries have smaller and smaller markets for commodities of mass consumption. And that is where the strength of international trade lies - in exporting and importing items of mass consumption. It can readily be understood that internal weaknesses lead to external, trade-related weaknesses as well and remains a critical factor for the faltering multilateralism globally speaking. And that is not all. The protectionist from the West argue that the developing countries, when they entered the WTO negotiated much higher bound tariff rates for themselves, while such relaxation for the developed countries was minimal. This tilted the trade balance naturally in favor of low cost producers whose domestic markets were further protected under such provisions. This has made headlines recently, when the trading giants started accusing each other of lack of reciprocity that alone can sustain any multilateral organization as WTO. From the perspective of natural justice, and those who intend to use that for supporting the case for protectionism in the South, this could be thought of as 'reversal of fortune', back to where it all began. Indeed, the centuries of colonial occupancies had led to merciless extraction of resources from the global South, which had to be recompensed on some negotiating table - the GATT much less, and the WTO much more, offered such opportunities that the developing world has most rightly capitalized upon. In other words, the developed countries went into the multilateral negotiations while being fully aware of what to expect in terms of protection and their regarding their right to enter the market of the developing countries. This reflects readily on the balance sheet of countries like the USA. Regarding, US exports, Imports and Trade Balance with India, the following graphs spread over 2017-2019 (till date) is self-explanatory and instructive.

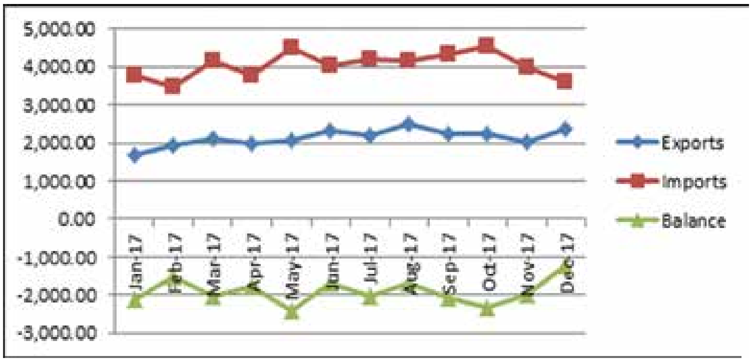


Figure 1: US trade with India (million US$), 2017. Source: US Census Data

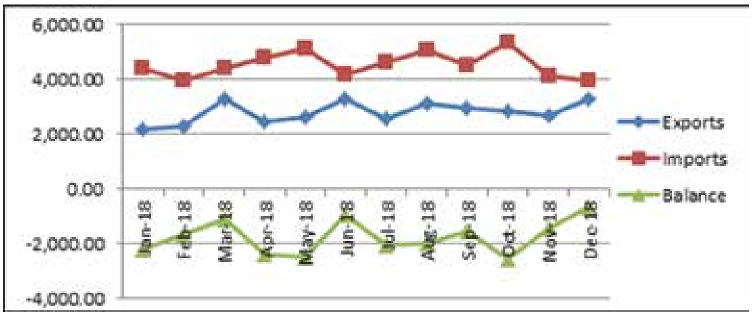


Figure 2: US trade with India (million US$), 2018. Source: US Census Data

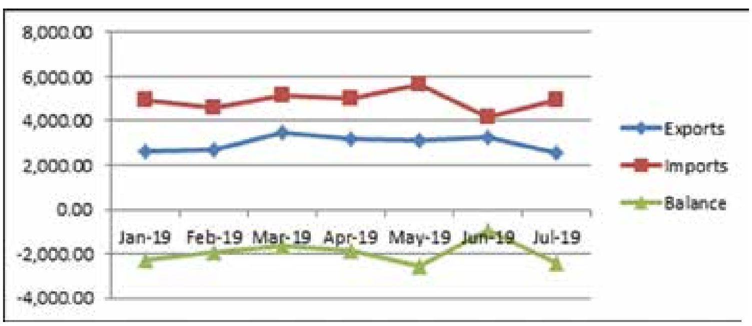


Figure 3: US trade with India (million US$), 2019. Source: US Census Data

Each of the figures above clearly shows that US imports (red lines) from India have been consistently higher than their exports (blue lines) to India leading to a negative trade balance. The gap is rising as of the latest data in 2019, and in the past has rarely been better than 1000 million US$. And yet, compared to the trade balance with China, this is a small problem. The negative trade balance not only implies draining of exchequer for paying import bills, it also means lack of domestic jobs, weakening of foreign exchange rate vis-à-vis other currencies, holding of large amounts of treasury bills outside of own country and compromising on the political ideologies and strengths. So, the multilateral, copy-book trade practices have not yielded equalizing effects on all participants.

An important set of questions remains to be resolved at this juncture, therefore. Would bilateral ties supersede multilateral relations at all levels? Should bilateral treaties completely substitute the multilateral system or should these be complementary to each other? What welfare implications are associated with more countries engaging with bilateral relations and concomitant undermining of multilateral regulations? These issues reinforce themselves because, despite its manifest success, the WTO is widely regarded as suffering from a deep malaise. The main reason is that the latest WTO negotiation, the Doha Round, has staggered between failures, flops, and false dawns since it was launched in 2001. Baldwin further comments that 'the Doha logjam has not inhibited tariff liberalization—far from it'. During the last 15 years, most WTO members have unambiguously lowered barriers to trade, investment, and services bilaterally, regionally, and unilaterally. But none of these came via the intermediation of the WTO. Moreover, the Doha gridlock has also not dampened nations' interest in the WTO; 20 nations, including China and Russia, have joined since 2001.

Now, as far as the renewal of relations between USA and India is concerned, it is in many senses resurgence as well. During the last decade, acceptance and rejection of economic relations between the two nations have been cyclical, at best. The skirmishing over which capital bears responsibility for the loss of bilateral momentum in previous occasions is useful in identifying important leadership variables that have impeded bilateral momentum but it also obscures a number of signal points about the relationship's character and condition. Earlier, both sides have attached unrealistic expectations to the genuine breakthrough that the nuclear accord represented. Suddenly, the deeply-rooted differences in national outlook and interests that normally govern relations between countries, even those that are friends and partners, were assumed to be less pressing in U.S.-India affairs. Washington officials, for instance, tend to speak effusively about the possibilities for bilateral engagement—the 'sky is the limit' is not an uncommon phrase—and yet quickly lapse into transactionalism whenever the inescapable tug of gravity intervened. Likewise, foreign policy circles in India are so taken by the singular favor President Bush showered upon New Delhi that they now hold Washington's actions to a much higher standard of presumption than is imposed on other capitals. Second, given the unique structural dynamics of the evolving partnership, it should come as no surprise that the Washington-New Delhi connection is not yet, as one Indian news paper recently characterized it, 'a machine that will move on its own steam.' The strategic ties with India is America's first geopolitical partnership in the post-Cold War era, meaning that its rhythm and contours are bound to be quite different from the security alliances the United States forged in a different era of world politics with key countries in Europe and Asia. With the national power of these states facing uncertain futures, often, the degree of partnership suffers from unequal exchanges. In contrast, India is a rising power that believes it is entitled to equal treatment and which is still formulating the direction of its grand strategy.

Two decades ago, the explosion of bilateral deals sparked a debate on multilateralism versus regionalism. Authors such as Jagdish Bhagwati decried regionalism as dangerous. He pointed to a "small-think" danger—that the inefficiencies of trade diversion would diminish welfare—and a "big-think" danger—that regionalism would block the path to global free trade. As it turned out, global tariff-cutting since the rise of regionalism has proceeded unabated so far, but as already described above, outside the regimentation of the WTO. Consequently, the specter that regional trading agreements would inefficiently divert trade never really appeared. What this implies is that, despite possible new relations emerging between the US and India, there should be no apprehension for the rest of the world that it would be at the cost of other's trade share with the US. In fact, with rise of what has popularly been described as the 'global value chain', it seems perfectly feasible that new ties with one major partner spread to several others in the region. Thus, greater trade with India, and/or more investment possibilities with long term horizon in mind should improve the conditions not only in India, but for South Asia in general. The USA also stands to gain from diversifying its sources of dependence for traded commodities and locations for investment away from China, and perhaps to more democratic partners where the labor market, as well as the markets for capital and land undergoes close scrutiny by the people of the country.

An enhanced cooperation in the economic realm is also sure to bring enormous benefits to both parties. Following its economic liberalization in the 1990s, India has already emerged as an increasingly influential player in the global economy. Together, India and the United States have enough leverage to shape the rules of the global economy. More importantly, bilateral trade and investment between the two giant economies have potential to create tremendous wealth for both countries.

But the growing convergence of strategic and economic interests has not previously been matched by the scope and level of bilateral engagements. In other words, "the defining partnership" as the relation was claimed previously to have initiated is itself yet to be clearly defined. Strategic and military cooperation has improved in the last two decades but does not speak to the partnership's potential. Economic cooperation is even less developed. The two countries are yet to sign a free-trade agreement and have several WTO cases filed against each other. The present momentum should be able to look deeper into these aspects.

It is absolutely important for India under the circumstances to uphold and maintain the best practices of democracy, via which the country has restored its unique identity in the world, where people and their choices always get greater priorities than religion, narrow beliefs, regionalism and factionalism. This is the best time that India regains the limelight in the eyes of the rest of the world, with the support from one of the leading practitioners of liberty and institutional sanctity under democratic regimes. MA

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FINTECH:
NEW FINANCIAL LANDSCAPE IN INDIA

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Abstract

FinTech is the intersection of two things "Financial Services" and "Technology". It shifts business and consumer from the pen-paper method to digitalization which reduces time, cost and increases efficiency. FinTech is of the major tool which can play a vital role to make the cashless economy. As per Global FinTech Adoption index 2019, 96% consumers globally are aware to at least one digital payment, money transfer and payment services of FinTech.India is the top runner in the adoption of FinTech as per the EY FinTech Adoption Index 2019.

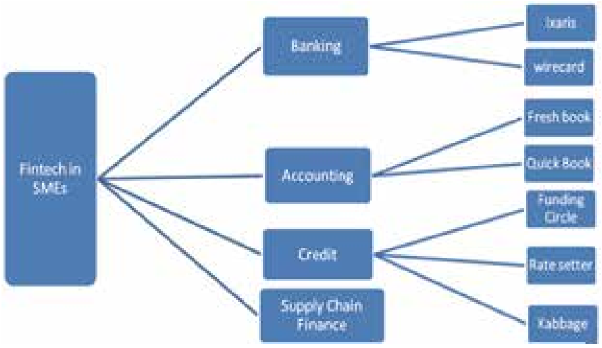
Introduction

Innovation is about new ideas that create value. This is the era of Digitalisation, as we are moving towards Digitalisation and adopting new technology to make things more effective and productive. In the field of Finance, we are also adopting New Technology i.e. FinTech (Financial Technology) which is emerged in the 21st Century. It is the intersection of two things "Financial Services" and "Technology", it means the use of Technology in the financial services like. Banking, Insurance, Trading in the stock market, etc. with data management, analytics, and innovation. FinTech helps in describing how financial services are created and distributed among the customer with the evolution of technology. The users of FinTech are Banking System, Financial Institutions, Small Business, Start-ups, and Customers. India is more engaging in FinTech since 2016 when demonetization occurs in India, after which the UPI payment method is more focused by the Indian Government and new start-ups come which uses the technology and innovation to make the payment easier and cashless. FinTech is of the major tool which can play a crucial role to make the Cashless Economy.

It helps to make the system efficient and more productive in operations, process with the analytics and innovations in the technology. It shifts business and consumer from the pen-paper method to digitalization which reduces time, cost and increases efficiency.

Application of FinTech

As each company or business is eagerly searching for new ideas, innovation, the technology that may reduce their cost and can increase the efficiency of different processes of the business. FinTech is filling the gap to make a combination of business with the Financial Technology (FinTech) to grow their business and to be in the market ad FinTech brings an evolution in the market because of advancement on the technology, innovation the way of delivering services anddoing the business got changed and if the companies don't collaborate with the FinTech they may lose their business as it is the demand of consumer, business and society. FinTech includes lots of tools and technology that differ from the traditional way from a consumer point. In the current scenario, a large number of FinTech companies are entering the market by offering various financial products and services thatis demand at present. Various financial technologies are used to run their business i.e.



Demonetisation supported the growth of FinTech Start-ups

Before 2017 most of the business and individuals were doing their payment or transfer of money in exchange in the form of Cash easily, but in the last of 2016 Demonetisation takes place after the there was very minor Cash in the market due to which exchange of money, the payment got desist. Everyone is searching for ways to get Cash or to make the payment, So there was a high demand for the method,process or system that can help them to make their payment in the form of digital(Cashless). According to the Payments Council of India, the digital payments industry has a growth rate of 40 to 70 percent which was before demonetization was 20 to 25 percent. Demonetization helps to boost the FINTECH especially in the field of digital payment and online banking, these are those sectors that are mostly affected by Demonetization.

Features of FinTech

a) Direct Lending System - FinTech cuts down the role of the banking system in the Money Lending System. With the help of this credit facility and access to the capital provided at a faster and easier rate. The lender who may be a Business or an individual directly matches the borrower which makes Lending System more efficient. PaisaDukan, RupeeCircle, LenDen Club, i2ifunding are some Peer 2 Peer platforms who help in investing money.

b) Crowd Funding - It's a platform of funding for a new business or startups. The main hurdle for commercializing startup's, innovation, a new business in their early stage is funding (money). It is a process of getting funds online. Crowdfunding provides a platform for smallinvestors to invest their money in new business or startups through the use of social media or digital platforms (internet). Suppose A has to start a business of a product but he doesn't have the money to start the business, he require funds for the business then Crowd Funding help him to get funds, Crowd Funding promote the product on the internet along with product specification and price whosoever is interested to get the product to require to pay the advance payment of the product and they will get the product's first launch.In this way, the Owner can get the funds and can promote his product in the market and can check whether his product is acceptable in the market or not.

c) Online Trading - Trading in the Capital market becomes easy,people are investing more in the trading reason for the same is FinTech.It allows the investors to invest (buy or sell) the shares in the market more precisely.Gone are the days when people go to the capital market for trading and it was done by pen paper or in the form of hard copy but now due to the advancement in the technology this all can be done by using an online terminal and done in a couple of seconds. FinTech fosters the stock market because it made investors enable to do the trading more efficiently and easily with new technology innovation and people are taking more participation in the trading as it becomes now easy with the help of FinTech.It provides an online terminal for trading by their account which connects them directly to the stockmarket.

d) Blockchain - Blockchain is work just like a notary or a legal document. As the name suggests blockchain (Block+Chain), means it a series of block which is having information, data that is used for various purpose like payment, exchange, etc. Blockchain came into existence in 2008 but it was implemented in 2009. The information contained in the blocks is having a timestamp and the digital signature which makes the transactions, data in block safe and secure. Their innovations, technology that bring confidence, enhance trust between the unknown transactor who is doing the transaction.Blockchain is in trend due to the bitcoins. It is secure in making transaction because it is Decentralized (it means every transaction needs to be centralized by Central Bank but in Blockchain transaction can be done without a centralized system, can be done between Peer to Peer), Audibility (every transaction in the Blockchain is having a digital signature and timestamp so it can be easily verified and audited), Persistency (each transaction block is linked with another block and each transaction block can validate with another end block, tamper to them is impossible), Anonymity (each user or transactor can link with blockchain as it has a digital signature so transactor can access blockchain via private key). As people are moving towards digital payment sothattheir account, payment, and amount of safety is concerned area, so the BlockChain mechanism is increasing at a faster rate as it safeguards the transaction. All these safety parameters of digital payment can be safeguarded only with the help of FinTech. It eliminates all those factors due to which people are not moving towards digitalization in terms of payment, money, etc.

e) InsurTech - Contact also brings changes in the insurance sector. InsurTech (Insurance+ Technology), it means the use of technology and innovation in the insurance industry. FinTech makes it easy to providing insurance service to their customers, because of FinTech insurance become easy and secure as it provides the option to know about the type of insurance, it's detail and insurer can directly pay the premium to the company. According to FinTech Global, companies which are in the insurance globally raised by more than $11 bn between Q1 of 2019 and 2014. In Q1 of 2019 InsurTech investment reached to $ 1.6 bn, as compared with Q1 of 2018, it was $1.02 bn (51.7% greater than 2018), this enhancement in the investment is due to the advancement in FinTechInsurTechstart-ups in India is also keeps on increasing as per innovation and technology enhancement. Some of the InsurTechstart-ups of India are Digital Insurance (2016), Acko(2017).

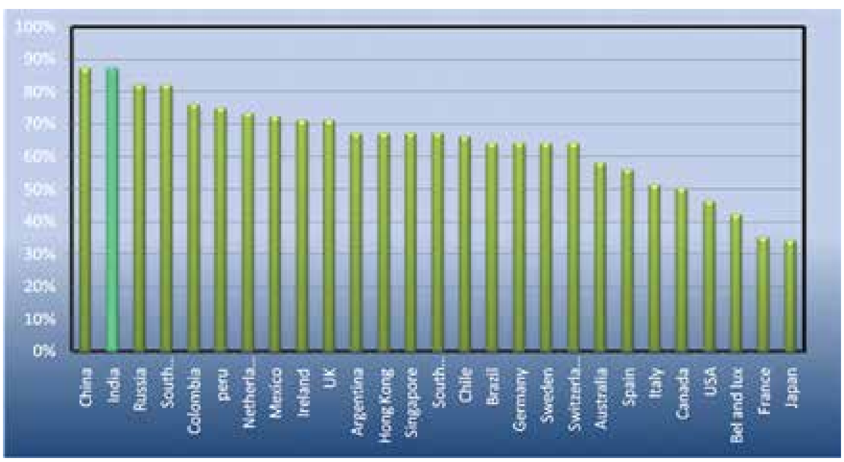
f) Virtual Currency - It is an intangible currency. Virtual Currency is a tool to make financial services most efficient with the help of technology, to get rid of intermediaries, government, financial and non -financial institutions. It is not bounded by legal intuitions.In 2004 European Banking Association Authority defined Virtual Currencyas the digital representation of the value that is neither issued by a bank or a public authority nor necessarily attached to the existing currency but is accepted by natural and legal persons as a means of payment and can be transformed, stored,reuse digitally.Virtual Currency came into existence only due to FinTech.

g) Digital Payment - FinTech brings a change in business and consumer interaction. Digital Payment is the exchange of money/payment in the digital or in electronic form. After the demonetization in 2016, the government launches UPI to make digital payment secure and easy. Earlier people were not confident about doing digital from the security point of view, now FinTech with the innovation and technology make it possible to do payment safely with data security. Initially, people were not aware of the digital payment services and security, now with the launch of UPI, they became more familiar with the digital payment and now even people even use more than one digital payment. On the advancement of technology, mainly B2B payment is shifting from pen-paper, check to the Digital automated payment platform. Digital Payment and technology is the factor that brings a change in the payment method, the process of exchange of money, e-Commerce, B2Bpayment, B2C paymente.g.Paypal,Greendot,Phonepay, etc.

As per Global FinTech Adoption index 2019, 96% consumer globally are aware to atleast one digital payment, money transfer and payment services of FinTech. 75% of the global consumers use at least one Contact payment service as a money transfer tool of FinTech.It is not only the startups that are getting into FinTech. But the well-established companies are also moving towards FinTech like Alibaba (Alipay), Apple (apple pay).

INDIA is Top Runner in Adopting FinTech

FinTech is the current trending concept. People of different countries are adopting Fintechat at a faster rate, and the reason for the same is the different services provided by FinTech in various sectors. India is the top runner in the adoption of FinTech. As per the EY FinTech Adoption Index, India is on the second rank in adopting the FinTech with the adoption rate of 85% it shows out of 100 people in India 85 is ready to adopt the Financial Technology (FinTech). Mumbai, Bangalore is the major of FinTech because here various startups and businesses are working on FinTech to make India on 1st rank in FinTech. Out of the total number of start-ups of FinTech in India, approx 50% of the startups are from Mumbai and Bangalore followed by Delhi, Gurugram and Hyderabad.



Source: EY FinTech ADOPTION INDEX 2019

As per the report by MEDICI on Indian FinTech Report 2019,in India, there are approx 2035 FinTech companies and about 2 billion were investing in FinTech. Transaction value FinTech is at a rising stage, in 2015 it was approx 2.1 billion and in2017 it was 3.3 billion. For 2021 it was projected to be 7 trillion with a growth of 20%.

FinTech policy is first time was announced in Maharashtra (Mumbai) in February 2018 a budget of Rs. 9 crores was paid out by the government in grand and money to more than 250 start-ups in Maharashtra. Here is the list of India, topmost start-ups.

Place	Name of start-up
Mumbai	Itz Cash World
Bangalore	Capital Float
Delhi	Paytm
Gurugram	Mobikwik
Hyderabad	Paynear

Conclusion

FinTech is an emerging trend in India. It enables the business, company to deliver the various financial product and services with innovative, advanced technology. India is adopting FinTech at a faster rate as India is on 2nd number in the adoption index of FinTech,in 2017 adoption rate was 54% and in 2019 it is 87%. Various tools of FinTech is used in India like Virtual Currency, Bitcoins, Direct lending System, Crowd Funding, etc.innovation in technology can bring the transformation in the traditional financial system by making it centralized, effective, easy and advance. It also helps to give a contribution to the economy as investment becomes easywith the help of FinTech. In India the major sector which is leading for FinTech is Digital payment, it is largely hit in India.The government also should take a step forward to encourage Companies of FinTech to come up with new innovative ideas and start-ups. MA

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FINTECHS: THE DARK HORSE OF SME LENDING

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Abstract

The tech-revolution has reshaped the financial industry in India with innovative means to cater to the need of rising customer expectations. The Indian fin tech market has been on a growth trajectory that is evident from the number of fintechs and the investments attracted by them. The Indian regulators and Government have been playing a favourable role in accelerating the growth & adoption of Fintech services in the country. Considering the fact that in India there is wide credit gap especially in MSME sector. This gap provides ample of opportunity to the Fintechs to reach out to the unserved segments of the society. With the use of modern technology and data crunching ability, the Fintechs has come as solace to capital starved MSME sectors. The purpose of this article is to throw some light on the Fintechs and their role in SME lending in India.

Introduction

Small & Medium Enterprises (SMEs) act as driving force in economies around the world. In order to ensure productivity and sustainable growth it is utmost important to provide smooth financing facility to SMEs. The classification of SMEs differ from nation to nation based on different parameter. In Europe, the sector is classified based on number of employees and turnover, In USA, based on number of employees or revenue but varies across industries whereas in India the classification is based on investment in fixed assets. In India, the sector is defined as per MSMED Act 2006 and classification is given below:

Definition of MSME		
Classification	Manufacturing Enterprise (Investment in Plant & Machinery)	Service Enterprise (Investment in Equipment)
Micro	Upto Rs.25.00 lacs	Upto Rs. 10.00 lacs
Small	Above Rs. 25.00 lacs to Rs. 5.Crs	Above Rs.10.00 lacs to Rs. 2.00 Crs
Medium	Above Rs. 5.00 Crs to Rs. 10.00 Crs	Above Rs. 2.00 Crs to Rs. 5.00 Crs

Table 1: Definition of MSME

The Micro Small & Medium Enterprises(MSMEs) contribute to over 40% of the manufacturing output, 8%-10% of the GDP, of the total industrial output approximately 90% is contributed by the MSMEs and it employs around 60% million people. Despite these laurels, the growth in the sector is constrained by challenges like unorganised business structure and financing gaps. As per MSME census report, there are approximately 30 million MSMEs out of which only 2 million are registered and remaining 28 million are unregistered. There are numerous reason for this state of affairs – inadequate credit score records limits banks' ability to evaluate the credibly, poor accounting and financial plans are a barrier for a banks. SME lending being hugely underserved market is a major opportunity for Fintech companies to build and scale up sustainable business venture by offering need based financial services.

"Fintech" may be defined as digital based business that provides financial services. According to Financial Stability Board (FSB) of BIS "Fintech is technologically enabled financial innovation that could result in new business models, application and processes or products with an associated material effect on financial markets and institutions and the provisions of financial services." In India, the Year 2015, witnessed the emergence of fintech companies and growth of suitable fintech ecosystem. Presently, India is witnessing growth in the fintech, which is supported by favourable Government policies, positive attitude of investors, mass pool of talent and development of ecosystem in the form of incubation and innovation centres etc.

Major Fintech Innovation in India are mobile & digital based payment system (Payment& Clearing System), Crowd funding, P2P lending & other digital lending (Lending & capital raising), Robo advice & smart contracts (investment management), Big data and artificial intelligence (data analytics & risk management)

Key Drivers of Fintech Lending In India

The key drivers for growth of Fintech in India are increase in penetration of Smart phones, affordable data connection, favourable demography, change in spending habits and digital infrastructure created by Government like formalisation of business through GST registration & Udhyog Aadhar Memorandum. Further introduction of India stack (creating a unified software platform) and advent of modern technology like block chain, Artificial intelligence and predictive analysis is expected to create positive impact in the fintech landscape.

Traditional banking models have struggled around mainly five areas such as – financial inclusion, customer experience, increasing transparency, compliance, and timely decision-making. Fintech can bridge these gaps by developing innovation and customer centric products and delivery channels.

Fintech Lending Models

P2P lending: It is a digital market place, which connects the borrowers with the lenders. It helps the borrowers with access to low cost credit. The registered borrowers post their funding requirements on the platform and provide basic information for due diligence purpose. The prospective lenders can decide to make offer or bid to meet full or partial loan requirements at a specified interest rate if any. By allowing lenders to invest in multiple small loans or small parts of a loan, the platform offers them the opportunity to diversify the loan portfolio and associated risk.

Invoice financing: It is a short-term working capital facility extended to MSMEs on the unpaid customer's invoices. It helps in accelerating the cash flow of the MSMEs.

POS transaction based lending: In this method, credit facility is extended for shorter duration based on the amount of receivables collected through POS transactions. This type of facility is suitable for retailers and traders.

Crowd funding: It is process of raising finance from large group of lenders. In this method the borrowers highlights business ideas and share details about funding requirements. Pool of investors contribute to the funding requirements. In India, crowd funding is a nascent stage.

Pre-approved loans: With the help of digital footprints and data crunching based on several algorithms banks and new age lenders are providing pre-approved loans to customers. These loans are offered to selected customers based on their past records of banking conduct, credit worthiness etc. The main benefit of such products are – cost effective and hassle free sanction of loan.

Buy now & pay later: This is the facility to finance consumption expenditures of clients. These loans are generally of small ticket size. Whenever a customer wants to but any consumer durables and gadgets the disbursement will be made directly to the seller.

Supply chain finance: It is a financing process through will various parties within a business process are provided with working capital facility. It is cost effective and attractive way of offering financial assistance. Fintechs tie up with wholesale players to target networks of their merchants who source their products and extend suitable credit facility.

Mobile lending: Loans are sanctioned from the mobile-based application by crunching data available from the mobile phone. Phone calling pattern, payment of utility bills, mobile transactions are considered to assess credit worthiness.

Digi LAP: With the help of technology, the new age fintechs have revolutionized the loan against property (LAP). The lenders have fully digitise the cumbersome process of mortgage loans from initial level of application to disbursement thereby reducing the turnaround time(TAT) and improving customer experience.

Co-lending: When a fintech firm comes together with a traditional lender to disburse loans. The synergy creates win-win situation for all the stakeholders. Typically, the fintech firm would source the client, do credit appraisals, and give out small part of the loan amount, while a bank would give out the larger chunks of funds. It helps to leverage off the voluminous balance sheet of the banks andin addressing a wider set of MSMEs that the banks otherwise may not have financed.

How Fintechs helps SMEs?

Unconventional approaches: The Fintechs, instead of demanding traditional records & documents from the SMEs make use of credit scorecards as well as several variables and raw data points for doing credit assessments. Some of them also use psychometric tools for behavioural analysis. This paved the way for bringing more and more MSMEs under the formal lending channel.

Need based assessment: Generally traditional bankers use " one size fits all approach" i.e credit facility is extended as per traditional lending method wherein the important business factors like the cash flow cycle, amount of transactions are not taken into consideration for assessing credit gap of specific business. As a result, the borrowers suffer from the burden of repayment due to mismatch in cash flow. The fintechs on the other hand, develop and customized products based on the business model of the clients, they sachetize loans into small ticket size in order to cater to the needs of nano entrepreneurs. The repayment periods are fixed based on the cash collection frequency of the clients like weekly, monthly, and quarterly etc. Thus, the customized lending model helps the unorganised and nano business units to avail credit facilities.

Minimal human intervention & quick assessment: Delay in credit decision is one of the key challenges faced by MSMEs. The applicants are kept in keep guessing stage for a long period and after a hiatus, the decision is advised to the applicants. Inordinate delay in access to finance may even lead to loss of lucrative business opportunities. Fintechs relyentirely on digital platforms with less or minimal human intervention, this eliminates scope of human errors and makes accurate assessments.

Innovative products: With the digital disruption, the nature & pattern of business has undergone significant change. It is necessary to foretell the customers' preferences and focus to meet them proactively. Fintechs companies are successful in penetrating unbanked & unexplored SME segments by understanding their needs & preferences.

Easy application process: With the use of botsand specifically designed alogrithms enable fintechs to collect all relevant informations from different sources. This reduces the burden of exhaustive paper work and reduces the level of anxiety of the applicant.

No need of Security: Most of the digital lending platforms are focussing on providing unsecured loans by simply "ring fencing" the cash flow of their business .Many SMEs, despite having necessary potential have been suffering from capital inadequacy and are unable to take loans from traditional banks due to focus on "secured loans".

Quick & easy disbursement: The loan is disbursed within a span of 2-3 days that proves to be very effective for cash trapped SMEs. The documentation procedure of Fintechs are also very simple and less time consuming.

Other benefits: Digital lending is cost effective- the on boarding process of new clients is less costly than that of traditional methods, banks can leverage the co-lending approach and increase the size of their loan book.

Recent initiatives by Regulators & Government for promoting digital lending

TReDS: In order to solve the problems of delayed payments to MSMEs this facilitate was introduced. The invoices to be uploaded electronically and the same will be discounted by multiple financiers. The SMEs can encash their receivables without delay.

Udyami Mitra portal: This is a virtual market place that endeavours to provide "end to end" solution like interface with banks, service providers, and details of loan facility etc.

PSB loan in 59 minutes: This initiative aims at automation & digitization of the process of business loan in such a manner that the applicant can get the in-principal approval for loans in 59 minutes. The applicants can choose among different lenders as per their preference. Loan limit from Rs.1.00 lacs andup to Rs.5.00Crs can be sanctioned under this facility.

Indiastack: It is a set of APIs that allows Government, business, start-ups to utilise digital infrastructure for multiple activity.

Other initiatives: Promoting GST registration, Udhyog Aadhar Memorandum, Digilocker, events like Digidhan mela is organised to spread awareness on digital payment systems and the digital India and smart cities initiatives have been launched to promote digital infrastructure development in the country.

Challenges in the Fintech business model

Although Fintech is gaining momentum, there are few challenges in the business model. Some of these are

Data privacy: The Fintech companies largely depend on data collected from different sources. It is the responsibility of the company to maintain utmost privacy of the data. Cloning of digital identities can lead to amplified risk.

Re skilling: In order to keep pace with the rapid change in technology, re skilling & up skilling of the workforce from time to time is necessary.

Cyber security: With the digital disruption, cybercrime has also become more sophisticated. The fintech players should ensure that sufficient cyber security measures are in place to secure sensitive records.

Regulatory requirements: The Fintechs are not immune to regulatory uncertainties, with the stringent regulations and surveillance mechanisms they are bound to adopt advanced models in the areas of risk management, raising, and deployment of funds etc.

Limited resources: Though Fintechs are changing the lending ecosystem but they have limited lendable resources. They are dependent on investors to provide fund for onward lending. It is observed that due to paucity of core capital some of the Fintechs have already reached point of saturation.

Evolution of Fintech applications really helps non-traditional banking activity.The Challenge now is to continue lifting that standard when consumer expectations are also rising. The Collaboration of banks with Fintechs is necessary to combine the strength of both the entities and leverage the same for future growth opportunity. MA

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IMPACT OF FINANCIAL TECHNOLOGY ON ACCOUNTING & AUDITING

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Abstract

With a dynamic industry environment, it is now a mandate for the organisations to invest time, money and efforts in adapting to the future way of doing things, at present. A cloud system is part of the basic infrastructure now. When the entire business model changes so does change the way of accounting and auditing. Robotics is being used to do the accounting free of manual intervention whereas the machine learning and artificial intelligence is helping identify patterns and generates the exception reports which leaves the auditor with specific grey areas.

Disruption is the new buzzword today and FinTech essentially, is the outcome of the disruption. FinTech is a combination of Finance and Technology which entails use of technology like big data analytics, artificial intelligence, machine learning, virtual reality and robotics for doing finance. Fintech is an example of the positive impact of competition and technology which gives opportunities for the new entrants who have a unique idea for doing things in a better manner. As a result, the whole financial services industry, from funding to insurance, from accounting to consultancy, from consumer finance to investment banking, is witnessing a rapid technological intervention. The inputs, the processes and the outputs are the same with increased intervention of robotics in handling the same. Hence, the financial services is gradually turning into technology services where a person is required to know the technology use to execute the financial regime. With a dynamic industry environment, it is now a mandate for the organisations to invest time, money and efforts in adapting to the future way of doing things, at present. A cloud system is part of the basic infrastructure now. When the entire business model changes so does change the way of accounting and auditing.

Financial Technology and the Accounting

Although a computer as intelligent as a human being has not been invented yet, though the *limited* intelligence is increasing rapidly with the passage of the time. This limited intelligence include gaining from experience, recognising what is important, tackling complex situations, understanding and working on visual images, being creative and such other things.

Accounting is no more a tedious and monotonous job with a significant time contribution to the repetitive work. The repetitive work is being done with the help of algorithms with a few clicks of computer mouse and that too with great accuracy, reduced operating costs and increased efficiency. The calculation of profits and taxes is now being done by the softwares. Now, the accountant is working on a next level. Since, accounting is being done in tandem with the happening of business transactions, the results are available on a real time basis. He is now contributing more time towards deciding on the economic use of the accounting data. The accounting is contributing more towards analysing various numbers to identify the areas of business improvement and do the financial planning with the help of accounting data. The role of an accountant is more strategic now.

Prediction is not an art but is a science, which is essentially based on critical observation of the past and a reasonable understanding of the future. The future outcomes can be numerous with different amount of probabilities and the cognitive technologies like machine learning and artificial intelligence can refine it further.

The language of accounting is also transformed to the language of the business. A businessman need not understand the accounting language as the latest financial technology is going to provide him the required data in the shape and form of his will and that too in no time.

Regulatory compliance is another area where financial technology has changed and rather eased the things. The financial technology has transformed the compliance from a huge regulatory team to subscription to high-end softwares that help reporting the stuff at regular intervals and as per the rapidly changing demand of the regulators. On the other hand, the software companies have a huge staff led by the technology professionals who are helped by the accounting, tax and compliance people to understand the changes and their implications.

Consulting is another area where accountants work a lot. This area has also been completely changed by the financial technologies. The problem are discussed over video conferences, the data is available to the consultant with sharing of credentials whereby the consultant accesses the data kept on the cloud, the issue is understood and analysed online, a solution is derived on-the-spot, discussed and implemented. The post-implementation monitoring is also not a difficult thing with the latest financial technology.

From a software company's perspective, the financial technology has mandated for it to use the best practices for accounting and to adapt to the rapid technological advancements. Financial technology is enabling smart data input techniques. For example, the document can be scanned and the accounting entry is done with the help of identifying key information like date of transaction, amount, number of items, commodity type, tax paid, supplier name, nature of expense from the document automatically by the system. There are certain limitations which demand the uniformity of the document format or uniformity of data typology.

But there are certain limitations too. When system is down, the operations stuck. The reason is that either there is no manual workaround in place or the manual workaround fails in the hour of need. The manual workaround fails as either the people do not have any idea of its execution or it is so tedious that the manpower is unable to execute it manually.

The accountants, like any other profession, are made by imparting education and training. The training focus has also changed because of invention of new products and differing methods of execution. The need for strategic training has outweighed the need of basic and conceptual training. The core skill set of an accountant now also includes strong IT skills.

Financial Technology and the Auditing

Whether it is a question of investigation by the regulators or auditing by the organizations' internal & external auditors, financial technology has changed everything for good. Hiring of technology guys on one side and increased dependency of auditing firms on the technology companies on the other, are strong signals of extensive and ever increasing use of IT in performing the audit. As per the findings of Forbes Insights/ KPMG report "Audit 2025", 80% of the respondents expect auditors to use more sophisticated technologies for data collection and analysis in their day-to-day work.

Cognitive technologies, which include artificial intelligence, machine learning, speech recognition, natural language processing and robotics, help in digital analysis of big chunk of data which cannot be performed by a number of audit teams.

Data gathering from non-financial sources such as social media, radio, internet browsing, TV watch list and tallying it back with the financial data of the client is the next step. This will enable collection of audit evidences from diverse sources and enable expression of a strong and clear audit opinion about the true and fair view of the financial numbers.

The data classification also needs to be changed - One is structured and the other is unstructured. The robotics can easily analyze the structured data to filter the inconsistencies, which can then be made part of audit samples.

Auditors are then left with looking at the reason for the exceptions, whether the same were as per the risk appetite or breach was as per the bye-laws. They have to use their judgement on the basis of correct and in-depth facts produced with the help of technology use.

The trends can be formed using the past data and future predictions. The deviation of actual data from the expected data is going to be another indicator to investigate further. With big data being the most valuable asset, auditing firms are also paying to get reliable industry players data which is compared with the organisation's data to see whether it is going with the flow or not. It also gives an insight into the validity of going concern assumption. Of course, there are limitations in use and disclosure of such use of data, given the increasing application of stringent data protection guidelines worldwide.

The audit conducted on the back of extensive big data churning will be able to identify more pitfalls, will be able to fix more risks and will be revealing more about the company.

The days are not really far where the auditees would be penalized for data inconsistencies. The need of sampling whether it is based on judgement, is done on random basis or through any other process, will not be there. The churning of complete data will be done and the exceptions will be the result, which will be as god as audit observations because all the known reasonable exceptions would have been part of the available data. The companies with more anomalies found after data churning, will be charged more on the back of a need to investigate more number of exception items. The impact will be analysed and the report will be made on the basis of % deviation from the reported numbers. An audit classification or grading might be assigned on the basis of deviation %.

Conclusion

When the technological disruption has changed each and every industry, accounting and auditing is no exception. Robotics is being used to do the accounting free of manual intervention whereas the machine learning and artificial intelligence is helping identify patterns and generates the exception reports which leaves the auditor with specific grey areas, where an investigation is sought for, removing the need of sampling either randomly or by judgement. MA

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FIN-TECH ADOPTION BY THE INDIAN BANKING SECTOR - A STUDY

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"Government of India is with a vision to transform India into a digitally empowered society and knowledge economy. 'Faceless', 'Paperless' and 'Cashless' is one of professed role of Digital India"

Abstract

Fin-Tech known as Financial Technologies has erupted across the globe. Day by day Fin-Tech advancement is increasing tremendously. Exclusively Banking sector will be strengthened by implementing and adopting the upcoming Financial Technologies, Customers are the valuable assets to every bank and banks are always trying to fulfil customers' needs with high priority. Fin-Tech facilitates banking requirements, now a day's all the banks are focusing on speed up their banking transactions by providing services like Digital payments, Online services, Mobile Apps etc. Fin-Tech improves the health of traditional financial institutions by enhancing performance, improving profitability and improves customer retention. Indian banks are in the process of enhancing global competencies and increasing online banking transactions without involving physical bank visit by the customers. Financial inclusion is possible with the help of only Fintech adoption in the banking sector. Otherwise, reaching unreached is not possible in the country like India. Hence, this study is aimed to analyse the growth in digital payments and online transactions.

to enhance the portfolio diversification to fulfill customer needs.

Introduction

Fin-Tech (Financial Technologies) is not the opponent of traditional banking activities by adopting the financial technologies, banks will perform easily in terms of massive banking transactions and fulfill customer requirements, duplication of work, reducing of manual errors, the safeguard of banking information etc.

In India very few banks are having a strong financial strength to reach global competency, Fin-Tech is a way to become strong in digital payments and transactions. Every bank has the mobile bank apps apart from that many of the other Fin-Tech companies providing digital payment services. Recently Unified Payments Interface (UPI) developed by the National Payments Corporation of India (NCPI), Paytm app, Google has launched payments app Google app (tez), Samsung has launched Samsung pay and Amazon has introduced Amazon pay and Apple also looking to introduce Apple pay. Fin-Tech Services are meeting the aspirations of the customers, the only concern is how the customer's data protected by the Fin-Tech companies.

Fin-Tech companies provide a way for legacy financial institutions to improve customer retention and preference. Data enrichment is an extremely powerful tool that quality Fin-Tech firms bring to the game. Fin-Tech firms provide an opportunity to enhance the portfolio diversification to fulfill customer needs.

Objectives of the Study

- To analyze the growth in digital payments and online transactions by the Indian banks as well as Fin-Tech companies.
- To study future Fin-Tech developments specially retail payments through NPCI in India.

The methodology of Study

For the present study methodology is presented as follows:

Source of the Data: The data required for the study has been collected from RBI reports and annual reports of Fin-Tech companies.

Period of the study: The period of the present study covers for 5 years from the year 2014-15 to 2018-19.

Sample Selection: The present study considers all the Banks in RBI reports and Annual Reports which are belonging to Banking Sector and Fin-Tech Companies.

Growth in Digital Payments

Most of the Indian banks are providing Online services to customers, Online transactions has been increased year by year.

Table-1: Total RTGS Transactions by Customers

RTGS transactions by customers					
Year	2014-15	2015-16	2016-17	2017-18	2018-19
Customers	88,391,688	93,955,247	103,660,693	120,712,137	133,295,661

Source: Secondary Data Collected from RBI Reports

Chart-1: Total RTGS Transactions by Customers

Source: Secondary Data Collected from RBI Reports

The table-1 and chart-1 shows the trends in RTGS transactions by customers from financial year 2014-15 to 2018-19. There is more than 65% growth in RTGS transactions from 2014-15 to 2018-19. In the year 2014-15 8.8 crore of customers has been utilized RTGS transactions and it was increased to 2018-19 13.3 crore. There was stable growth in the year 2014-15 and 2016-17 with 6% and 10% respectively, from the 2017-18 the growth is tremendously increased with more than 15% in each year. The important reason for the increasing trend is because of demonetization process initiated by the RBI.

Table-2: Total NEFT Transactions by Banks in India

(Transactions in Millions and Value in Rupees Billions)

NEFT Transactions and Value		
Year	Transactions in Millions	Value in Billions
2018-19	2319	227936
2017-18	1946	172229
2016-17	1621	120040
2015-16	1253	83273
2014-15	928	59804

Source: Secondary Data Collected from RBI reports

Chart-2: Total NEFT Transactions Value in Rupees Billions

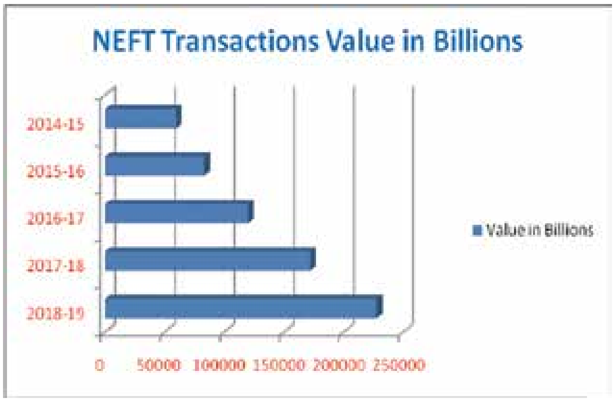
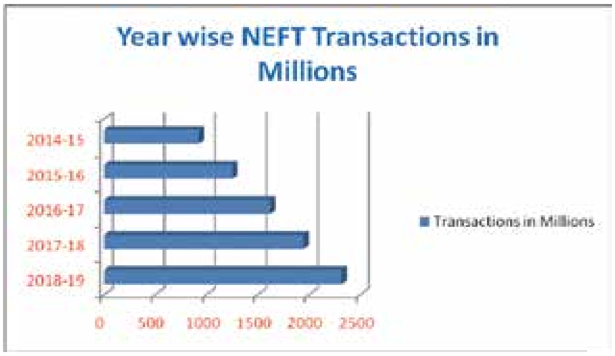


Chart-3: Year-wise NEFT Transactions in Millions

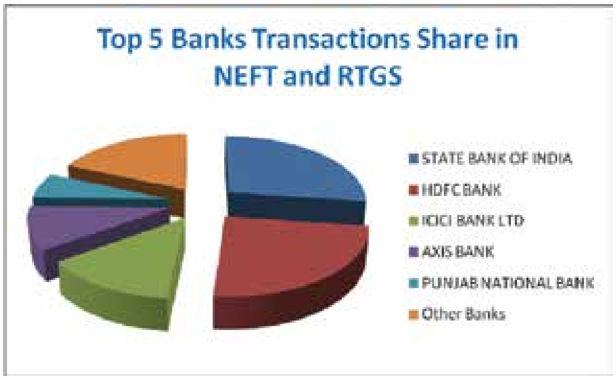


Source: Secondary Data Collected from RBI reports

The Table-2, Chart-2 and Chart-3 shows the trends in the value of transactions and number of transactions done. The total NEFT transactions have been increased year by year there is a continuous growth in transactions. The growth in value of transactions is more from the year 2014-15 to 2018-19. Most of the Indian banks are adopting Fin-Tech advancements in its operations. The total NEFT transaction value in the year 2014-15 59,804 Billions (in rupees) but in the year 2018-19 the total NEFT transaction value is 227,936 Billions the growth is more than 4 times as compared to the financial year 2014-15.

Top 5 Banks Share in NEFT and RTGS: In India public and private sector banking companies are serving customers over the period of time. The lion share in the NEFT and RTGS transactions are from the State Bank of India, HDFC, ICICI and other banks. The major share of these banks in online transactions is presented in pie-chart-1.

Pie-Chart-1: Top Five Banks Share in the Total NEFT and RTGS Transactions



Source: Secondary Data Collected from RBI reports

Pie-chart-1, showing the top five banks shares in terms of NEFT and RTGS. State Bank of India which is one of the largest banks in India is having major share in the total NEFT and RTGS transactions after that all the major private banks like HDFC Bank, ICICI Bank and Axis Bank having major share in the total NEFT and RTGS transactions. It is indicating that there is huge scope for Fin-Tech in private banks as compare with the public sector banks. The recent initiative of the central government the number of government banks are reduced from 21 to 12 with remarkable mergers. This strategy may also further increase Fintech investments by the public sector banks.

Growth in retail payments Through NPCI:

Boosting to Fin-Tech, retail payments through NPCI has been increasing with considering growth. National Payments Corporation of India (NPCI), an umbrella organization for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment and Settlement Infrastructure in India.

Table-3: Year-wise retail payments through NPCI
(Volume in Millions and Value (rupees) in Billions)

F.Y-2014-15		F.Y-2015-16		F.Y-2016-17		F.Y-2017-18		F.Y-2018-19	
Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
3709.43	76111.29	5406.414	85271.12	7138.398	96626.07	9855.602	113551.9	16799.46	136711.1

Source: Secondary Data Collected from NPCI reports

Chart 4: Year-wise trends in Retail payments

Table 3 and Chart 4 show the year wise trends from financial year 2014-15 to 2018-19, Volume and value has increased tremendously. The value in rupees billions 76,111 in 2014-15 and it is increased in five years period with the value in rupees billions 136,711 in 2018-19. There is continuous growth which is good sign to the digital and cashless transactions. Initially there were few banks involved in NPCI now public and private banks are involving, for better retail payment services NPCI is playing vital role. Due to various attractive deals made by NPCI the growth is changing year by year. Going forward New and upcoming Fin-Tech startups will come and join under umbrella of NPCI.

Conclusion and Suggestions

Banks and Fin-Tech companies are playing a vital role in providing services to the customers in terms various cashless payments. All the banks are introduced their Mobile apps to provide services to the customers and ease of doing transactions and reaching the unreached. The SBI digital banking app YONO is a trend setter in terms of digital and cashless transactions. The banks and Fin-Tech companies have to protect the customers data by taking necessary steps like should not be third party intervention, educating the customers, introducing device fingerprint, mobile banking protection with security information, biometric authentication and real time alerts. Banks and Fin-Tech Companies have to adopt the latest technological innovations to protect the data from the hackers. Now, most of the banking companies are using the Blockchain technology to safeguard the customer transactions.

The government should initiate framework for uniform standards and to avoid complex Networks for strengthening of services. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available and many of the new and upcoming Fin-Tech companies are providing various digital mode services like Banking cards, USSD, AEPS, UPI, Mobile wallets, Banks pre-paid cards, Point of sale, Internet Banking, Mobile Banking and Micro ATMs. Government of India as well as State Governments have to take necessary steps to involve rural India for cash less economy. Without involvement of rural India in Digital economy we can't say that is as structured Economy. MA

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IMPACT OF ICT USAGE IN DETECTION AND PREVENTION OF BANK FRAUDS

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Abstract

The present study aims to demonstrate and evaluate the impact of ICT usage for detection and prevention of frauds in banks. Further, this study also aims to explore whether there is any significant difference in the perception of sample auditors on the usage of ICT on the basis of select demographic variables. The findings of the study can be used by banks to improve the efficiency and effectiveness of the internal audit department through ICT usage.

Background of the Study

The evolution of the digital economy at a global level has changed the way business enterprises operate, generate, and display financial data; and much more importantly, how they are audited (Razaee et al. 2002,). The internal audit which is a key activity in any finance sector wishing to operate in a secure and controlled environment is concerned with ensuring compliance with legislation, regulatory framework and internal procedures. The importance of internal audit practice in relation to accountability cannot be over emphasized, as the success of the government's anti-corruption campaign hinges on effective cooperation with various corporate governance mechanisms, prime amongst which is the role of accountants and auditors in financial reporting (Okike (2004:707). Therefore an attempt has been made in the present study to know the extent of use of ICT by the internal auditors in banks for detection and prevention of fraud. Its findings are of interest to policy makers within the executive and legislative arms of the Himachal government and professional accounting bodies to design better control systems to curb fraudulent practices within their operations.

Objectives of the Study

1. To assess the perception of Internal Auditors in banks toward the ICT usage in detection and prevention of fraud.
2. To examine the potential impact and effectiveness of ICT usage.

Research Methodology

The objective of the present study is to know the internal auditors' perception towards effectiveness of IT usage. The study has adopted both qualitative and quantitative research methodologies. The quantitative aspect is derived from 120 questionnaires that constituted a mixture of both open ended and close ended questions. Data has been collected from internal auditors working in different commercial banks in Himachal Pradesh. Further, Five-Point Likert Scale has been used to measure the perception of respondents on the statements presented in the questionnaire. The Kaiser-Meyer-Olkin used in the present study to measure the validity of the scale is 0.856, which implies that sample is adequate and factor analysis is appropriate for data. Further, the study shows that Bartlett's test of sphericity is also significant as its associated probability is less than 0.01 which means that correlation matrix is not an identity matrix.

Results & Discussion

Table 1: Demographic Profile wise Perception on ICT Usage

Variables		Extent of ICT Usage					
		Extensive	Substantial	Adequate	Minimal	None	Chi Square
Gender	Male	15(16.1)	29(31.2)	35(37.6)	13(14)		3.361[a]
	Female	6(22.2)	4(14.8)	13(48.1)	04(14.8)		d.f. 4 Sig: .499
Age	< 30 Years	4(12.1)	12(36.4)	14(42.4)	3(9.1)		6.497[a]
	<40 Years	13(20.0)	16(24.6)	26(40.0)	9(13.8)		d.f. 12
	< 50 Years	3(21.4)	2(14.3)	6(42.9)	3(21.4)		
	>50 Years	1(12.5)	3(37.5)	2(25.0)	2(25.0)		Sig: .889
Educational Qualification	Graduate	0(0.0)	3(18.8)	10(62.5)	3(18.8)		20.995[a]
	Post Graduate	3(8.6)	13(37.1)	14(40.0)	5(14.3)		d.f. 12
	ACPA/CPA	17(29.3)	11(19.0)	20(34.5)	9(15.5)		
	Diploma Holder	1(9.1)	6(54.5)	4(36.4)	0(0.0)		Sig: .050
Work Experience	Fresher	3(17.6)	4(23.5)	8(47.1)	2(11.8)		21.019[a]
	1-5 Years	9(29.0)	6(19.4)	8(25.8)	8(25.8)		d.f 12
	6-10 Years	8(13.1)	20(32.8)	27(44.3)	6(9.8)		
	>10 Years	1(9.1)	3(27.3)	5(45.5)	1(9.1)		Sig: .050

Source: Primary Probe

It has been observed from the Table 1 that majority of the sample auditors irrespective of their demographic profile are using ICT in detecting and preventing bank frauds. Male and auditors, who are young in age, are using ICT more. Similarly, auditors with less working experience and are less qualified, are making more use of ICT. A significant difference in the perception of auditors in usage of ICT on the basis of their educational qualification and work experience at 5 percent level of significance has been found.

Table 2: Audit Specific IT Skill Usage in Detection and Prevention of Fraud

Variables		Extent of Audit Specific IT Skill Usage					
		Extensive	Substantial	Adequate	Minimal	None	Chi Square
Gender	Male	3(3.2)	14(15.1)	22(23.7)	39(41.9)	15(16.1)	7.578[a]
	Female	2(7.4)	4(14.8)	11(40.7)	10(37.0)	0(0.0)	d.f 4 Sig: .108
Age	< 30 Years	1(3.0)	4(12.1)	12(36.4)	15(45.5)	1(3.0)	20.829[a]
	<40 Years	4(6.2)	10(15.4)	12(18.5)	27(41.5)	12(18.5)	d.f 12
	< 50 Years	0(0.0)	1(7.1)	8(57.1)	5(35.7)	0(0.0)	
	>50 Years	0(0.0)	3(37.5)	1(12.5)	2(25.0)	02(25.2)	Sig: .053
Educational Qualification	Graduate	1(6.2)	8(50.0)	1(6.2)	6(37.5)	0(0.0)	26.110[a]
	Post Graduate	3(8.6)	3(8.6)	11(31.4)	12(34.3)	6(17.1)	d.f 12
	ACPA/CPA	1(1.7)	5(8.6)	19(32.8)	26(44.8)	7(12.1)	
	Diploma Holder	0(0.0)	2(18.2)	2(18.2)	5(45.5)	2(18.2)	Sig: .010
Work Experience	Fresher	2(11.8)	2(11.8)	4(23.5)	7(41.2)	2(11.8)	18.041[a]
	1-5 Years	0(0.0)	4(12.9)	6(19.4)	19(61.3)	2(6.5)	d.f 12
	6-10 Years	3(4.9)	11(18.0)	20(32.8)	16(26.2)	11(18.0)	
	>10 Years	0	1(9.1)	3(27.3)	7(63.6)	0(0.0)	Sig: .114

Source: Primary Probe

It has been observed from the Table 2 that majority of the sample auditors irrespective of their demographic profile are using audit specific skill in detecting and preventing frauds at their work place, though female and auditors above 50 years of age, are making less usage of audit specific skill in detecting and preventing fraud. Further, a significant difference in the perception of auditors in usage of audit specific skill in detecting and preventing of fraud on the basis of their age and educational qualification at 5 percent level of significance has been found.

Table 3: Audit Software Usage in Detection and Prevention of Fraud

Variables		Audit Software					
		Extensive	Substantial	Adequate	Minimal	None	Chi Square
Gender	Male	3(3.2)	11(11.8)	19(20.4)	44(47.3)	16(17.2)	6.722[a]
	Female	4(14.8)	1(3.7)	5(18.5)	11(40.7)	6(22.2)	d.f. 4 Sig:.151
Age	< 30 Years	2(6.1)	2(6.1)	1(3.0)	18(54.5)	10(30.3)	22.474[a]
	<40 Years	4(6.2)	6(9.2)	13(20.0)	31(47.7)	11(16.9)	d.f. 12
	< 50 Years	1(7.1)	2(14.3)	6(42.9)	4(28.6)	1(7.1)	
	>50 Years	0(0.0)	2(25.0)	4(50.0)	2(25.0)	0(0.0)	Sig:.033
Educational Qualification	Graduate	2(12.5)	1(6.2)	5(31.2)	6(37.5)	2(12.5)	7.064[a]
	Post Graduate	2(5.7)	5(14.3)	5(14.3)	17(48.6	6(17.1)	d.f. 12
	ACPA/CPA	3(5.2)	4(6.9)	11(19.0)	28(48.3)	12(20.7)	
	Diploma Holder	0(0.0)	2(18.2)	3(27.3)	4(36.4)	2(18.2)	Sig:.853
Work Experience	Fresher	2(11.8)	0(0.0)	3(17.6)	7(41.2)	5(29.4)	15.397[a]
	1-5 Years	0(0.0)	5(16.1)	3(9.7)	16(51.6)	7(22.6)	d.f. 12
	6-10 Years	3(4.9)	7(11.5)	15(24.6)	28(45.9)	8(11.1)	
	>10 Years	2(18.2)	0(0.0)	3(27.3)	4(36.4)	2(18.2)	Sig:.220

Source: Primary Probe

It has been found (Table 3) that auditor with ACPA/CPA and those auditors, who have work experience of more than 6 years, are making usage of audit software more in detecting and preventing fraud. A significant difference has been found in the perception of auditors in usage of audit software in detecting and preventing of fraud on the basis of their age at 5 percent level of significance.

Table 4: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	13.457	44.856	44.856	13.457	44.856	44.856	7.072	23.574	23.574
2	5.393	17.978	62.834	5.393	17.978	62.834	6.842	22.807	46.381
3	2.396	7.986	70.820	2.396	7.986	70.820	5.099	16.996	63.378
4	1.545	5.151	75.971	1.545	5.151	75.971	3.778	12.593	**75.971**
5	.993	3.311	79.282						
6	.983	3.275	82.557						
7	.681	2.269	84.826						
8	.614	2.047	86.873						
9	.450	1.501	88.374						
10	.447	1.490	89.864						
11	.401	1.336	91.200						

12	.343	1.144	92.343						
13	.317	1.055	93.399						
14	.289	.964	94.362						
15	.267	.889	95.251						
16	.228	.760	96.011						
17	.188	.626	96.637						
18	.179	.596	97.233						
19	.141	.470	97.703						
20	.137	.458	98.161						
21	.102	.341	98.501						
22	.098	.325	98.827						
23	.082	.273	99.100						
24	.061	.203	99.303						
25	.055	.183	99.487						
26	.046	.153	99.639						
27	.042	.139	99.778						
28	.031	.103	99.882						
29	.020	.068	99.949						
30	.015	.051	100.000						

Extraction Method: Principal Component Analysis

Table 4 reveals that the first factor related to **Independence of an Auditor,** explain 44.856 percent of the total variance which indicates that ICT usage has a positive impact on auditors' ability to carry out their duties with independence and an objective attitude. Second most important factor related to **Quality of an Audit** explains 17.978 percent of the total variance which shows that usage of ICT has improved the quality of an audit in detection and prevention of fraud. Third factor which is related to **Competence of an Auditor** accounts for 7.986 percent of total variance the fourth factor related to **Risk Assessment** accounts for only 5.151 percent of the total variance, which indicates that auditors need to establish a comprehensive risk-based IT audit plan so that financial statements can be securely controlled and the related risks of error and fraud would be minimized.

Table 5: Rotated Component Matrix (ICT Usage)

Statements	Factors			
	1	2	3	4
Monitor day-to-day performance with operating activities				.769
Reduce the likelihood of errors in audit work				.697
Increases the probability of discovery, which in turn leads to a reduction in audit risk				.738
Improves the level of Audit risk assessment				.749
Shortens the period of preparation and submission of reports				.630
Assist in monitoring of transactions flow more effective				.811
Generate exception reports			.201	
Effective in internal checks of transaction			.489	
Changes level of scientific and practical qualification of the auditor			.687	
Systematically develop the audit staff's core competencies			.550	
Develop a synergistic strategy			.525	
Improve the problem solving and judgment skills.			.508	
Develop risk-based audit planning			.295	

Identify weaknesses in internal control		.931		
Helps to test control within payroll application		.921		
Control within e-payment application		.935		
Control within e-receipt application		.916		
Control within electronic funds transfer application		.940		
Periodically carry out tests on segregation of duties		.161		
Evaluation of security standards and procedures		.115		
Preventive control through continuous online auditing		.101		
Positively affects internal auditors expression professional opinion	.337			
Positively affects internal auditors reporting independence	.239			
Increases the speed of proof in the output of financial and non-financial information	.246			
Helps in detecting errors quickly and enables instant correction compared to manual operation.	.778			
Analysis techniques in monitoring and evaluating performance quickly	**.725**			
Develop safeguards to reduce the threat to an acceptable level	**.324**			
Enhance the knowledge of financial analysis	**.737**			
Helps to give an unbiased opinion on the financial statements to the shareholders	**.848**			
Safeguards from various threats.	**.460**			

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization
Rotation converged in 5 iterations

Table 5 reveals the extraction of four factors from the loadings of the thirty variables with the help of rotated component matrix. The higher the absolute value of loading, the more the factor contributes to the variable. Thus, an analysis provides strong evidence to show that the use of ICT tools and techniques has a positive impact on the effectiveness of internal controls for prevention and detection of fraud. Internal Auditors agree that more potential frauds are now prevented as a result of the deployment of ICT. Hence, it can be concluded that ICT usage has helped the auditors to improve their competence, independence and quality of audit in detecting and preventing bank frauds apart from reducing risk to a great extent.

Conclusion and Suggestions

It can be concluded that there is a positive impact of ICT on Internal Auditors' operational and reporting independence and objectivity in relation to line managers. The study shows that technology has a great impact on internal audit functions and is more likely to have a greater impact in the near future. Usage of ICT has a significant impact in improving the quality of audit, competence and the independence of auditors in detecting and preventing frauds apart from reducing the risk of bank frauds. However the study cannot be generalized as it suffers limitations also, as data was limited to the perceptions of internal auditors, and is not as comprehensive as they would have otherwise been if we had included other stakeholders, such as external auditors. For this reason perhaps, a future study could be undertaken to explore the perception of other stakeholders on the usage of ICT in prevention and detection of fraud. MA

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FINANCIAL TECHNOLOGY AND ITS SCOPE IN HIGHER EDUCATION - A STUDY WITH REFERENCE TO INDIA

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Abstract

Financial Technology or FinTech means application of technological innovation in financial practices. FinTech came in a big way during the financial crisis of 2008 which led to the necessity of new ways and means of exchange as people had grown skeptical of banks, similar financial institutions. Thus as the proverb goes 'Necessity is the mother of invention' there occurred a host of unique and user friendly technologies that revolutionized the world of finance. Given this the Education sector in India is currently undergoing a huge surge in demand with Indian Higher Education system being the third largest after US and China. The present paper tries to present the need and scope of adopting the FinTech in the Higher Education sector of India. Using secondary data the paper tries to explore the scope and ways of introducing FinTech in the Higher Education system in India.

If there is one place on the face of Earth where all the dreams of living men have found a home from the very earliest days when Man began the dream of existence, it is India!

Roman Rolland

Introduction

India currently has the world's largest population of about 500 million in the age bracket of 5-24 which signifies the importance of the country in the global education industry. Further the Central Government Education Policy targets to raise the Gross Enrolment Ratio to 30% by 2020 from 25.2% in 2016-17. According to the Ministry of Human Resource Development (MHRD), there are 799 Universities, 39071 colleges and 11923 Stand Alone Institutions in 2015-16. The Gross Enrolment Ratio (GER) in Higher education[1] in India is 24.5%, which is calculated for 18-23 years of age group. GER for male population is 25.4% and for females, it is 23.5%. For Scheduled Castes, it is 19.9% and for Scheduled Tribes, it is 14.2% as compared to the national GER of 24.5%. In addition to this there exists an extensive network of 1.4 million schools with over 200 million students enrolled this points to the huge potential the country holds. However provision of quality education at affordable price is a challenge that the country is now facing. One probable and effective intervention towards reaching this goal is the introduction of modern technologies both in the imparting of education and managing of data related to educational resources. Hence the conventional methods of teaching using chalk and talk are insufficient. Similarly manual process of entering and maintaining student records, details of financial transactions are incapable. Hence application of modern technologies in both teaching and transacting is the need of the day. The present paper will try to focus on the role of Financial Technology in modernizing the education sector specially the higher education sector in India.

Objective of the study

Financial Technology or FinTech means application of technological innovation in financial practices. The financial crisis of 2008 led to the necessity of new ways and means of exchange as people had grown skeptical of banks, similar financial institutions and financial advisors. Thus as the proverb goes 'Necessity is the mother of invention' there emerged a host of unique and user friendly technologies that revolutionized the world of finance. In addition to faster and secure financial transaction practices the technology also could handle a huge consumer base which was growing day by day. Hence FinTech

[1] Higher Education is defined as education which is obtained after completing 12 years of schooling or equivalent and is of the duration of at least 9 months (full time) or after 10 years of schooling and is of the duration of at least 3 years. The education may be of the nature of General, Vocational, Professional or Technical Education. Again Institutions imparting Higher education may be of three broad categories: (1) University/University Level Institutions (2) Colleges/Institutions - affiliated/recognised with University (3) Stand-alone Institutions - not affiliated/recognised with University

provided the much needed oxygen to the financial institutions like banks and helped revive the sector with new energy. In the Indian context the fintech software market is expected to touch $2.4 billion by 2020. The transaction value for the Indian fintech sector was approximately $33 billion in 2016 and is expected to reach $73 billion in 2020 growing at a five-year compound annual growth rate (CAGR) of 22%. Given the statistical figures emphasizing the importance of FinTech the advantages can be boardly summarized as

- The new technology integrates compiles algorithms to offer personalized services and tools to conduct financial transactions
- Financial markets essentially require handling big data. The FinTech offers smarter and efficient software and solutions involving huge database.
- Application of Internet and smartphone provides the much needed connectivity to exchange information, trade and interact anytime and anywhere. This has increased the scope of financial markets manifold.

Given the all encompassing scope of FinTech the ways the financial transaction are conducted nowadays have changed. The education sector has also been significantly influenced by the advent of this new wireless technology. The conventional chalk and talk method of teaching and boundaries of classroom have dissolved and a student today has access to an ocean of information at the touch of a key. In addition to this change in the arena of a classroom the way financial records of educational institutions are kept, student details and way fees are collected have also changed where direct face to face interaction between two participants in a transaction is no longer required. The role of FinTech has thus emerged to provide technological solutions to conduct all financial transactions related to student and higher educational institutions profiles. The present paper tries to present the need and scope of adopting the new technology in the Higher Education sector of India. In this regard I have presented the data set on Gross Enrolment in Higher Education at different levels from the years 2011-12 to 2015-16. The growth in the number of higher educational institutions have also been reported over the period 2010-11 to 2015-16 to emphasize the need for adopting Fintech in maintaining, coordinating the data. Lastly recent guidelines by the apex authorities in Higher Education the University Grants Commission in introducing FinTech have been reported. This shows the need and importance of FinTech in introducing manageblity,transperency and speed in the Indian higher education scenario.

Literature Survey

There is a dearth of literature concerning the application of FinTech in the Indian education sector. However there exists a wide ranging literature on each of these topics separately. I have tried to assimilate them and highlight the need for the application FinTech in the management of Education data. Regarding the availability of data I have taken data from All India Survey on Higher Education (2015-16) released by the Ministry of Higher Education, Department of Higher Education, 2016 and UNESCO. Apart from this the recent guidelines by UGC in the context of financial transactions have been studied and used as reference material.

The Study

India as the saying by Nobel laureate Roman Rolland goes is a superpower in terms of manpower. The Higher Education system is the third largest next to US and China. Table 1, 2 shows the spread and reach of Higher Education over the period 2010-11 to 2015-16. Table 3 gives the student enrolment over the regions in the world.

Table 1: Student Enrolment

Year	Ph.D	MPhil	PG	UG	PG Diploma	Diploma	Integrated	Grand Total
2011-12	81430	34154	3367190	23174950	196159	2071609	74122	29184331
2012-13	95425	30374	3448151	23890309	194072	2207551	94664	30152417
2013-14	107890	31380	3822219	25500325	276502	2285576	125002	32336234
2014-15	117301	33371	3853438	27172346	215372	2507694	141870	34211637
2015-16	126451	42523	3917156	27400450	229559	2549160	155422	34584781
CAGR	4.8	4.5	3.1	3.4	4.2	4.2	16.0	3.5

Table 2: Number of Universities and Colleges

Year	Number of Universities	Number of Colleges
2010-11	621	32974
2011-12	642	34852
2012-13	667	35525
2013-14	723	36634
2014-15	760	38498
2015-16	799	39071

As the above data shows the CAGR of student enrolment is growing at an average of 3.5% while the universities and colleges have grown by 28% and 18% respectively over the period 2010 to 2016. The study of the global trend gives interesting insights like up till 2002 North America and Europe (together) enrolled more higher education students than any other world region. It changed in 2003 when East Asia took up the number one spot, with dramatic expansion of China's higher education system. Again in the intervening years between 2003 and 2016, East Asia held the number one spot while South & West Asia moved past North America & Europe to take up the number two position among world regions. This highlights the scope of Higher Education system and the need to adopt new technologies like FinTech to control, mange and coordinate information in a cost efficient way.

Table 3: Higher education enrolment by global region, 2000–2016

Region	2000	2016
Arab countries	5.1	10.8
Central and Eastern Europe	14.0	18.9
Central Asia	1.5	2.0
East Asia and Pacific Regions	25.3	70.9
Latin America and the Caribbean Regions	11.5	26.2
North America and Western Europe	27.8	37.5
South and West Asia	12.2	42.2
Sub Saharan Africa	2.6	7.4

Source: Calderon, UNESCO

Given the need of FinTech a look into how the MHRD, Department of Higher Education has attempted to integrate the technology to the system it is seen that in its recent directive on 21.08.18 the Department has assigned a target of 40 crore digital transaction in the financial year 2018-19. The Ministry of Electronics and Information Technology has been directed to ensure that transactions are made online with BHIM/UPI[2] , BHIM QR code and Rupay Card. The printing of BHIM QR code on all bills and invoices have been made mandatory. All Higher Educational Institutions have been instructed to make receipts and payments related to the functioning of the institutions like student fees, exam fees, vendor payments, salary/wage payments through online or digital mode. To encourage digital mode of transaction various promotional measures like offering of visible discounts have been adopted. Campaigns have also been organized for the promotion of Digital payments. The objective behind this digital transformation using Financial Technology is manifold. It will introduce speed, transparency as well reduce dependency of cash. Hence integration of FinTech and Higher Education will eventually materialize the dream of paper less and cash less economy. As a direct repercussion of this directive universities and colleges have digitized their financial system to a large extent. Fintech startups have been offering user friendly customized software which has enabled these institutions in managing the data in a effective way. Thus Indian Higher Education is slowly but definitely moving towards a uniform modern data management system.

[2] BHIM stands for Bharat Interface for Money
UPI is Unified Payments Interface which is a real time digital payment system for mobile developed by National Payments Corporation, India.

Conclusion

The present paper is an attempt to emphasize the need for introducing modern technologies popularly known as Fintech in conducting financial transactions in Higher Educational Institutions in India. The importance of this integration is all the more important given the position of Indian Higher Education system in the global scenario. The paper using secondary data collected from MHRD, Government of India, UNESCO and recent directives from UGC elaborates the manner in which Indian Higher Education system is expanding and to manage the data how financial technology solution are getting adopted. Thus the paper presents a thought provoking insight into the Higher Education system of India thought much more can be explored and added. MA

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Corrigendum

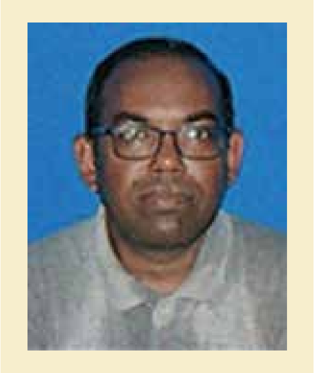
In the article "GST - A sovereign economic reactor in consonance with the institutions of audit to sustain equivalence in the whole dynamic system" published in The MA, August 2019 edition written by CMA Nantu Ranjan Pal on page 29 read as under, third para under the sub head "A summary Return GSTR -3B" in Table 2:

FY 17-18	Apr'17	May'17	Jun'17	July'17	Aug'17	Sep'17
GSTR3B				6586727	7175392	7524269
Addi/Decri					588665	348877

Fourth para under the sub head "Actual monthly submissions" in Table 3

FY 17-18	Apr'17	May'17	Jun'17	July'17	Aug'17	Sep'17
GSTR1				6088528	2553959	6902688

FINANCIAL INNOVATION IN THE MSME SECTOR: AN EMPIRICAL STUDY ON FIN-TECH



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Abstract

MSME sector is considered as power house of every emerging economy including India. Despite its significant contribution, the sector is facing massive problems relating to finance specifically. The purpose of this study is to review and to evaluate fintech revolution and its impact on MSME sector. Fintech is doing pioneering work in the money market. A special segment of banking industry is to provide financial support to the MSME sector. Fintech is developing tailor made solutions in the way of promoting Apps exclusively for fast approval of finance digitally to various segments including MSMEs.

Background

In general, significantly people in India are not habituated to accustom in digital transactions due to excess liquid money is circulated in the economy. It has cascading effect on inflation to move up and discouraged to cash less society on the other. Digital threats, inadequate infrastructure to accept debit and credit cards, linkage failure and no actions in case of post digital threats are considered as key concerns from users' point of view. Besides, awareness level to use several electronic mechanisms is one of the key constraints in rural and semi-urban areas. Thereby, financial sector reforms in India were necessitated. Banking reforms in India was debut its application in the early 1990s with the introduction of Electronic Fund Transfer (EFT). It has completely changed to buying habits and fashions and thereby payment modes. Demonetization in India during 2016 has been fueling individuals and businesses to use popular financial products in order to meet upcoming challenges. Fintech is one of them.eet upcoming challenges. Fintech is one of them.

Introduction

Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a dynamic and vibrant sector in India. This sector contributes significantly to manufacturing output, employment and exports of our country. Thus, MSME sector is considered as backbone of Indian economy.

Despite its commendable contribution to the nations' economy, MSME sector has been suffering with massive problems. Nature and magnitude of such problems have been changing over time. One of the biggest challenges faced by this sector is lack of required financial support from banks and financial institutions coupled with high cost of credit. It is increased in manifold particularly in unbanked and under banked areas. Financial innovation or initiatives have a good role in this juncture. One of the initiatives is Fintech which is a new phenomenon in Indian financial system. It has good potentiality to resolve financial crisis of the MSMEs judiciously.

There are three broad sections in this study which is based on secondary data. In first section, study outlines of economic initiatives in Indian money market followed by discussion on various aspects of fintech and finally to examine the impact of fintech on MSME sector.

Objectives of the Study

There are specific objectives of the study.

1. To overview of money market reforms in India
2. To focus on various aspects of fintech
3. To examine the impact of fintech on MSME sector

Money Markets Reforms

A financial market covers money markets, commodity markets, capital markets and derivatives markets. Here study is focused solely on money market as fintech companies are developing and launching segment-wise business solutions for the needy group in the money market. Money market is controlled by the RBI. The main function is to check the imbalances of short term liquidity. Money markets or banking sector reforms were made in August 1991, headed by Mr. M. Narasimham, against the backdrop of the Balance of Payment Crisis under Narasimham Committee-I. While, Narasimham Committee-II constituted in 1998 and their major achievements were setting up of non-banking financial institutions (NBFIs), local area banks (LABs) and micro finance institutions (MFIs) for credit to small segments in rural and semi-urban regions.

The basic objective of setting up of small community banks in India is to provide financial assistance to rural and semi-urban economy including MSMEs. They collect small savings from households and disburse as loan to the needy people, agriculture, allied and agro-based industries, MSMEs and village industries. As per statutory provisions, 40% of total credit must be given to priority sector and 10% to weaker sections of the society.

In fact financial sector reforms were introduced successively by the Government of India through its various agencies. During the time of reforms, several initiatives were undertaken in order to present user friendly environment, transparent and solvent organizations. The main objective of the reforms is to reach large customer base with financial inclusion. But, financial solutions are largely developed by the private entrepreneurs or tech savvy companies. A model is developed for a particular segment of customers. Technology companies would like to provide tailor made or need based financial technology for the target group including MSMEs by using specially designed software and algorithms.

Various Aspects of Fintech

Meaning

The concept of fintech is nothing new in our financial system. But, it was started functioning in confined mode during the period of liberalization in Indian economy. Financial Technology is popularly known as Fintech. It is the amalgamation between orthodox financial system and tech-savvy companies which provide customized and tailor made solution by making use of computer software and modern technology to meet the required financial and information related needs timely.

The technology used in providing financial solutions is called financial technology or Fintech. Crowd financing, fintech and many more are common financial products of second generation reforms taken place in 1991. These products are particularly used by the venture capitalists. At present banking sector is using financial technology rigorously. Schedule commercial banks serving medium and large scale assistance with adequate securities while, non-schedule banks like Ujjivan Small Finance Bank, Janalakshmi Small Finance Bank. SKS Microfinance Ltd., Asmitha Microfin Ltd. etc. have been serving small amount to micro and small enterprises without collateral securities. Fintech companies are developing Apps which is effective tool for both commercial and small community banks. Later on, fintech has been channelizing effectively in Start-up companies and Government bodies.

Basic Steps in Fintech

(i) Innovating and developing ideas
(ii) Identifying specific needs of the customer
(iii) Designing software package
(iv) Implementing the financial solutions
(v) Monitoring the actual performance
(vi) Take necessary actions, if required

How Fintech Works

Fintech industry presents a digitally empowered platform particularly for banks and financial institutions. Several industries may also use it as a tool for market expansion strategy. Financial service industry has been using it effectively through adoption of novel application, processes, business models or customized products. Internet is the prerequisite for application of financial solutions. Under this system, customers are highly satisfied as compared to earlier stage. In case of application of fintech, electronic gadgets like computers and smart phones bear significant role in this context. Banking services and various payment modes are steadily accepted by the customers through use of smart phones with download of Apps. Bank with Fintech and bank without Fintech is similar to a running car and a car to be started. Consequently, application of financial technology effects on financial performance of banks and using organizations. Financial technology companies can supply suitable business models anywhere in the world. It means buying unit and supplying unit of business solutions may be situated in the same country or different countries. It is used for generating synergy as use of technological advances can magnify the effects of changes in volume of business on market capitalization.

Nature of Fintech Services

Easy access to internet by the common people and revolutionary effect of mobile technology internationally, role of fintech companies is rapidly popularizing not only in banking sector but also in several financial sectors including insurance industry. Nature of financial services is more convenient, consumers friendly and gradually promising. Financial services rendering by fintech companies contain

(i) Online lending
(ii) Payments gateway
(iii) Assets management
(iv) Development of insurance technology (Insurtech)

Leading Fin-Tech Companies Operating in India

All tech-savvy companies comprise fin-tech industry in India. This is a fast growing industry and huge potentialities to expand. Some of the leading fin-tech companies are effectively conducting their operations in India are Policy Bazaar, Lending Kart, Pay Sense, MobiKwik, Capital Float, BankBazaar, Incred Finance, Razorpay. Moreover, Paytm, PhonePe, PayU, Faircent, Shubh Loans are also very successful fin-tech businesses in our country.

Banks Vs Fintech Companies

In general, people don't understand to describe the major differences between Banks and Fin-Tech companies. Some ones are considered as same things and used two terms synonymously. In order to remove such confusions and make a clear sense, the study has drawn some basic differences as mentioned below.

Banks and Fintech Companies

Sl. No.	Banks	Fintech Companies
1.	Acceptance of deposits and its disbursement as loans to public	Prepare and design financial solutions by using software and modern technology
2.	Direct financial and non-financial services to customers	Financial solutions to banks and other organizations
3.	Services come first and then profit	Profit earns by selling off innovative business models
4.	Services to reach maximum customers with financial inclusion	Services to seeking organizations
5.	Products development	Products launching and developing with the help of specially designed software and Apps
6.	All functions of banking industry are controlled by the RBI guidelines	Functions are company specific and guided through Companies Act, Patent Act.
7.	Service cost is same irrespective of customers	Service cost varies among the customers
8.	Orthodox banking business is a old concept	Financial technology is relatively a new phenomenon
9.	Same services to all customers	Demand oriented or customer's specific financial solution
10.	Presently banking businesses are depended on fin-tech companies	Innovating and designing financial solutions independently by fintech companies
11.	It is developed by market specialists and financial experts	It is developed by technocrats, engineers and architects

Impact of Fintech on MSME Sector

Can Problems of MSMEs be overcome by banks through adoption of Fintech? There are some identified problems in the MSME sector. Shortage of finance is one of the serious problems. It is fact that application of fintech can resolve the financial scarcity of the MSMEs indirectly. Commercial banks are very much reluctant to provide financial assistance to sick and small businesses because they could not pay back their loan amount. In addition, small businesses do not have any collateral securities against their loans, painstaking paper works, missing of previous records are considered as key problems. In this backdrop, micro finance institutions, local area banks and non-banking finance companies have been doing exceptionally well for protecting and promoting of the MSMEs.

Concept of traditional banking systems in legacy institutions has been paradigm shifting to digitization of transactions in India via mobile wallets, electronic payment applications, crowd financing and peer-to-peer lending platforms. Digital financial solutions are being promoting by the fintech companies. Local community banks carry out their businesses through registered agents. An individual cum agent do necessary formalities digitally on behalf of borrower (s) in order to fast approval of loan. Though, financially literate people can do so alone. After sanction of loan, individuals and needy firms may use it as working capital and or investment in future projects. Generally, concerned agent is held responsible for recovery of loan amount as per agreed terms in consideration for commission. Therefore, MSME sector can access to local banks easily and fulfill their financial requirement in unbanked and under banked areas. Behind transformation into digital mode, role of fintech companies is inevitable. They are developing segment-wise financial solutions for both money and capital market worldwide.

In this system, four parties are involved such as banks, fintech companies, local agents (community banks) and borrowers including MSMEs. Once, rural economy in India was depended on individual money lenders significantly with high cost of credit. With changing in modern financial solutions, present scenario is radically shifting. In this respect, fintech companies have been considered as boon not bane irrespective of borrowers. Financial technology has been reducing the dominance of mahajans and individual lenders. Thus, a wide financial vacuum has been emerged. Accordingly, commercial and private sector banks extend their businesses particularly in these regions. Though, terms of credit and cost of capital are affordable in community banks as compared to commercial banks. Generally, banks have a specific segment for MSMEs due to it comes under priority sector credit. Apart from MSMEs, customers' base of community banks comprise of low income earners, wage workers, SHGs, maid servants, weaker section of society, local artisans and farmers. These beneficiaries are preferred community banks due to its hassle free loan approval with low interest rate. Virtually, it has an effect on competitiveness and financial performance of the beneficiaries.

Conclusion

Fintech is the latest buzzword in the World of finance where digitalization has gained significant momentum. Fintech companies have been developing customized financial solutions in different segments including MSMEs. Commercial and community bank tie up with fintech companies at corporate level in order to provide innovative financial products for various customers' group. Despite of taking series of initiatives on the part of commercial banks, amount of NPAs has been reached at danger level. Moreover, adoption of fintech can't ensure to recovery of borrowed money which is a serious concern for the commercial banks. Cluster enterprises and debt rated enterprises by credit rating agencies can access to commercial banks solely. Thus, fintech to commercial banks is not productive for the MSME segment as a whole. However, fintech makes hassle free and instant loan sanction to the MSMEs in collaboration with community banks. Hence, fintech is highly effective in community banks where MSMEs have been benefitted to a great extent. MA

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FINTECH – AN EXPLORATORY STUDY AND ITS APPLICATIONS

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Abstract

The evolution of internet disrupted or even shattered some of the conventional industries throughout the '90s and in this 21st century. To cite, the way record industry which has been completely wiped out due to online streaming companies. The street fashion shops are taken over by online retail shops. Also, the Finance and Banking industry is changing rapidly in comparison to other industries. However, the word 'Fintech' is redefining 'Finance and Banking Industry.' Fintech is an amalgamation of Finance and Technology Services. The innovative technological services in order to provide online financial services in comparison to traditional financing practices. Fintech can evolve as a powerful tool by harnessing the spending habits, consumer lifestyle and addressing the pain points of the customer using BIG Data Analytics. The essence of this paper is to study about Fintech and how it enables better access to financing and the disruptions it is bringing to offer the best services in a limited time.

Introduction

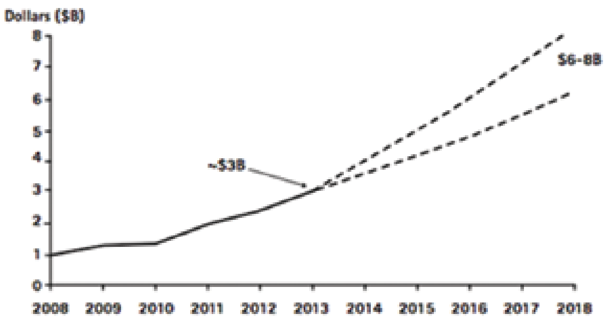
'Money' is a prime factor in any industry as well as in our daily lives. Also, it is natural to consider Fintech as seemingly endless. It has become essential today, starting from providing digital services to transfer money, facilitating to store money in digital wallets. The competition in this sector is increasing daily. Many companies are coming up with new innovative solutions like AI, Big data, and Blockchain. As it helps people to make informed decisions in comparison to the earlier times. It also increases the credibility driven by transparency.

For many years, banks have enjoyed the privilege of governments' protection, especially the banking sector, which prevented newcomers from entering and establishing banking business efficiently. However, everything went upside down after the 2008 market crash. Banks created a deep hole in consumer trust and support. The mix of distrust created by banks and tech advancements like encryption, cloud computing, AI, blockchain et al. created a perfect storm for Fintech companies to rise to this occasion.

The penetration of smartphone along with increasing internet usage are the significant reasons for rapid growth in fintech. The smartphone penetration gave birth to another significant development- the eruption of online payment apps linked with bank accounts, which allows seamless transactions in almost all forms, i.e. for shopping et al. Demonetization was also one of the significant reason for fintech to grow in India in recent times. Before demonetization Paytm and the digital payment industry did not have much growth, but after demonetization, they had a 3–4 fold increase in growth. The p2p lending business, which is a growing industry, was also accelerated by fintech. Because of the high-interest rates and difficulty in getting bank loans, many people started approaching p2p businesses.

These changes attracted the world's leading innovative technology companies such as Apple, Google, and Amazon created mobile payment systems such as Apple Pay, Google Pay, and Amazon Pay. Many startups are investing in fintech companies. Global investment in fintech has increased ten folds during 2010–2017.

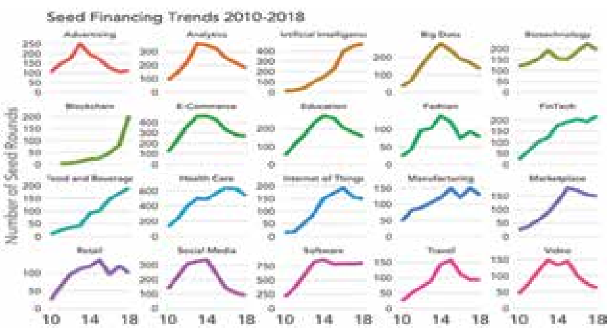
Figure 1: Global Fintech Investment by 2018



Source: Accenture, Partnership Fund analysis of CB Insights data

The reasons for fintech's rapid growth are rising customer expectations, generous VC funding, lesser barriers to entry, and accelerating technological revolution. These forces are creating a scenario where customers are becoming more and more comfortable with fintech. Globally, more than 50% of the people use at least one non-traditional fintech form.

From the below chart, the growth rate of different sectors for eight years from 2010, i.e. after the 2008 Financial crisis where most of the affected countries are trying to setback its financials. The X-axis represents years, and Y-axis represents the number of companies. Fintech, Blockchain, AI are the sectors which are growing number of seed funds. Moreover, Blockchain is the one where it has plenty of applications, especially in the finance sector. The future of Fintech is a blend of AI, Blockchain, Analytics.



Source: https://www.linkedin.com/pulse/which-categories-seed-startups-thriving-tomasz-tunguz

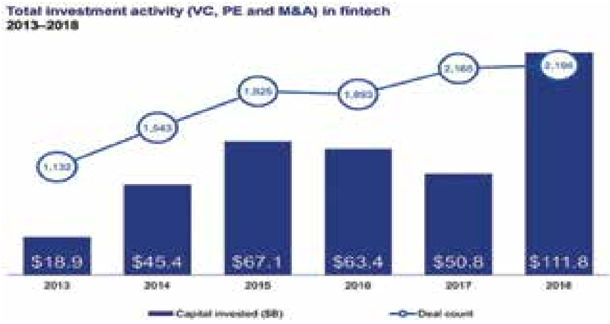
The success of Fintech is not due to the money, i.e. it is not just about focusing on the money but deciding on their target customers. Say for example Millennial generation (those who born in between 1981 -1999, currently who are in their 20's and 30's) will care about the different things than Generation X (i.e. who born between 1965-1980, who will be in their 40's and 50's). Millennials and Gen Z are not showing interest in high-end luxury cars like Ferrari or Rolls Royce. They do not even give importance to brands, but they give importance and look into the purpose and values provided by these service providers for them. Millennials and Gen z behave in a different way than Baby boomers or Gen X in digesting and retaining the information about the products or services. We have to remember that those who are in their late 20's who grew up by playing video games are continuing that habit. It gives us the perspective of how the companies should cater to them. For Example, Most of the grandfathers and great grandfathers concentrated on wealth creation, which resulted in a large amount of generation wealth. However, at this point, people less concentrate on the generation of wealth. They inherit wealth. We can see the behavioural change. Fintech can provide service to these kinds of people by acting as an intermediary. There are lots of opportunities available to monetise it depends on how we approach the issue and address them and most importantly, how we describe our target customer.

The financial industry has seen changeover in such a way that now, some banks exist in-app only. Like Flipkart and other eCommerce space where everything happens in the virtual world, even banks started operating in that mode. Though the attraction among customer is very less but in future, this model might dominate the market by reducing the number of physical banks.

Rising Investment activity in Fintech

Indian fintech has seen a high level of capital infusion in the industry than before. Several macro-economic factors have contributed to growth. According to the NASSCOM, the Indian fintech market will reach $2.4 billion in 2020. There are many new generation fintech with cutting edge technology, which is valued more than the traditional banks. There are several global hubs for fintech is being created around the world like London is considered as hub for open banking solutions whereas China is mastering in facial recognition space and Israel is well known for the cybersecurity.

Also, the number of deals that happened in India is rising in comparison to China. The number of VC investments in china has decreased to 29% from 49% in the last quarter of 2018. The number of fintech deals increased by 61% in start of 2019. According to CB insights data Venture Capitalist has invested around $890 million in around 130 fintech deals in the Asian market.



Source: consultancy.eu

Is it Fintech or Techfin? Who is going to win the race?

More non-traditional firms are succeeding in capturing the market faster than traditional financial institutions. Moreover, now both have understood the synergies they can create by collaborating. At the same time tech giants also started offering financial services, for example, apple pay, google pay, amazon pay, etc., and creating the solution in the Techfin space.

What is fintech and tech fin? Does both convey the same meaning? Is there any significant difference between them? Not much difference. Based on its underlying organisation, a firm is identified as a fintech or tech fin. Companies which offer financial services efficiently by using digital technologies is known as fintech. For example, mobile banking app by respective banks is an excellent example of fintech in the traditional firm, and in non-traditional firms, we can say Venom, Billdesk, PayPal et al., on the other hand, Techfin are those firms whose core business is technology, but they also provide the financial product as part of the service business. The best example is Google Pay, Alipay, PhonePe et al.

The collaboration will fetch more advantages for both sides of the court. The logic behind this most of the fintech startups will have an innovation mindset, they will be more customer-oriented et al., but what they lack is scaling, strong brand recognition, which is available with traditional banking and finance firms. So it will be a win-win situation for both the players if they collaborate. According to World Fintech report 2018, Most fintech firms are focused on narrow segments of which are not served by the traditional firms, but the problem for them is scaling. With the kind of legacy, the traditional firms have, and tech support from fintech startups will create value for both.

The major challenge is to establish an ecosystem where both of them can benefit from each other. Jack Ma, the founder of Alibaba, said, "In future financial industry will have two significant opportunities. First, traditional firms will go digital like online banking. Other internet banks will emerge, and it will be operated entirely by an outsider. In either case, success depends on how well the company utilise the customer data and learn from that insights and offer according to customer needs.

Collaboration is Everything or in other words sharing Economy will be integrated into every part of IT

Soon, people will need service of the bank, but it will not be in the present form. Slowly sharing of services will start in financial sector as well like Ola, Uber etc., sharing here means decentralised assets and using that information efficiently to find the service providers rather than people automatically turning to bank. Most of us think financial service companies are those who take care of end to end process of transactions. However, they act as intermediary or take care of one part of the process. The similar way there is some peer to peer transaction-based fintech companies lend money to people by partnering with the traditional banks. These kinds of business models exist in UK, China and US. As mentioned earlier there are many fintech companies which focus on a particular specific problem in the value chain. According to the survey conducted by PwC, the result shows than 44% of the people who are earning less than $75000 in a year would trust technology companies more than traditional financial companies for p2p lending and this percentage is increased to 68% for the category of people who are earning more than $100000.

There are many companies which act as enablers. It enables people to raise funds, or in other words, it helps people to borrow money for various purposes. Bankers are the one who connects the people who have money and who needs them. However, in future as we are emphasising from it will not be like that. Apple has filed a patent for p2p money transfer using mobile devices. If it comes then it will disrupt the retail lending format. The thing people use it more than the traditional one because of high cost involved in commission and other fees etc., It costs huge for traditional banks also maintain branches in less densely populated areas. In those banks are trying to partner with the domestic fintech companies to create an alternative distribution channel. M-Pesa in Kenya would be the best example for this where it accepts deposits and payments using mobile phones and agents.

Even in India Postal department is aiming to apply for a small finance bank license. It is because postman knows every nook and corner of his area. It will be easy for him to reach the customers. So in initial stages, it looks like postal department has great market base. For example people who wish to deposit can hand over their cash to postman who will collect at the doorstep. It makes the process easier for people.

Blockchain creates Fintech Growth

Two important things that make everyone in the industry, starting from startup founders to well-established business CXO's to speak about it. First is there is ample chance of making the infrastructure cost less expensive than the existing one. Moreover, second is blockchain gives n number of opportunities for financial sectors starting from smart contracts and so on. As we said at the start block chain makes the infrastructure-less expensive, it is because it is decentralised ledger where authenticity of the transactions is performed by anyone in the block. This process helps to reduce the intermediary who is existing now. So the blockchain process is more efficient and transparent one when compared to the present.

These plethoras of opportunity available in the blockchain technology have attracted both budding business and well-established business person to develop their product by concentrating on a specific view as a well comprehensive view of addressing the problem. Accenture and Ponemon Institute conducted a study on cybercrimes in financial sector, and the report says that cost of cybercrime has increased 40% over the years and money spent by firm to tackle these also increased from $12.97 million in 2014 to $18.28 million in 2017. It is challenging to hack the blockchain network. It is like searching lost ring in the sea. The biggest challenge in this exciting technology is having a clear vision of where to apply it and knowing why to apply it.

The New Mainstream: Digital

India consumes 9.8 GB per month, and it is anticipated to double to 18GB in 2024 according to the report published by Swedish equipment manufacturer Ericsson. It is estimated to reach 1.1 billion smartphone user in India by 2024. It shows that the level of digital penetration happened and happening in India. It is same with other emerging countries as well. Digital is applicable in all parts of the financial sector. Think of growing number of digital wallet. Digital wallets are secure, fast and moreover low-cost method to save and send money instantly to the needy person. Before it takes days to send money. Later it was reduced to hours, and now it takes seconds to send or receive money. It all happened because of Digital disruption. Still now it takes 2-3 days for cross border transactions. It is expected that blockchain technology will make that also to happen in minutes.

In recent years the main competitors for banks are not their peers but from a non-traditional competitor. There are many segments in the financial sector is emerging. Every one of us will maintain at least two bank accounts and at least will have minimum of 2 debit/credit cards apart from these will have other individual cards from different business channels. Many of us will find it challenging to maintain all these accounts. There are startups which aggregates all these one apps where an individual can maintain all these in few taps from checking balance to transfer money. Even RBI has permitted 3-4 companies to work on account aggregation as a pilot project. Similar to account aggregation there are startups like Curve which aggregates cards. Multiple cards from different banks will be replaced with single card and using the app and individual will select the card from which amount has to debit.

All these things will help the bank to get data about the consumer spending from which they analyse and give insights on how to save money and inputs on investment from which they can earn. Such data help banks to improve their real-time fraud detection. Over a few years, automation will start coming in the financial sector as well, especially in lending and clearing the cash settlement and in capital markets. To be competitive in the financial market, companies should be ready adopt the change so quickly.

Conclusion

In forthcoming years financial services will like a layer below which everything built on the top of it. To some extent the layer will be owned by a big player and everybody will work with him. The competition will kick out all the wrong companies, and the only good one will survive in the market and dominate them. It is no more single man show in the Financial Service Industry. To stay in the market and competitive, they have to collaborate with Fintech Companies to grow. Many startups are looking towards to accelerate their growth through faster, cheaper and broader distribution of the services against the traditional ones which are costlier and risky as well.

In the future, it is expected that banks will outsource or share the task of managing technology with external companies so that they can concentrate on risk management and running their business. All physical banks will be closed as all of them are currently on the path to get their processes digitised.

Fintech has excellent social and economic transformative potential. The industry, its consumers and the big corporations are hungry for change and are ready to leap of faith. That is why many people consider fintech to be the fourth industrial revolution. Let us wait and see whether it can replace the traditional banking industry or not? MA

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DIGITAL OBJECT IDENTIFIER (DOI)

Issue: September-2019 [Vol. 54 No. 09]

Name of The Article	Name of Author/s	Volume	Issue	Issue No.	Page No.	DOI Numbers
COST GOVERNANCE - ROLE & IMPORTANCE OF COSTING STANDARDS AND PRINCIPLES	CMA H. Yuvaraj	54	Sep-19	09	22-25	10.33516/maj.v54i9.22-25p
COST GOVERNANCE FOR EMPLOYEE STOCK OWNERSHIP PLAN: A STUDY ON ESOPS IN INDIAN INDUSTRIES	CMA Rambabu Genteela CMA (Dr.) Srikanth Potharla	54	Sep-19	09	26-30	10.33516/maj.v54i9.26-30p
COST GOVERNANCE - THE EXPRESS WAY TOWARDS US$ 5 TRILLION ECONOMY	CMA Nimishakavi Rama Narasimhan	54	Sep-19	09	31-35	10.33516/maj.v54i9.31-35p
RELEVANCE OF ZERO-BASED BUDGETING (ZBB) TO COMMERCIAL BANKS IN ASIA UNDER PRESENT "SLOW ECONOMIC GROWTH" - A PERSPECTIVE ON COST GOVERNANCE	Dr. Ravindhar Vadapalli	54	Sep-19	09	36-39	10.33516/maj.v54i9.36-39p
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COST MANAGEMENT IN CLOUD COMPUTING	Dr. Aparna R. Hawaldar	54	Sep-19	09	44-47	10.33516/maj.v54i9.44-47p
GOVERNANCE IN HIGHER EDUCATION INSTITUTIONS IN INDIA: STRIKING A BALANCE BETWEEN HUMAN CAPITAL AND CASH COWS	CMA (Dr.) Oscar Braganca De Melo Dr. Carmelita Dmello	54	Sep-19	09	48-54	10.33516/maj.v54i9.48-55p
COST MANAGEMENTWITH COST AND MANAGEMENT ACCOUNTANT - A BUILDING BLOCK OF VISION NEW INDIA 2022!	CMA Kalyani Karna	54	Sep-19	09	56-62	10.33516/maj.v54i9.56-62p
COST-CONSCIOUSNESS CULTURE AND COST-REDUCTION STRATEGIES TO CARRY ON BUSINESS SUSTAINABILITY	Dr. Sushita Chakraborty	54	Sep-19	09	64-67	10.33516/maj.v54i9.64-67p
COST GOVERNANCE IN EDUCATION SECTOR IN INDIA – A CASE STUDY OF A HIGHER EDUCATIONAL INSTITUTE	Dr. Sukamal Datta	54	Sep-19	09	68-72	10.33516/maj.v54i9.68-72p
SHAREHOLDING PATTERN: A SKETCH OF DIVIDING CAKE UNDER SEBI'S LODR-2015	CMA (Dr.) Meenu Maheshwari	54	Sep-19	09	74-80	10.33516/maj.v54i9.74-80p
AN INSIGHT INTO THE STATUS QUO OF U.S. - CHINA TRADE WAR	Dr Amandeep Kaur Garima Gupta Kanishka	54	Sep-19	09	81-86	10.33516/maj.v54i9.81-86p
VALUE ADDITION IN COST AUDIT - NON FINANCIAL PARAMETERS FOCUS FOR MSMEs	CMA R Venkataramani	54	Sep-19	09	88-92	10.33516/maj.v54i9.88-92p
DIGITAL TRANSFORMATION - THAT'S WHAT'S HAPPENING	CMA (Dr.) Paritosh Basu	54	Sep-19	09	119-120	10.33516/maj.v54i9.119-120p

Kind Attention !!!

UGC Approved List of Journals has been revisited by UGC-CARE (University Grants Commission - Consortium for Academic and Research Ethics) w.e.f. 14.06.2019. We are in the process of getting enlisted in it and will inform as soon as we get enlisted.

DIGITAL TRANSFORMATION – SOLUTION DESIGN FOR PROBLEM SOLVING

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Design Thinking for Solution

The axiom says: "The main thing is to keep the 'Main Thing' as the main thing." It is up to the designer to decide what is the 'Main Thing' when she / he designs a solution for an identified problem of target stakeholders at the users' space. The more axiomatic point is the legacies that have brought humanity up to Industry 3.5, will not help to reach the pinnacle of Industry 4.0. It will be useful to first have a simple understanding about it *"Design thinking is an iterative process in which one seeks to understand the user, challenge, assumptions, and redefine problems in an attempt to identify alternative strategies and solutions that might not be instantly apparent with our individual level of understanding. ... provides a solution-based approach to solving problems. It is a way of thinking and working as well as a collection of hands on methods. Five steps for this are empathise, define, ideate, prototype and test."*[1]

Predictive analysts lead us to think that while it took about ten decades to transit from one industrial revolution to the next, reaching Industry 5.0 may not event take two decades. In that era the solutions will have to be such flexible that users will be enabled to get their specific and respective requirements done through the provided solution. This would avoid people being dictated by the app like at present. One needs to keep in mind that 'Generation Z' does not like to follow any command and thus imagine what the next 'Generation A' would be[2]. The solution designer must have to be steps ahead of his / her creative best. Strong conviction of the present author is that the ultimate directional guidance for design thinking will come from the imperatives for upholding the esteem values of humanity.

In present market-driven economy ever-changing dimensions and risk intensities of Volatile Uncertain, Complex and Ambiguous elements of global business ecosystem are day by day becoming more unpredictable. Genetical evolution in the dimensions of VUCA and their anti-chameleon hues are forcing digital scientists to think differently as legacy mandates will not help.

The overriding imperative of a digitally transformed organisation is that it must be effectively functioning in a Physical-Digital-Physical Loop (PDP Loop). It must reverse map business strategies from market to entity, and then internally plan for executing action initiatives through a digital platforms for implementation back in the target marketplace. The same must also be applied for designing solution to be used by common mass. A research paper published by Boston

Consulting Group predicts that by 2030 industry sectors, which rely on advanced digital technology, could account for nearly USD 9 trillion in output. One can imagine how advanced and capable those digitally transformed solutions would be in a multi stakeholder environment across sovereign boundaries, as compared to traditional and legacy ones.

Recent Digital Solutions

Blockchain

IBM has just come out with a solution which will revolutionise crowd funding through a blockchain-based platform[3]. This is what India needs for people to participate in community development initiatives. Such a platform will help collectively funding and owning capital assets for productive generation of tangible outputs and financing working capital requirements. Farmers, self-help groups, women entrepreneurs, village artisans and MSMEs will immensely be benefitted for their livelihood without resorting to bank loans. Blockchain will not only ensure end to end administration of funds, but also resolve issues of ownership. If an existing participant wants to disassociate, and another wants to join in, the system will ensure smooth transition with proportionate ownership. Business entities, which are interested in trading their outputs, may contribute for initial fund requirements along with the said participants. That contribution will be amortised through purchase of outputs.

JP Morgan has come out with a live blockchain-based Interbank Information Network[4]. INN is a platform specifically designed to provide secure exchange information to banks which are engaged in cross border payments. Objective of INN is to help meeting challenges faced by banks in resolving frictions and risks created through involvement of multiple parties in the process. Besides mitigating risks, it would reduce cost, improve speed and reliability.

Electromyography

Human brain and machine interface seem to be no more a distant reality. Very recently facebook has announced acquisition of a neural interface startup[5]. Its founders are designing a solution that will enable a human being to control a computing machine only by the user's thoughts. This solution is based on use of an armband which would work as an electromyographer. Its signals will be captured and passed on to the computer through a digital solution.

AI and ML

Risk averseness nature of every single human being have led digital scientists to design many solutions. Recently a group of US scientists of MIT has designed a solution[6], by which by reading ECG signals just for 15 minutes can place the patient in different cardiovascular risk groups. After such diagnostic analysis doctors will be able put the patient out of impending dangers of sufferings, and may be eventually the life, by their proactive and the most appropriate treatment.

It is said that well hired is half done for strategic human capital management. Now AI is facilitating this process also. Uniliver[7] has started using AI and ML based digital solutions for their recruitment process. This has helped them saving 70,000 executive hours for interviewing candidates, besides hiring the right candidate.

Sensors and Cognitive Technology

Fighting hunger by minimisation of wastage of cooked and ready to eat food items is a long-felt need. The present author is of his ideated view that AI, with the help of sensors, IoTs and cognitive technology can minimise such food wastage. A solution can be designed to identify wasted food articles, generate data, and through analytics give enough information with specific patterns that can help management of hotels and restaurants managers to take corrective measures. Even one can identify the persons who waste food and penalties can be imposed on them.

Success in designing such ground-breaking solutions can be achieved by any startup or an existing organisation only if those entities are by themselves not designed for managing only success. Those must also be capable of absorbing failures both in psychometric and monetary terms. MA

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CMA DIPANKAR DAS PURKAYASTHA
Managing Director & CEO, ABP Pvt Ltd

Interview

Q1. As the digital age loomed over print media, Anandabazar embraced an online strategy that sought to gratify the demands of its readers.... Share some more triggers that will drive the print media industry in the coming future?

A. Apart from providing content online, we have embarked into many more digital ventures like ABP Weddings, a Digital Matrimony portal, ABP Pratibha, a platform for nurturing and developing talent beyond the curriculum like visual art, music, dance etc. Admissiontree.in, the school admission portal which eases the admission process.

Q2. There is a new race for growth in digital subscription. Beyond the 'Trump-bump', some national publishers are trying to secure stable growth while others have already reached a plateau. What specific areas you think the local publishers need to bring to subscribe in the battle for digital attention?

A. I believe people will pay for any content which is relevant and not available anywhere else. Anandabazar Patrika has an archive of all the news published since 1922. Many of the contents are invaluable.

Q3. The biggest challenge for multi-edition newspapers is how tominimiseduplication of effort by sharing content, management of advertisement schedules, page planning and distribution etc....Share your views on it.

A. We have 25 editions of Anandabazar Patrika and The Telegraph. We have unified management of advertising scheduling, page planning and distribution. Although we do not share the content between Anandabazar Patrika and The Telegraph, individually all the editions share content.

Q4. How do you see your organization shaping up to cope with the bigger responsibility? What is your further expansion plan?

A. We are currently the No. 1 News Media in India by REACH. We plan to increase it further by becoming hyperlocal and pan-national.

Q5. What have been the major initiatives taken during your tenure with this organization? What is your immediate plan?

A. The major initiative taken during my tenure is entry into news television. Our immediate plan is to launch our channels into more geographies and make Anandabazar Patrika more localised.

Q6. Ten years down the line, what growth do you see in this sector? What are the major opportunities and threats of this sector in India?

A. Our core competence is in creating content. The demand for content is increasing everyday. I foresee significant growth in content business in the next 10 years and beyond. The large Global Media and e-Commerce players entering India is a huge opportunity for content creators like us.

The biggest threat I foresee is the dearth of skilled content creators.

Q7. How do you keep yourself ahead from your competitors? What is the Success Mantra of your organization?

A. Our credibility and trust keeps us ahead of the competition. The success mantra is to keep our business customer centric.

Q8. Would you like to give any message to those aspirants who want to be a part of your organisation?

A. My message to those who aspire to join us is we are a caring organisation. We are growth driven and forward looking.

Q9. Kindly share with us some of your brand management strategies for sustainable growth of your organization.

A. Our brand strategies, for sustainable organisation growth, have evolved on the pillars of relevance and engagement. Since we are in the content business delivering relevance has been a key strategy. Towards this we have always focused on launching new sections, supplements, micro splits and editions to ensure that we continue to enrich our readers' lives through news, views, information and knowledge. Simultaneously, engagement through events, associations and initiatives both on ground and in print has been a strategic focus for audience development and building sustainable and meaningful relationships with our stakeholders. Sustainable organisational growth is only possible when that growth is inclusive and we take along with us the community we thrive in. As a group we have always endeavoured to give back to the society whether it is through content or through initiatives like Education Foundation where we provide scholarships to children who despite all odds are continuing in their pursuit of excellence.

Q10. What is your company's vision for the next five years down the line? Who would be your target customers to achieve competitive edge in this industry?

A. 5 years down the line we should be the largest language news media player across the country. Engaged readers and viewers help us achieve competitive edge.

Q11. What policy framework and initiatives would you expect from the Government to boost up e-digitalization?

A. Our Government is taking bold and active steps towards e-digitalization. I am sure the pace would be even faster in the years to come.

Q12. As a member of this Institute, what do you feel the Institute should do to initiate associations and tie-ups for Digital Industry-Institute interface?

A. This is an age of collaboration. It is essential that our institute collaborates with large global institutes like us to improve our branding significantly.

Q13. As a token of advice to our young CMA achievers, kindly mention at least 3 qualities that they must possess to excel in their career.

A. The 3 qualities suggested to our young CMA Achievers are Aspiration, Conviction, Endeavour - in short ACE.

Q14. Cost Management always plays a pivotal role to gain competitiveness and risk management. Please suggest in what ways Cost and Management Accountants may offer their expertise more effectively in this quest.

A. I believe there is a huge gap between our capabilities and our perception among the business community at large. We need strong branding and awareness creation to bridge this gap.

CMA R. S. RAJU
CFO/Associate Director (F&A)
NCC Limited

Mr. Raju is a Fellow Member of The Institute of Cost Accountants of India. He is working as CFO of the company since 15 years and has got recognition both from the internal management and from the external bodies by securing various awards including Award for Excellence in Financial Reporting from ICAI, Excellence in Cost Management Award from The Institute of Cost Accountants of India.

Q1. What benchmarks have your esteemed organization established in the construction industry since its inception and what significant milestones has it achieved?

A. As CFO of the Company, I have given a serious thought about designing of the accounting system, IT system to exercise control over the cost and measuring the performance of the unit (project), measuring the performance of the Division (headed by the Whole time/Functional Director), motivate the team to achieve growth in top-line and bottom-line. In that view, we have designed the system of compiling the cost of each project, automatically through the IT system to know the cost incurred for each project in a month, the profit or loss of the project as against the planned cost and profit. Nearly 85 to 90% of the cost directly available at unit level trial balance and approximately 6 to 8% of the common cost get compiled on allocation basis, following the Standard Costing System. The following are the responsibility centres for which we established the benchmark for evaluating the performance on a continuous basis.

Profit Centre (Responsibility Centre)	Responsible Executives
i) Division	Director
ii) Group	Group Head
iii) Project	Project Manager

» Project Manager:-Each project is headed by a Project Manager and responsible for the timely completion of the project within the cost and to achieve targeted profit.

» Group Head:-The Group Head generally handle group of 8 projects and responsible for reporting return on various resources (in terms of capital employed) utilised by him.

» Division Head–Director:- The Company has divided the total company operations into various Divisions based on the nature of projects. The following are the Divisions at present in operation:

- Buildings & Industrial Structures Division
- Roads Division
- Water & Environment Division
- Electrical Division
- Irrigation Division
- Railways Division
- Mining Division
- Power Division
- Metals & Oil & Gas Division
- International Division

Benchmarks: The Company has set the following benchmarks for each operating Division:

Capital Employed

We have given a benchmark as to how much capital as a percentage of turnover is permitted to use. For some Divisions we stipulate 25% and some Divisions around 30% as percentage of turnover.

Profit Margins

We have stipulated Gross Margins, EBIDTA and Net Profit Margins benchmarks for each Division.

Return on Capital Employed (ROCE)

We have stipulated a specific percentage as Return on Capital Employed to achieve by each Division. This is ultimate benchmark through which we measure efficiency of the Division as to how effectively utilising the resources such as, Machinery, Material, Manpower, Money which the division working time to time.

Working Capital Days

This is another benchmark we have established for measuring the performance of the Division in terms of collections from clients, the efficiency in utilisation of credit period from the suppliers, sub-contractors and others and how efficiently managing optimum level of inventory.

EBIDTA & Turnover per Employee

Turnover per employee is another benchmark to exercise control over the deployment of manpower in Division. In the yearly Budget, the Division indicates their turnover per employee and we compare the actual with plan in all review meetings to exercise control over the employee cost.

Debt Collection Period

This is another benchmark stipulated for the Divisions to exercise control over the collections from the customers.

In order to review the above benchmark on a periodical basis, we have developed a system of budgetary control. We prepare the Budget (Business Plan) for the year by dividing into month-wise targets in all above said parameters. We have designed a robust MIS System to use in review at corporate level on bi-monthly basis and at division level on monthly basis. In the Business Plan we set targets for each of the above primary benchmarks and also the benchmarks for ancillary parameters. The growth plans will be prepared basing on the efficiency of each Division, the potentiality of the projects available in the economy and the company priority areas among available projects.

Significant Milestones Achieved by the Company:

Fastest growing construction company in India in terms of Turnover achieved in….	**2006**
Second Largest Construction Company in terms of Turnover achieved in …………	**2007**
Order Book crossed **Rs. 30000 crs** in………	**2008**
Turnover crossed **Rs. 10000 crs** in…………	**2019**
PAT crossed **Rs. 500 crs** in………………	**2019**
Third fastest growing construction company in India achieved in……………	**2019**

Q2. What are the quality control measures taken in your company for the raw materials?

A. Quality is the utmost priority for the company; as such the following quality control measures are established by the Company.

» A system of Quality check and approval for the quality and the specifications by the customers before procurement.

» Quality check at Vendors place before dispatching the material.

» We used to have a laboratory with required tools and employees at every project to carry-out the quality check for each and every input material incorporating in the project.

» We require to submit certificate on the quality tests, sometimes even from the outside agencies to the client. As such we established a system of compliance of required quality.

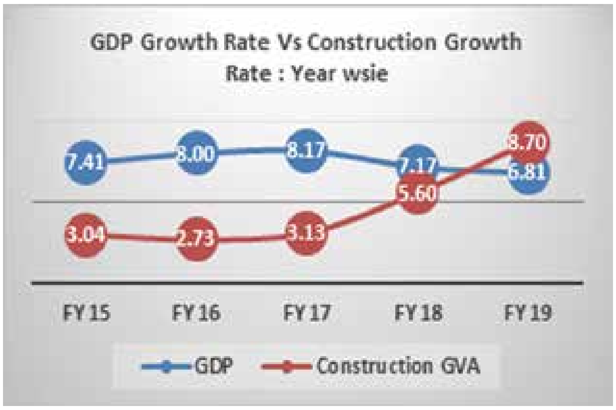
Q3. What are your plans and strategies to garner a larger share of the market?

A. NCC Limited being the 2nd largest construction company in India always strives to continue in the second position in the listed company category after L&T Limited, a giant construction company. We have a Strategic Plan for 5 years with 15% compounding average growth rate which we prepared in 2016-17. Accordingly, the company secured more orders basing on the infra development taking place in India. Further, the new states which are formed newly in the last decade have thrown good opportunities for various capital city developments and other infra developments. The construction companies have good opportunities in various sectors like, roads development, airports & sea ports development, power sector, water segments, irrigation segments, smart city development, real estate, metro rail, flyovers, dedicated rail corridor for transport of goods, etc.

Q4. Many datasets that are recently released show that the Indian economy is facing a multi-year slowdown. But exactly how worrying is this situation for Construction business?

A. Yes. The Indian Economy has seen a growth during the period FY 2014 to FY 2017. But in the last 2 years seen a decline year-on-year from 8.2% to 6.8%.

The following chart showing how the GDP growth and how construction industry growth in the last 5 years.



If at all the slowdown continues in Indian Economy from that of the present level, I believe that the same level of impact may not be there on the construction industry. The construction industry already is in slow momentum for the last 9 months because of general and state elections taken place. However, India yet to brought a lot of infrastructure, the Central and State Governments are keen to carry-out the developments for which various plans, schemes are in active consideration. Further, the Central Government already has taken certain reforms in their first regime and in their second regime also already certain reforms announced including slashing down the Corporate Tax rate from 35% to 25.17%. They are also considering to bring certain other reforms to improve the liquidity of customers and contracting companies for continuing the projects without any interruptions on account of liquidity. The above graph where it shown the GDP growth rate vis-à-vis the construction GDP growth that in the year 2018-19, the GDP has come down from 7.17% to 6.81% whereas the construction GDP is increased from 5.6% to 8.70%. Even the decline in GDP in current year may not impact in the same proportion the GDP of construction sector. Basing on the reforms taken by the Central Government, I believe that the construction sector may not get impacted with this slowness in the economy and the decline in the GDP rate.

Q5. How Technology is Reshaping the Construction Industry? Elucidate your views on it.

A. Technological advancements have always driven construction forward. Today, new technologies in construction are being developed at a rapid pace. The construction companies using new technologies by importing the high end machinery for completing the projects within the given period by maintaining high quality. The companies which are using new technology only will sustain in future and will get larger size of the projects. For ex:- NCCL is one company among the few companies using the mivan shuttering technology. It is imported equipment being used in multi storied buildings. NCCL has focused on using this mivan shuttering technology and succeeded in completing the projects well before the scheduled time and maintaining good quality. It has given training to the engineers and a team was developed to use this mivan technology in the construction of multi storied buildings. In future the companies which use the high end machines only will survive in the industry and deliver the things at a good quality and within the time.

Q6. List some challenges your company is facing currently and the measures taken by you for the prevention of these barriers?

A. The construction industry has certain challenges at this moment and required to be resolved by the Government through reforms. The following are some of the challenges currently facing by the company and the measures which the company initiated.

Banks support- fund and non-fund based limits:

Bank is one of the important stakeholders in providing support in the form of fund and non-fund based limits. However, because of failures of construction & infra companies in the last 6 to 7 years in completion of projects, particularly BOT projects within the time, mainly due to the reasons beyond the control of the companies which in turn again resulted into failures in servicing of the debt & interest payments to the banks. Now the banks restricted the facilities. Further, the clients wherever the companies failed to complete the projects went for the invocation of Bank Guarantees. Because of this negative trend in the infra business, the banks have brought in rigid rules. At present the construction companies are not getting the fund & non-fund based limits easily thereby it has become a hurdle in getting the new orders. Our company has taken appropriate measures in the last 5 years expecting the above scenario and managing the liquidity position as a result never failed in servicing the debt & interest payments in the last 5 years. The banks are happy about the performance, commitment of the management of NCCL and strong financial base developed year-on-year.

Dispute resolutions:

In the construction industry the disputes on account of scope changes, other changes like legislative changes, interpretation of the contract clauses, penalties for delay for the reasons of the client are not being getting settled smoothly with mutual discussions between client and contractor. As a result, the contracting company forced to approach Arbitrators and Courts for the settlement of pending payments and claims. In India, the Arbitration and Court mechanism taking long time as a result the contracting company suffering the liquidity during the project execution. Thousands of crores are held-up in dispute mechanism and the companies suffering heavily and failing to meet the payment to various vendors, sub-contractors and also to the banks. NCC along with other companies represented this matter to Central Government to bring the easy dispute resolution mechanism. The Government has brought certain reforms in this context 3 years back and some more reforms are required for getting the pending payments on account of disputes.

Customer Payments:

The orders are flowing mainly from Central and State Governments, the payments are not happening in regular basis from some of the clients due to their internal issues. As a result, contracting companies are facing liquidity issues to meet their payments to vendors and lenders which in turn led to time overrun, cost overrun of projects and losses. Proper reforms to compensate the contracting companies whenever delays happening at the client end are required.

Tender/Contract Agreement:

The Tender/Contract Agreement clauses are to be framed to provide equal justice to both the parties i.e., client and contracting company. However, in India the tender and contract agreements, in some places, only in favour of the client. As a result, whenever such clauses comes into operation the contracting company is in loss because client is blindly following the contract provisions. Since majority of the clients are from Central & State Government, they never goes beyond the clauses stipulated in the document. In developed countries, the "Fedics Contract Document" in use provides equal justice to both the parties. In India, being a developing country, require to adopt the Fedics document to provide equal justice. The construction industry represented the matter to Central Government. Once the Fedics document comes into force, it helps both the parties and also brings the infrastructure development at a faster rate. Our contracts documents are one side documents and it is a major hurdle for infra development of India.

Q7. Going forward, how do you envisage the growth of NCC Limited by 2025?

A. We envisage going forward a 10% Compound Average Growth in turnover upto 2025. Last year the company has reported a turnover of Rs.13000 crs (consolidate basis) as against Rs.8500 crs reported in 2017-18. The year 2018-19 is a good year for the company since that year the company has shown 53% growth in turnover and 300% jump in its net profit. The Company expects to grow and report a turnover of Rs.20000 crs by FY 2025 at a CAGR of 10%.

Q8. NCC Ltd., is a company that contributes to India's progress through landmark infrastructure projects which demonstrate far-reaching impact - beyond the realm of construction. What are the various ways your organization can integrate with The Institute of Cost Accountants of India for the diverse avenues in professional development matters?

A. The company in fact has recognised CMAs contribution in laying down good foundation for development of the systems, budgetary plans, cost control, tax efficiency plans, etc., to support the fastest growth of the company in last 2 decades. The Company is in continues process for talent development and professional development. As the Institute of ICAI is one of the premier professional body in professional development in India, we closely working with the local Hyderabad Chapter for professional development of the company in respect of the following activities:

» Encouraging recruitment of CMAs into the Company. In our Company more than 25 CMAs are working occupying different positions right from CFO to Divisional CFOs, project cost controllers, etc. Company continues to encourage recruitment of CMAs into the Company.

» Sponsoring the employees for various development courses being organized by ICAI Institute.

» Sponsoring the contribution for the development of the Chapter and professional development courses and Chapter R&D centres.

» Taking the opinions from experts of CMAs and various Committees of ICAI Institute.

STANDARD COSTING AND LABOUR COST VARIANCE

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Abstract

The article contains various methods of calculating labour variance which is used in standard costing to control cost of production. It is an attempt to find out the results readily (momentary) by filling the given values in the formulae given in the article. It will help the industry to find out the variance in an easy way and to apply to curtail the cost of production as for as possible. It will also be helpful for the cost accountants to write the cost audit report and to give their valuable suggestions to save the national assets and hence to control the cost of production. Instant comparison of efficient and inefficient units is possible from the point of view of labour and to take an appropriate remedial action as early as possible.

Labour Cost Variance

The second and the most important source used in the production process i.e. to increase or change the utility of available material as desired, to the satisfaction of consumers, is labour. Without labour the available material is not possible to be converted into the desired consumable product. So, the labour plays an important role in the production process. As it takes a major share as input cost in the process of production, control on this type of cost (Labour Cost) is desired as well as necessary. Through standard costing we can have a control on this important source of production and so-on the total cost. In standard costing actual cost incurred on labour is compared with the standard labour cost required for the actual production. Variation if any in actual labour cost incurred and standard labour cost required is found out and same is forwarded to the decision makers to take an appropriate remedial action.

In standard costing technique of labour cost control, labour cost is seen from various angles may it be from rate point of view, labour efficiency point of view, labour yield point of view etc. Let us take each one by one and first of all talk about total labour cost variance.

(1) Labour Cost Variance

Labour cost variance is the difference in standard labour cost required for actual production and the actual labour cost incurred

Labour cost variance = (Standard labour cost required for actual production) – (Actual cost incurred)

Let us take following table to understand the method to find out the labour cost variance.

Standards of the company:

Worker type	No. Of workers = N_{Si}	Time in units paid for = T_{Si}	Rate per unit time = R_{Si} (Rs.)	Total labour cost ($N_{Si} \times T_{Si} \times R_{Si}$) (Rs.)
Type A	N_{S1}	T_{S1}	R_{S1}	$(N_{S1} \times T_{S1} \times R_{S1})$
Type B	N_{S2}	T_{S2}	R_{S2}	$(N_{S2} \times T_{S2} \times R_{S2})$
Type C	N_{S3}	T_{S3}	R_{S3}	$(N_{S3} \times T_{S3} \times R_{S3})$
Type D	N_{S4}	T_{S4}	R_{S4}	$(N_{S4} \times T_{S4} \times R_{S4})$
Type E	N_{S5}	T_{S5}	R_{S5}	$(N_{S5} \times T_{S5} \times R_{S5})$
Total gang	$= \sum_{i=1}^{n} N_{Si}$			$= \sum_{i=1}^{n} (N_{Si} \times T_{Si} \times R_{Si})$
			Standard labour rate per unit output.	$= \sum_{i=1}^{n} \left(\frac{N_{Si} \times T_{Si} \times R_{Si}}{So} \right)$

Standard output = So =.......

Actual of the company:

Worker type	No. Of workers = N_{Aj}	Time in units paid for = T_{Aj}	Rate per unit time = R_{Aj} (Rs.)	Total labour cost = $(N_{Aj} \times T_{Aj} \times R_{Aj})$ (Rs.)
Type A	N_{A1}	T_{A1}	R_{A1}	$(N_{A1} \times T_{A1} \times R_{A1})$
Type B	N_{A2}	T_{A2}	R_{A2}	$(N_{A2} \times T_{A2} \times R_{A2})$
Type C	N_{A3}	T_{A3}	R_{A3}	$(N_{A3} \times T_{A3} \times R_{A3})$
Type D	N_{A4}	T_{A4}	R_{A4}	$(N_{A4} \times T_{A4} \times R_{A4})$
Type E	N_{A5}	T_{A5}	R_{A5}	$(N_{A5} \times T_{A5} \times R_{A5})$
Total gang	$= \sum_{j=1}^{n} N_{Aj}$		Total actual labour Cost (Rs.)	$\sum_{j=1}^{n} (N_{Aj} \times T_{Aj} \times R_{Aj})$

Actual output = Ao =...........

Total Idle time = I_{Tj} =.......... (i.e. Total time when labour is off the production process)

Labour Cost Variance $= \sum_{i=j=1}^{n} \left[\frac{Ao}{So}(N_{Si} \times T_{Si} \times R_{Si}) - (N_{Aj} \times T_{Aj} \times R_{Aj})\right]$

(2) Labour rate variance

Labour cost variance can be further divided and seen from two different angles i.e. labour rate variance and total labour efficiency variance. Labour rate variance is a part of labour cost variance which is due to difference in standard and actual wage rate paid to labour to complete the work.

Labour rate variance = Actual labour time taken (paid for) for actual production × (Standard wage rate – Actual wage rate)

Labour rate variance $= \sum_{i=j=1}^{n} [N_{Aj} \times T_{Aj}(R_{Si} - R_{Aj})]$

(3) Total Labour efficiency Variance

It is the part of labour cost variance which is due to difference in standard labour time required for actual production and actual labour time taken when both measured at standard wage rate.

Total Labour efficiency variance = (Standard labour cost required for actual production) - (Wages payable for actual time at standard wage rate).

Total Labour efficiency variance $= \sum_{i=j=1}^{n} \left[R_{Si}\left\{\left(\frac{Ao}{So} \times N_{Si} \times T_{Si}\right) - (N_{Aj} \times T_{Aj})\right\}\right]$

(4) Labour efficiency Variance

Labour efficiency variance is a part of total labour efficiency variance which is due to difference in standard labour time required for actual production and the actual labour time worked (Excluding the wastage in labour time due to avoidable or unavoidable circumstances) when measured at standard wage rate.

Labour efficiency variance = (Standard labour cost required for actual production) – (Total labour time spent on production (Excluding Idle time) × Standard wage rate)

Labour efficiency variance $= \sum_{i=j=1}^{n} \left[R_{Si}\left\{\left(\frac{Ao}{So} \times N_{Si} \times T_{Si}\right) - N_{Aj}(T_{Aj} - I_{Tj})\right\}\right]$

Where I_{Tj} is the idle time.

(5) Labour idle time Variance

It is the part of total labour efficiency variance which is due to idle labour time paid at standard wage rate. As it is wastage in time rather to production, so it is taken to be –ve or unfavourable.

Labour idle time Variance $= -\sum_{i=j=1}^{n} (R_{Si} \times I_{Tj} \times N_{Aj})$

(6) Labour Mix or Gang Variance

It is the part of labour efficiency variance which is due to the change in standard labour mix and actual labour mix in those situations where more than one type of labour force is used in the production process. It is also known as gang variance. It is the difference in standard cost of standard composition of labour force required for actual time worked (excluding idle time) and the standard cost of actual labour time taken.

Labour mix or gang variance = Standard rate per unit labour time ((Standard composition of labour required for actual time taken) – (Actual composition of labour for actual time worked)).

Mathematically Labour mix variance = $\sum_{i=j=1}^{n} R_{Si}\left[\frac{G_A}{G_S} \times N_{Si}\left(T_{Aj} - I_{Tj}\right) - N_{Aj}\left(T_{Aj} - I_{Tj}\right)\right]$

$$= \sum_{i=j=1}^{n} R_{Si}\left(T_{Aj} - I_{Tj}\right)\left[\frac{G_A}{G_S} \times N_{Si} - N_{Aj}\right]$$

Where G_S is the standard total number of workers or standard gang total and G_A is actual total number of workers or actual gang total.

This is because certain situation may arise where there is shortage of supply of certain type of labour force and we have to change the standard accordingly to compare with the actual situation and to find the variance, keeping in view its present and future availability depending upon the expectations.

(7) Labour yield variance

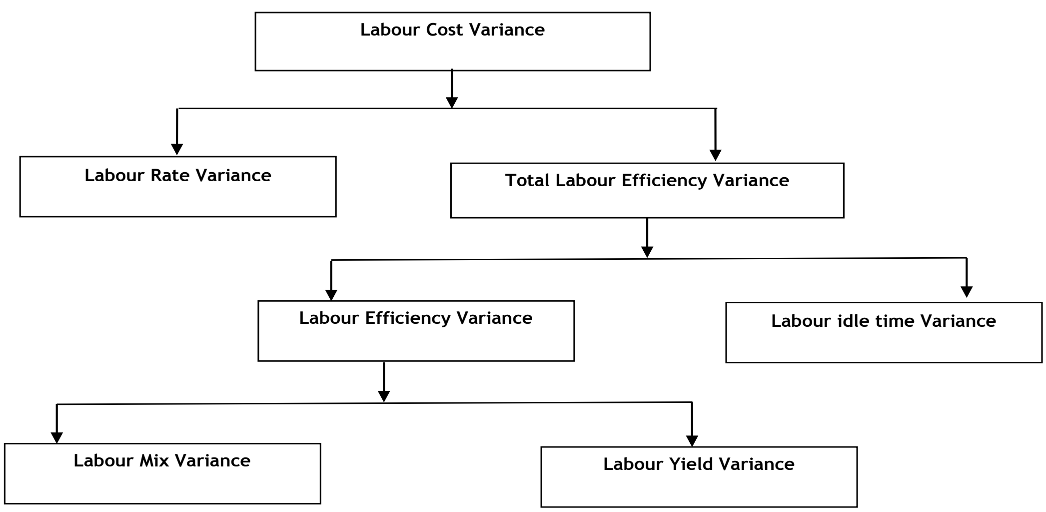
It is a part of labour efficiency variance and arises due to difference in the standard yield that should have been obtained by actual time worked on production and actual yield when both measured at standard labour cost per unit of the product.

It can be calculated as

Standard labour cost per unit (Actual yield in units – Standard yield required for actual time worked on production)

Labour yield variance $= \frac{\sum_{i=1}^{n} N_{Si} \times T_{Si} \times R_{Si}}{So}\left[Ao - \frac{G_A}{G_S} \times \frac{\sum_{i=j=1}^{n} N_{Si}\left(T_{Aj} - I_{Tj}\right)}{\sum_{i=1}^{n} N_{Si} \times T_{Si}} \times So\right]$ where 'Ao' is the actual output and 'So' is the standard output in units.

Flow Chart showing relationship between various types of labour variances



The above flow chart can be proved mathematically as under:

Labour cost Variance $= \sum_{i=j=1}^{n}\left[\frac{Ao}{So}\left(N_{Si} \times T_{Si} \times R_{Si}\right) - \left(N_{Aj} \times T_{Aj} \times R_{Aj}\right)\right]$

$$= \sum_{i=j=1}^{n} \frac{Ao}{So}\left(N_{Si} \times T_{Si} \times R_{Si}\right) - \sum_{i=j=1}^{n}\left(N_{Aj} \times T_{Aj} \times R_{Aj}\right)$$

Adding and subtracting $\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Si})$ we get

$$=\sum_{i=j=1}^{n}\frac{Ao}{So}(N_{Si}\times T_{Si}\times R_{Si})-\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Si})+\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Si})-\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Aj})$$

$$=\left[\sum_{i=j=1}^{n}\frac{Ao}{So}(N_{Si}\times T_{Si}\times R_{Si})-\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Si})\right]+\left[\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Si})-\sum_{i=j=1}^{n}(N_{Aj}\times T_{Aj}\times R_{Aj})\right]$$

$$=\left[\sum_{i=j=1}^{n}\left[R_{Si}\left\{\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-(N_{Aj}\times T_{Aj})\right\}\right]\right]+\left[\sum_{i=j=1}^{n}N_{Aj}\times T_{Aj}(R_{Si}-R_{Aj})\right]$$

= (Total labour efficiency Variance) + (Labour rate Variance)

Labour Cost variance = Labour rate variance + Total labour efficiency Variance

Now take Total Labour efficiency variance

Total Labour efficiency Variance $=\sum_{i=j=1}^{n}\left[R_{Si}\left\{\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-(N_{Aj}\times T_{Aj})\right\}\right]$

$$=\sum_{i=j=1}^{n}R_{Si}\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-\sum_{i=j=1}^{n}R_{Si}(N_{Aj}\times T_{Aj})$$

By adding and subtracting $\sum_{i=j=1}^{n}R_{Si}\times I_{Tj}\times N_{Aj}$ where I_{Tj} is actual idle time i.e. the time whose wages are given but labour force is off the machine or the production process.

We get $=\sum_{i=j=1}^{n}R_{Si}\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)+\sum_{i=j=1}^{n}R_{Si}\times I_{Tj}\times N_{Aj}-\sum_{i=j=1}^{n}R_{Si}(N_{Aj}\times T_{Aj})-\sum_{i=j=1}^{n}R_{Si}\times I_{Tj}\times N_{Aj}$

$$=\left[\sum_{i=j=1}^{n}R_{Si}\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-\sum_{i=j=1}^{n}R_{Si}(N_{Aj}\times T_{Aj})+\sum_{i=j=1}^{n}R_{Si}(I_{Tj}\times N_{Aj})\right]-\sum_{i=j=1}^{n}(R_{Si}\times I_{Tj}\times N_{Aj})$$

$$=\sum_{i=j=1}^{n}R_{Si}\left[\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-(N_{Aj}\times T_{Aj})+(I_{Tj}\times N_{Aj})\right]-\sum_{i=j=1}^{n}(R_{Si}\times I_{Tj}\times N_{Aj})$$

$$=\sum_{i=j=1}^{n}R_{Si}\left[\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-N_{Aj}\times(T_{Aj}-I_{Tj})\right]+\left[-\sum_{i=j=1}^{n}(R_{Si}\times I_{Tj}\times N_{Aj})\right]$$

= Labour efficiency Variance + Labour Idle time Variance.

Total Labour Efficiency Variance = Labour Efficiency Variance + Labour Idle Time Variance.

Let us now prove that labour efficiency variance is the sum of labour mix and labour yield variance.

Take labour efficiency variance:

Labour efficiency variance $=\sum_{i=j=1}^{n}\left[R_{Si}\left\{\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-N_{Aj}(T_{Aj}-I_{Tj})\right\}\right]$

$$=\sum_{i=j=1}^{n}R_{Si}\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-\sum_{i=j=1}^{n}R_{Si}\times N_{Aj}(T_{Aj}-I_{Tj})$$

Adding and subtracting $\sum_{i=j=1}^{n}\left[R_{Si}(T_{Aj}-I_{Tj})N_{Si}\times\frac{G_A}{G_S}\right]$ we get

$$=\sum_{i=j=1}^{n}R_{Si}\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-\sum_{i=j=1}^{n}R_{Si}\times N_{Aj}(T_{Aj}-I_{Tj})+\sum_{i=j=1}^{n}\left[R_{Si}(T_{Aj}-I_{Tj})N_{Si}\times\frac{G_A}{G_s}\right]-\sum_{i=j=1}^{n}\left[R_{Si}(T_{Aj}-I_{Tj})N_{Si}\times\frac{G_A}{G_s}\right]$$

$$= \left[\sum_{i=j=1}^{n}\left[R_{Si}(T_{Aj} - I_{Tj})N_{Si} \times \frac{G_A}{G_S}\right] - \sum_{i=j=1}^{n} R_{Si} \times N_{Aj}\left(T_{Aj} - I_{Tj}\right)\right] + \left[\sum_{i=j=1}^{n} R_{Si}\left(\frac{Ao}{So} \times N_{Si} \times T_{Si}\right) - \sum_{i=j=1}^{n} R_{Si}\left(T_{Aj} - I_{Tj}\right)N_{Si} \times \frac{G_A}{G_S}\right]$$

$$= \sum_{i=j=1}^{n} R_{Si}\left(T_{Aj} - I_{Tj}\right)\left[\frac{G_A}{G_S} \times N_{Si} - N_{Aj}\right] + \sum_{i=j=1}^{n}(R_{Si} \times N_{Si} \times T_{Si})\left[\frac{Ao}{So} - \frac{(T_{Aj}-I_{Tj})}{T_{Si}} \times \frac{G_A}{G_S}\right]$$

$$= \sum_{i=j=1}^{n} R_{Si}\left(T_{Aj} - I_{Tj}\right)\left[\frac{G_A}{G_S} \times N_{Si} - N_{Aj}\right] + \sum_{i=j=1}^{n}\frac{R_{Si}\times N_{Si}\times T_{Si}}{So}\left[Ao - \frac{G_A}{G_S} \times \frac{N_{Si}(T_{Aj}-I_{Tj})}{N_{Si}\times T_{Si}} \times So\right]$$

$$=\left[\sum_{i=j=1}^{n} R_{Si}\left(T_{Aj} - I_{Tj}\right)\left[\frac{G_A}{G_S} \times N_{Si} - N_{Aj}\right]\right] + \left[\frac{\sum_{i=1}^{n} N_{Si}\times T_{Si}\times R_{Si}}{So}\left[Ao - \frac{G_A}{G_S} \times \frac{\sum_{i=j=1}^{n} N_{Si}(T_{Aj}-I_{Tj})}{\sum_{i=1}^{n} N_{Si}\times T_{Si}} \times So\right]\right]$$

= Labour Mix Variance + Labour yield Variance.

Labour Efficiency Variance = Labour Mix Variance + Labour Yield Variance

So the various formulae to find out labour variance from different angles needed to be controlled by the decision makers to curtail the labour cost can be summarised as under:

1. Labour Cost Variance = $\sum_{i=j=1}^{n}\left[\frac{Ao}{So}(N_{Si} \times T_{Si} \times R_{Si}) - (N_{Aj} \times T_{Aj} \times R_{Aj})\right]$

2. Labour rate Variance = $\sum_{i=j=1}^{n}\left(N_{Aj} \times T_{Aj}(R_{Si} - R_{Aj})\right)$

3. Total Labour Efficiency Variance = $\sum_{i=j=1}^{n}\left[R_{Si}\left\{\left(\frac{Ao}{So} \times N_{Si} \times T_{Si}\right) - (N_{Aj} \times T_{Aj})\right\}\right]$

4. Labour Efficiency Variance = $\sum_{i=j=1}^{n}\left(R_{Si}\left\{\left(\frac{Ao}{So} \times N_{Si} \times T_{Si}\right) - N_{Aj}(T_{Aj} - I_{Tj})\right\}\right)$

5. Labour Idle time Variance = $-\sum_{i=j=1}^{n}(R_{Si} \times I_{Tj} \times N_{Aj})$

6. Labour Mix or Gang Variance = $\sum_{i=j=1}^{n} R_{Si}(T_{Aj} - I_{Tj})\left(\frac{G_A}{G_S} \times N_{Si} - N_{Aj}\right)$

7. Labour Yield Variance = $\frac{\sum_{i=1}^{n} N_{Si}\times T_{Si}\times R_{Si}}{So}\left[Ao - \frac{G_A}{G_S} \times \frac{\sum_{i=j=1}^{n} N_{Si}(T_{Aj}-I_{Tj})}{\sum_{i=1}^{n} N_{Si}\times T_{Si}} \times So\right]$

Here (i) is used for standards of the company and (j) is used for actual of the company whether numbers of the labour force , time or rate etc. and other symbols used in the above formulae are (1) Ao = Actual output, (2) So = Standard output, (3) N_{Si} = Number of particular type of labour in the standard of the company, (4) T_{Si} = Time taken by the particular type of labour given in the standard, (5) R_{Si} = Rate per unit time given to the labour given in the standard, (6) N_{Aj} = Number of particular type of labour actually worked, (7) T_{Aj} = Time taken by the particular type of labour in actual production, (8) R_{Aj} = Rate per unit time actually paid to particular type of labour, (9) ITj = Idle time spent in actual production process, (10) G_A = actual total number of labour force, (11) G_S = Standard total number of labour force.

Now let us solve a problem to calculate various types of labour variances.

Problem: A gang of workers consisting of 10 men, 5 women, 5 boys in a factory are given standard hourly rate of Rs. 1.25, Rs. 0.80, Rs. 0.70 respectively. In the normal working week of 40 hours, the gang is expected to produce 1000 units of a product.

In certain week, the gang consisting of 13 men, 4 women and 3 boys, actual wages were paid at hourly rate of Rs. 1.20, Rs. 0.85, Rs. 0.65 respectively. Two hours per week were lost due to abnormal idle time and 960 units of the product were produced. Calculate various types of labour variances.

Solution: The standards (i) of the company are:

N_{S1}= 10, T_{S1} = 40, R_{S1}= 1.25,

N_{S2} = 5, T_{S2} = 40, R_{S2} = 0.80,

N_{S3} = 5, T_{S3} = 40, R_{S3} = 0.70, G_S = 10+5+5 = 20, So = 1000,

Actual (j) of the company are:

N_{A1} = 13, T_{A1} = 40, R_{A1} = 1.20,

N_{A2} = 4, T_{A2} = 40, R_{A2} = 0.85,

N_{A3} = 3, T_{A3} = 40, R_{A3} = 0.65, G_A= 13+4+3 = 20, Ao = 960,

Here Idle time for all types of labour force is same i.e. $I_{T1} = I_{T2} = I_{T3} = 2$

(1) Labour Cost Variance = $\sum_{i=j=1}^{n}\left(\frac{Ao}{So}(N_{Si} \times T_{Si} \times R_{Si}) - (N_{Aj} \times T_{Aj} \times R_{Aj})\right)$

$= \left[\left(\frac{Ao}{So}\right)(N_{S1} \times T_{S1} \times R_{S1}) - (N_{A1} \times T_{A1} \times R_{A1})\right] + \left[\left(\frac{Ao}{So}\right)(N_{S2} \times T_{S2} \times R_{S2}) - (N_{A2} \times T_{A2} \times R_{A2})\right] + \left[\left(\frac{Ao}{So}\right)(N_{S3} \times T_{S3} \times R_{S3}) - (N_{A3}T_{A3}R_{A3})\right]$

$= \left(\frac{Ao}{So}\right)(N_{S1} \times T_{S1} \times R_{S1}) + \left(\frac{Ao}{So}\right)(N_{S2} \times T_{S2} \times R_{S2}) + \left(\frac{Ao}{So}\right)(N_{S3} \times T_{S3} \times R_{S3}) - (N_{A1} \times T_{A1} \times R_{A1}) - (N_{A2} \times T_{A2} \times R_{A2}) - (N_{A3} \times T_{A3} \times R_{A3})$

$= \left(\frac{960}{1000}\right) \times [(N_{S1} \times T_{S1} \times R_{S1}) + (N_{S2} \times T_{S2} \times R_{S2}) + (N_{S3} \times T_{S3} \times R_{S3})] - [(N_{A1} \times T_{A1} \times R_{A1}) + (N_{A2} \times T_{A2} \times R_{A2}) + (N_{A3} \times T_{A3} \times R_{A3})]$

$= \left(\frac{960}{1000}\right) \times [(10 \times 40 \times 1.25) + (5 \times 40 \times 0.80) + (5 \times 40 \times 0.70)] - [(13 \times 40 \times 1.2) + (4 \times 40 \times 0.85) + (3 \times 40 \times 0.65)]$

$= \left(\frac{960}{1000}\right) \times (500 + 160 + 140) - (624 + 136 + 78)$

$= \left(\frac{960}{1000}\right) \times (800) - (838)$

= 768 - 838
= -70
= 70 Unfavourable.

(2) Labour Rate Variance = $\sum_{i=j=1}^{n}\left(N_{Aj} \times T_{Aj}(R_{Si} - R_{Aj})\right)$

$= \left(N_{A1} \times T_{A1}(R_{S1} - R_{A1})\right) + \left(N_{A2} \times T_{A2}(R_{S2} - R_{A2})\right) + \left(N_{A3} \times T_{A3}(S_{S3} - R_{A3})\right)$

= (13×40)(1.25-1.20)+(4×40)(0.80-0.85)+(3×40)(0.70-0.65)
= (520)(0.05)+(160)(- 0.05)+(120)(0.05)
= 26 - 8 + 6
= 32 - 8
= 24 Favourable.

(3) Total Labour Efficiency Variance = $\sum_{i=j=1}^{n}\left[R_{Si}\left\{\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-\left(N_{Aj}\times T_{Aj}\right)\right\}\right]$

$=(R_{S1})\left\{\left(\frac{Ao}{So}\times N_{S1}\times T_{S1}\right)-(N_{A1}\times T_{A1})\right\}+(R_{S2})\left\{\left(\frac{Ao}{So}\times N_{S2}\times T_{S2}\right)-(N_{A2}\times T_{A2})\right\}+(R_{S3})\left\{\left(\frac{Ao}{So}\times N_{S3}\times T_{S3}\right)-(N_{A3}\times T_{A3})\right\}$

$=(1.25)\left\{\left(\frac{960}{1000}\times 10\times 40\right)-(13\times 40)\right\}+(0.80)\left\{\left(\frac{960}{1000}\times 5\times 40\right)-(4\times 40)\right\}+(0.70)\left\{\left(\frac{960}{1000}\times 5\times 40\right)-(3\times 40)\right\}$

= (1.25)(384 - 520) + (0.80)(192 – 160) + (0.70)(192 – 120)

= (1.25)(- 136) + (0.80)(32) + (0.70)(72)

= - 170 + 25.60 + 50.40

= - 94

= 94 Unfavourable.

(4) Labour Efficiency Variance = $\sum_{i=j=1}^{n}\left(R_{Si}\left\{\left(\frac{Ao}{So}\times N_{Si}\times T_{Si}\right)-N_{Aj}\left(T_{Aj}-I_{Tj}\right)\right\}\right)$

$=(R_{S1})\left[\frac{Ao}{So}(N_{S1}\times T_{S1})-N_{A1}(T_{A1}-I_{T1})\right]+(R_{S2})\left[\frac{Ao}{So}(N_{S2}\times T_{S2})-N_{A2}(T_{A2}-I_{T2})\right]+(R_{S3})\left[\frac{Ao}{So}(N_{S3}\times T_{S3})-N_{A3}(T_{A3}-I_{T3})\right]$

$=(1.25)\left[\left\{\frac{960}{1000}(10\times 40)-13\times(40-2)\right\}\right]+(0.80)\left[\left\{\frac{960}{1000}(5\times 40)-4(40-2)\right\}\right]+(0.70)\left[\left\{\frac{960}{1000}(5\times 40)-3(40-2)\right\}\right]$

$=(1.25)\left[\frac{960}{1000}\times 400-13\times 38\right]+(0.80)\left[\frac{960}{1000}\times 200-4\times 38\right]+(0.70)\left[\frac{960}{1000}\times 200-3\times 38\right]$

= (1.25)(384 – 494) + (0.80)(192 – 152) + (0.70)(192 – 114)

= (1.25)(- 110) + (0.80)(40) + (0.70)(78)

= - 137.50 + 32 + 54.60

= 86.60 - 137.50

= - 50.90

= 50.90 Unfavourable.

(5) Labour Idle Time Variance = - $\sum_{i=j=1}^{n}\left(R_{Si}\times I_{Tj}\times N_{Aj}\right)$

$=(-)[(R_{S1}\times I_{T1}\times N_{A1})+(R_{S2}\times I_{T2}\times N_{A2})+(R_{S3}\times I_{T3}\times N_{A3})]$

$=(-)\times[(1.25\times 2\times 13)+(0.80\times 2\times 4)+(0.70\times 2\times 3)]$

= - (32.5+6.4+4.2)

= - 43.1

= 43.1 Unfavourable.

(6) Labour Mix Variance = $\sum_{i=j=1}^{n}(R_{Si})(T_{Aj}-I_{Tj})\left(\frac{G_A}{G_S}\times N_{Si}-N_{Aj}\right)$

$$=(R_{S1})(T_{A1}-I_{T1})\left[\frac{G_A}{G_S}\times N_{S1}-N_{A1}\right]+(R_{S2})(T_{A2}-I_{T2})\left[\frac{G_A}{G_S}\times N_{S2}-N_{A2}\right]+(R_{S3})(T_{A2}-I_{T3})\left[\frac{G_A}{G_S}\times N_{S3}-N_{A3}\right]$$

$$=(1.25)(40-2)\left[\frac{20}{20}\times 10-13\right]+(0.80)(40-2)\left[\frac{20}{20}\times 5-4\right]+(0.70)(40-2)\left[\frac{20}{20}\times 5-3\right]$$

= (1.25)(38)(10 - 13) + (0.80)(38)(5 - 4) + (0.70)(38)(5 - 3)

=(1.25)(38)(- 3) + (0.80)(38)(1) + (0.70)(38)(2)

= - 142.5 + 30.4 + 53.2

= - 58.9

= 58.9 Unfavourable.

(7) Labour Yield Variance = $\frac{\sum_{i=1}^{n} N_{Si}\times T_{Si}\times R_{Si}}{So}\left[Ao-\frac{G_A}{G_S}\times\frac{\sum_{i=j=1}^{n} N_{Si}(T_{Aj}-I_{Tj})}{\sum_{i=1}^{n} N_{Si}\times T_{Si}}\times So\right]$

$$=\frac{(N_{S1}\times T_{S1}\times R_{S1})+(N_{S2}\times T_{S2}\times R_{S2})+(N_{S3}\times T_{S3}\times R_{S3})}{So}\left[Ao-\frac{G_A}{G_S}\times\frac{N_{S1}(T_{A1}-I_{T1})+N_{S2}(T_{A2}-I_{T2})+N_{S3}(T_{A3}-I_{T3})}{N_{S1}\times T_{S1}+N_{S2}\times T_{S2}+N_{S3}\times T_{S3}}\times So\right]$$

$$=\frac{(10\times 40\times 1.25)+(5\times 40\times 0.80)+(5\times 40\times 0.70)}{1000}\left[960-\frac{20}{20}\times\frac{10(40-2)+5(40-2)+5(40-2)}{(10\times 40)+(5\times 40)+(5\times 40)}\times 1000\right]$$

$$=\frac{500+160+140}{1000}\left[960-\frac{20}{20}\times\frac{380+190+190}{400+200+200}\times 1000\right]$$

$$=\frac{800}{1000}\left[960-\frac{20}{20}\times\frac{760}{800}\times 1000\right]$$

= (0.80)(960 - 950)

= (0.80)(10)

= 8 Favourable.

Let us prove the equations given in the article from the above solved problem one by one.

Labour Cost Variance = 70 Unfavourable i.e. = - 70 = (24) + (- 94) = Labour Rate Variance + Total Labour Efficiency Variance.

Total Labour Efficiency Variance = 94 Unfavourable i.e. = - 94 = (-50.9) + (- 43.1) = Labour Efficiency Variance + Labour Idle Time Variance.

Labour Efficiency Variance = 50.9 Unfavourable i.e. = - 50.9 = (-58.9) + (8) = Labour Mix Variance + Labour Yield Variance. MA

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GLOBAL ECONOMIC SITUATION AND BANKING ENVIRONMENT IN INDIA

Abstract

The global economic growth has slowed down and moderated since 2018, after picking up its pace in 2017. Both the developed and emerging markets throughout the world are reeling from slow and sluggish economic growth. In this article the author revisits the economic situation prevailing in the developed and emerging markets all over the world and particularly in India with reference to its present banking environment.

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1. Introduction

The global economic growth has slowed down and moderated since 2018, after picking up its pace in 2017. We have witnessed that both the developed and emerging markets throughout the world are reeling from slow and sluggish economic growth. Let us revisit in brief, the economic situation prevailing in the developed and emerging markets all over the world and particularly in India with reference to its present banking environment.

2. Global Economic Situation

According to IMF report, global economic situation has eased and growth has moderated to 3.6% in the year 2018. So far as developed economies are concerned, it is no doubt that the economic activity of US has picked up against the backdrop of fiscal stimulus. Fiscal support in the form of USD 1.5 trillion tax cuts and increased government spending has enabled the US economy to advance steadily. But the continuity of its momentum is doubtful. However, certain factors such as (i) protectionist policy of US government, (ii) uncertainty over BREXIT, and (iii) sluggish GDP growth in other developed and developing economies viz. China, Japan, the UK, Canada, India etc. have been responsible for pulling down overall growth of world economy.

The European countries have grown far less than expected mainly due to (i) uncertainty over BREXIT and (ii) threat of US tariffs on automobiles due to which their manufacturing sector is under severe pressure. BRICS countries are also suffering from economic sluggishness. Slow growth in Mining, Construction and Agriculture has pulled down economic growth of South Africa. Brazil's economy has seriously suffered owing to (i) restricted public and private spending on consumption as well as (ii) Truck drivers' strike. China is also no exception to this situation. (i) Financial tightening, (ii) local government debt, (iii) continuous trade conflict and trade war with the US, amongst others, have pulled down China's economic performance severely.

In the meantime financial conditions all over the world have been tightened in 2018 with monetary normalisation. In 2018 itself the US government did increase rate of interest several times resulting in increased capital flights of FIIs from the markets of developing countries like India. The main factors responsible for this economic slowdown are (i) uncertainty over BREXIT, (ii) continued trade war between China and the USA and (iii) tightening of global financing conditions, among very many other internal reasons. Looking at the present trend of global economic situation it is apprehended that the risk to growth prospects may continue in 2019 as well.

3. India's Economic Situation

In order to understand India's economic situation let us look at the ***GDP growth*** as mentioned below:

Financial year	GDP (%)
2017	8.2
2018	7.2
2019	7.0
2020 (1st Qr)	5.0

It is no denying the fact that India's GDP growth has come down sharply though as per RBI projection, India's GDP is expected to grow at 7.2% in the financial year 2020.

In the ***Industrial Sector,*** there has been a substantial fall in Gross Value Added (GVA) which is evident from the following statistics:

Financial year	GVA (%)
2017	8.3
2018 (1st Half)	8.1
2018 (2nd Half)	6.4

The above statistics clearly shows a drastic decline in the growth of manufacturing activities due to low demand for industrial products in the market. On the contrary, the performance of the service sector has picked up and remained bullish during this period.

The ***Agriculture Sector*** also suffers from the lower growth during the same period due to many factors such as: (a) poor performance of monsoon in the north-east and south-west part of the country, (b) low price for farm products, (c) undeveloped markets for agricultural products, etc.

So far as the ***Current Account Deficit*** is concerned, the situation is not encouraging at all as may be observed from the following statistics:

Financial year	CAD as (%) of GDP
April – December, 2017	1.8
April – December, 2018	2.6

Such increase in CAD is mainly due to widening of the trade deficit on account of higher oil prices. Since oil prices have started softening in the present few months it is expected that the CAD will come down in near future.

The outlook for ***CPI Inflation*** in India is a bit encouraging. The average inflation has been 3.43% in the financial year 2019 as compared to 3.58% in the financial year 2018. Though there is a risk of rising inflation due to (a) geopolitical tensions, (b) supply disruption in the global crude oil market, (c) apprehension of below- normal monsoon, (d) volatility in international and domestic financial markets etc., yet it is expected that average CPI inflation would be restricted within 4%.

4. Banking Environment in India

Presently, the ***Banking Sector*** in India has been passing through a huge balance sheet stress. For the first time since 1993-94 the Indian banking system as a whole, public sector banks in particular, have incurred losses. In 2017-18, there has been a sharp increase in 'Provisioning' in the banks' accounts due to continuous deterioration in 'asset quality' resulting in such increased provisioning. The financial year 2018 has been challenging for the banking organisations in India. On the other hand, the external environment also contuses to be challenging. As per IMF's latest Financial Stability Report, the increased financial vulnerabilities indicate increased medium-term risks to financial stability.

In order to manage the present crisis the Reserve Bank of India (RBI) has taken certain measures for revival of the banking system. **First,** it has fully recognised the presence of 'stressed assets' by way of 'Asset Quality Reviews (AQRs)' and advised banks to make provisions according to the policy; **Second,** it has implemented a new framework for resolution of stressed assets under the provisions of the Insolvency and Bankruptcy Code (IBC); and **Third,** the Central Government has undertaken steps through RBI, to recapitalise the public sector banks.

The positive effects of these approaches have already started yielding results. There has been gradual improvement in the areas of: (i) Gross NPA Ratio, (ii) Provision Coverage Ratio, (iii) Greater discipline in credit assessment, (iv) Higher sensitivity to market risk, (v) Proper appreciation of operational risks, and (vi) Time-bound resolution of impaired assets.

With the application of the above approaches and due to sustained efforts by the banks' management the **bank credit** has started moving up in the financial year 2018-19 after remaining subdued for about 2 years. It has already grown 11.96% by now which is considered to be the highest as compared to the last 5 years and last year at 10%. Similarly, in 2018-19, the **total deposits** have grown 7.58% as compared to 6.2% in 2017-18. At the same time **credit growth to industry** has also improved gradually in Infrastructure, Chemicals, Engineering, Coal and Petro products, etc. But the statistics still show a negative Credit to GDP ratio which indicates that there is still enough opportunity for credit absorption and expansion in bank lending on sustained basis.

5. Concluding Remarks

From the above deliberation it is quite clear that Indian economy is not moving ahead as it is expected. Therefore, in order to accelerate economic growth of this country it is imperative to concentrate and work immediately on the ***crucial factors*** such as: (i) increase in public spending in rural areas, (ii) increase in disposable income of households by way of income tax benefits, (iii) increase in private consumption expenditure, (iv) resolution of more stressed assets and reduction of NPAs on bank balance sheets, (v) infusion of more capital funds to the public sector banks and NBFCs, (vi) improvement in credit flows in parity with the economic activity, (vii) increase in capacity utilisation in manufacturing and service sectors taking advantage of lower oil price and rate cuts, (viii) further rationalisation in GST particularly in Auto and other crucial sectors, (ix) more reform measures to ensure ease of doing business for Indian entrepreneurs and FIIs, (x) boost in private investment across various sectors of the economy, and (xi) generation of more employment in manufacturing and service sector.

In his felicitation address delivered by the former Prime Minister of India Shri Manmohan Singh at J.K. Lakshmipati University recently he said *"Presently our economy seems to have slowed down. The rate of growth of GDP is declining, investment rate is stagnant, farmers are in distress, banking system is facing a crisis and unemployment is going up. We need a well-conceived strategy to make India a 5-trillion economy."* MA

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Budget 2019 - Measures to improve the economy

Our Finance Minister Mrs. Nirmala Sitaraman had pointed out to the set-back in the economy reported in all journals and the economists especially the depression in auto sector and the falling demand and the expected fall in collection of GST. There were no significant departure in the budget, which followed the usual pattern of freebies for Rs. 5,000 each for women in self-help groups, while the more serious matter especially affecting the poor by liquor and tobacco continues with Government itself active in liquor business.

There is much talk about women's empowerment but even the one-third reservation for women in the Parliament hangs fire for many years now, but the Tamil Nadu State Government has already announced reservation for women in the local elections shortly to be held without a word of appreciation from any quarters.

A review of the measures proposed by the Government to boost the economy are listed below:

(1) The enhanced surcharge levied on long term/ short term capital gains on transfer of equity shares/ units under sections 111A/ 112A is mercifully dropped.

(2) So is the abominable tax on new issue of shares at a premium under section 56(2)(viib) as a part of reform of angel tax with a cell created for solving the problems of start-up industries.

(3) The promised capitalization of public sector banks apart from Rs. 1.75 lakhs crores made available by the Reserve Bank of India is expected to make more money available at what is more with rate cut with working capital becoming cheaper.

(4) There are many minor matters like rectification of some meaningless provisions like treating Corporate Social Responsibility (CSR) violations no longer criminal offences, creating a cell to deal with complaints of harassment and preventing misuse of computer generated communication with unique document identification numbers.

(5) Timely tracking up loan applications and one-time settlement of outstanding dues especially for MSME borrowers are to be encouraged.

(6) Bank loans for genuine needs will be monitored, while liberalisation both as to the quantum of loan and rate of interest for affordable housing, vehicles and consumption goods is another item in the agenda with greater collaboration between public sector banks, MSMEs, NBFCs, self-help groups and mutual funds in the agenda.

(7) GST refund is to be expedited, so is the implementation of U.K.Sinha Committee on ease of credit, marketing, technology, prompt payments, etc. to be within 30 days.

(8) Deepening up bond market to encourage offshore finance and to bring offshore rupee markets to India enabling foreign credit and their depositories' schemes with simplified KYC procedure for investments in domestic stock exchanges.

(9) Disputes with Government regarding payments to contractors and in decisions in financing infrastructures to be resolved by arbitration.

(10) Increase in depreciation on vehicles is in the cards.

(11) The procedure in matters of check of accounts will be carried out by computer generated correspondence dispensing with personal presence indicating an intended change in Government functioning, which if successfully implemented should certainly make some difference.

Improvement of Agriculture

One of the expectation in the budget is the attention to agriculture, so as to help increased production and development. There is unfortunately nothing in it overlooking an important development in agriculture by way of genetically modified (G.M.) seedlings, the new breeds, which had multiplied production in massive scale in U.S. in soya beans, maize and rape seeds, cotton and papaya, insect resistant cow pea in Africa and brinjal in India with Brazil, Argentina and Canada close to them are all the beneficiaries of genetic research, which have made a headway. Crops, which would curb pollution is the subject matter of research in University of York.

National Agricultural Statistics Service in U.S. compiles world-wide data on the subject with major firms engaged in research with Mansanto being the successful player for cotton in India. Scientist Kaushik Chakraborty is providing human qualities to yeast expected to be a cure for cancer. Surprisingly, there is a strong adverse reaction on the ground, that such crop is unhealthy and will damage the fields based upon the superstition that this movement will affect health of the citizens in future and damage the lands, where used. An equity firm in Hong Kong has made a fortune in African algae by genetic research.

Indian scientists are averse to transgenetics on the ground that they are not bio-safe, but even China has stolen a march over India in such crop research. India is sadly lagging behind in missing this branch of genetic research so much in need in India.

Probably we can take consolation from the considerable research, which Mr. Vallabh Kathiria, Chairman of the Cow Board in the newly established Rashtriya Kamadhenu Aayog with an initial corpus of Rs. 500 crores has promised by commercialisation of cow urine and dung with by-products of medicinal value with training programmes with the help of people already running gaushalas and promoting a cow tourism! What more does India want!! MA

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COST-BENEFIT-ANALYSIS OF SELLING OF THIRD PARTY PRODUCTS IN BANKS

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Abstract

The foundation of the method of Cost-Benefit-Analysis arose from the Hicks–Kaldor criterion of efficiency maximization in 1939. Cost-Benefit-Analysis is one of the significant tools for decision-making process, but the accuracy of a Cost-Benefit-Analysis (CBA) is limited by the thoroughness of recognizing likely Costs and Benefits. If a business organizations fails to recognize potential Costs and Benefits, it can cause poor results that lead to sub-optimal decisions.

While selling 'Third Party Products/ Cross Selling Business' through their Network by using their Branch Infrastructure and Staff, Cost-Benefit-Analysis gives good results.

Adam Smith (1723-1790) was a Scottish economist, philosopher and author as well as a moral philosopher, a pioneer of political economy and a key figure during the Scottish Enlightenment, also known as **''The Father of Economics".**

Adam Smith goes on to say that he visited a pin factory employing 10 men who produced 48,000 pins per day, if the process can be broken down into **18 distinct steps,** including the packaging the pins. If ten workers **did every step** by themselves, Smith says they could produce each 10 or 20 pins per day.

Pure Banking: Banking in India–Accepting Deposits for the purpose of Lending. In the past, banks were not allowed to do anything that does not come under the ambit of banking department. **Purity was maintained.**

Table-1
Business Performance of TOP 5 Banks as on 31.03.2019

(Rupees in Crores)

Bank	Deposits	Advances	Total Business	Profit / Loss
State Bank of India	29,11,386	21,85,877	50,97,263	862
Punjab National Bank	6,76,030	4,58,249	11,34,279	-9,975
Bank of Baroda	6,38,690	4,68,819	11,07,509	434
Canara Bank	5,99,033	4,44,216	10,43,249	347
Bank of India	5,20,862	3,41,006	8,61,868	-5,547

Analysis: Profits earned by the Public Sector Banks are not commensurate with the level of business they are handling. Top 5 Banks Deposits and Advances are mentioned above and the percentage of Net Profit earned / Loss by Top Five Banks on Total Business is as follows:

Table-2

Net Result on Total Business as on 31.03.2019

Bank	% of Profit / Loss on 'Total Business'
State Bank of India	0.02%
Punjab National Bank	(-) 0.88%
Bank of Baroda	0.04%
Canara Bank	0.03%
Bank of India	(-) 0.60%

Thus it shows that TOP Five Commercial Banks 'Net Earnings' on Total Business is below 1% and TWO Banks are in Negative result for the financial year ending 31.03.2019.

Table-3

Branch Network, Employees and Customers as on 31.03.2019

Bank	Domestic Branches	Foreign Branches	Employees	Customers
State Bank of India	22,010	208	2,57,252	43,51,00,000+
Punjab National Bank	6,989	6	70,810	11,00,00,000+
Bank of Baroda	5,553	100	55,754	8,60,00,000+
Canara Bank	6,310	6	58,350	8,73,00,000+
Bank of India	5,148	34	48,807	9,00,00,000+

Analysis: Network of Branches, Employees and Customers of the Public Sector Banks are on increasing trend year-on-year basis. Still Public Sector Banks are facing problems like mounting NPAs, Low Spreads, Low or Negative Profits, Low Capital Adequacy Ratios etc. Average Number of Customer per Branch and Average Staff Members per Branch of TOP five Public Sector Banks are as follows:

Table-4

Average Number of Customers and Staff "Per Branch" as on 31.03.2019

Name of the Bank	Number of Customers	Staff
State Bank of India	19,768	12
Punjab National Bank	15,739	10
Bank of Baroda	15,487	10
Canara Bank	13,835	9
Bank of India	17,482	9

Analysis: The above data reveals that Average Staff Members per Branch is more or less equal with the level customer's base of bank branches. Number of Branches and Staff are TWO vital Input elements in mobilizing Business i.e., Deposits and Advances by the Banks. Optimum utilization of these TWO resources in Banking Industry results to increase both TOP Line (Business) and Bottom Line (Profit) of the Balance Sheet of the Banks. Volumes of transactions routed through alternate delivery channels are on increasing trend (year-on-year basis). This results in decrease transaction costs in the Banking Industry and also optimum utilization of Information Technology. Dependence on 'Bank Branches' is gradually reducing and customers are accessing the Bank Branches to avail limited services.

Table-5

Gross Income, Commission & Cross Selling Commission as on 31.03.2019

(Rupees in Crores)

Bank	Gross Income	Commission	Cross Selling Commission
State Bank of India	2,79,643	23,304	1927
Punjab National Bank	58,687	2,806	226
Bank of Baroda	56,065	1,989	126
Canara Bank	53,385	1,172	198
Bank of India	45,900	1,243	101

Analysis: Gross Income from Banking Operations of Banks contains Net Interest Income (NII), Exchange on Remittances & Foreign Exchange Transactions and Commission on various services lent by the Bank Branches and Discount Income on Trade Bills. Percentage of Commission on Gross Income and percentage of Cross Selling Income in Gross Income mentioned below:

Table-6
Percentage of total Commission & Cross Selling Commission in Gross Income as on 31.03.2019

Bank	% of total Commission	% of Cross Selling Commission
(1)	(2)	(3)
State Bank of India	8.33%	0.69%
Punjab National Bank	4.78%	0.39%
Bank of Baroda	3.55%	0.22%
Canara Bank	2.20%	0.37%
Bank of India	2.71%	0.22%

TOP 5 Banks, percentage of commission in total income is more in State Bank of India i.e., 8.33%, whereas it less in Canara Bank i.e., 2.20%. Cross Selling Commission is less than the 1% of 'Gross Income' in all Banks. Banks are deploying manpower, time and bank's infrastructure on Cross Selling Business and Commission earned by them through selling of Third Party Products is not matching with the time and cost spent by them.

Table-7
Total Business, Employee Business & Gross Income per Branch as on 31.03.2019

(Rupees in Crores)

Bank	Per Branch Total Business	Per Employee Business	Per Branch Gross Income
State Bank of India	232	20	13
Punjab National Bank	162	16	8
Bank of Baroda	199	20	10
Canara Bank	165	18	8
Bank of India	179	19	9

Analysis: Highest per Branch Business, Employee Business and Branch Gross Income among TOP Five Banks is State Bank of India and least in Punjab National Bank, even though Punjab National Bank is Second position in Total Business.

Table-8
Commission, Cross Selling Commission Analysis as on 31.03.2019

Bank	Per Branch Commission (Rs. In Crs.)	Per Branch Cross Selling Income (Rs. In Crs.)	% of 'Cross Selling Income' in Total Income	% of 'Cross Selling Income' in Total Commission
State Bank of India	1.06	0.0876	0.69	8.27
Punjab National Bank	0.40	0.0323	0.39	8.05
Bank of Baroda	0.36	0.0227	0.22	6.33
Canara Bank	0.19	0.0314	0.37	16.89
Bank of India	0.24	0.0196	0.22	8.13

Analysis: Per Branch Commission earned is highest in State Bank of India and least in Canara Bank. Per Branch Cross Selling Income is highest in State Bank of India and least in Bank of India. Percentage of Cross Selling Income in Total Income is highest in State Bank of India and least in Bank of Baroda and Bank of India. Percentage of Cross Selling income in Total Commission is highest in Canara Bank and least in Bank of Baroda.

State Bank of India per Branch Commission per annum is Rs.1.06 Cr. and least amount of Rs.19 Lakhs per annum in Canara Bank. Branches should give more focus on Commission Income from the existing customers by offering various Banking related services including up-selling products of the bank. Cross Selling Income per branch per annum is in the range of Rs.2 Lacs. to Rs.9 Lacs which is less than 10% of total commission per Branch.

Table-9
Salaries & Rent, Electricity and Taxes as on 31.03.2019

(Rupees in Crores)

Bank	Staff Salaries	Rent, Electricity & Taxes
State Bank of India	41,054	5,265
Punjab National Bank	6,963	765
Bank of Baroda	5,434	1,098
Canara Bank	5,675	987
Bank of India	6,021	709

Analysis: Staff Salaries and overheads are the major expenditure after 'Cost of Deposits' in Banking Industry. When Staff is focusing on selling of multiple products i.e., 'Third party products' and 'Bank own products', Cost-Benefit-Analysis of Third Party Products are to be analyzed by the Banks to arrive 'Economic Viability' of 'Cross Selling Business'.

Table-9 shows that Staff Salaries and Rent, Electricity & Taxes of TOP Five Banks for the financial year ending 31.03.2019. If we take 5% Average time staff spent on 'Third Party Products' out of total time available by the Bank Branches, then the cost incurred by Banks are as follows:

Table-10
5% of Average Time Cost (Staff Cost and Overheads)

(Rupees in Crores)

Bank	5% of Staff Costs	5% of Overheads	Total
State Bank of India	2,053	263	2,313
Punjab National Bank	348	38	386
Bank of Baroda	272	55	327
Canara Bank	284	49	333
Bank of India	301	35	336

Analysis: Staff involved in selling process of "Third Party Products" / Cross Selling Products are Frontline Staff, Fixed Deposit Section, Savings Bank Deposits Opening counters, Advances Sections like Retail Segment and MSME Segments etc. Branch Managers and Divisional Managers have to spend more time on selling of 'Third Party Products'. Some of the staff are not involved in this process like subordinates etc. Hence, if we take only 5% cost of manpower and overheads. Total Cost of 5% time spent by the Branches in State Bank of India is Rs.2,313/- Crores, whereas in other Banks in the range of Rs.327/- Crores to Rs.386/- Crores.

Table-11
Cost–Benefit–Analysis of Selling Third party Products
(Assumption: 5% Time spent on Cross Selling Business)

(Rupees in Crores)

Bank	5% Time Total Cost (Staff Cost + Overheads)	Commission on Third Party Products
State Bank of India	2,313	1,927
Punjab National Bank	386	226
Bank of Baroda	327	126
Canara Bank	333	198
Bank of India	336	101

Analysis: Comparing 5% of Time spent on "Third Party Products" in Bank Branches and Commission received by the Bank (through cross selling business) per annum, Costs incurred by the Bank is more than the revenue generated through Cross Selling Business. In all most all TOP five banks, the commission earned is less than the cost of time spent and overheads incurred by the bank on Cross Selling Business.

Benefits of 'Pure Banking Business'

a. *Focused Approach:* If staff focus on Bank Products, it results to increase Business levels of both Deposits, Advances and other services. Thereby it fulfill the Government of India objectives like "Financial Inclusion". Banks' financial key ratios will improve if they use 'Pure Banking' business strategy. Specialization leads to 'Higher Productivity' and efficiency levels e.g. rise in per employee business, lower operational costs leading to higher profits. It encourages to mobilize additional capital from prospective investors.

b. *Quality of Credit:* Post sanction follow-up of advances is an important process in Credit Management Function of the Banks to arrest the advance accounts turn into NPAs. Credit process is having sub-processes like Pre-sanction, Sanction and Post-sanction. If staff of 'Credit Wing' involve in selling process of 'Third Party Products', then the Quality of Credit will affect badly as the disposable time will reduce. Thereby it leads to 'Credit Risk' of the bank and it attracts additional Provisions and Capital Adequacy Issues etc.

c. *Minimization of Assets Liabilities Management (ALM) Mismatch:* Some of the Third party products are basically investments products like Mutual Funds and Life Insurance Endowment policies etc. On account of these products, customers are forced to withdraw funds from Banks from their Savings Bank and Fixed Deposits. Thereby problem of Asset Liabilities Management may arise. Once ALM problem arises, then banks have to borrow funds from various sources like call money market, inter bank borrowings etc. to overcome the liquidity problems.

d. *Avoid Incremental Loss instead of Incremental Benefit:* The time, efforts and manpower cost incurred by the Banks in selling Third Party products are not 'commensurate' with costs incurred and efforts made staff. Thereby the benefit derived to the banks are minimal and no value addition to the Banks' Financial Statements. If Banks focus on 'Core Activity i.e., Mobilization of Deposits and Lending Activity, the benefits to be accrued by Banks is much more than selling of Third Party Products.

e. *Minimization of Complaints:* The first contact point of the customer in case of adverse Claims settlement in insurance products and also when decrease in Net Asset Value (NAV) in Mutual Fund Products is 'Bank Branch', who sold the Third Party Products. Thereby it is an interruption and inconvenience to the Bank Branches Staff who is having partial information to clarify their doubts and they have to spend more time to redress their grievances by contacting the concerned Third Party Products Companies.

f. *Retention of Customers:* Study the Financial Strength and Operational Issues of 'Third Party Product Companies' by the Banks gives leverage to take decision i.e., "to sell or not to sell the third party products" instead of focusing on the characters of Third Party Products and its commission. If financial strength is weak, it effects on the performance of the products to be sold by Bank branches to their Customers. Thereby it leads to complaints from the customers and it leads customer attrition i.e., moving to other banks. Now, some of the banks adopted strategy of 'Pure Banking', and disappointed customers will shift to these Banks. Acquisition Cost of New Customers is higher than retention of existing Customers.

g. *Marketing of Tailor made Bank Products:* Banks are developing number of Deposits and Advance Products from time to time. These products died during 'Growth Stage' of Product Life Cycle. This is due to less marketing efforts made and time devoted by Bank's Staff for own products. Banks are spending huge amount for the development of new products and advertisement costs etc. Once the developed products are failed at initial stage of product life cycle, then it is a huge loss to the banks. If banks are spend more time on marketing of their own products, early death of new products can be stopped thereby business levels will increase substantially.

h. *Focus on Up-selling:* Devote more time towards Up-selling (i.e., Selling of their Own Products) by the Banks results a win-win situation for both existing customers and also to the Bank. Thereby retention of the customers is easy to the Banks and it also minimizes the cost of operations of the bank.

i. *Minimize the Productivity Losses:* Banks are giving budgets for both own products and Third party products to the Branch Heads. Targets of Multiple products (Own and Third Party Products) is difficult to assess the skill sets of the operating staff. Appraising productivity and performance levels of the officials is not practicable as selling of third party products are linking to different financial requirements and income levels of the Bank Customers. Core activity performance appraisal is always measurable and it gives realistic picture to determine the skill sets of the bank officials. Multiple products demotivates the officials and it leads to productivity losses and higher attrition rate.

j. *Publicity / Advertisement:* Multiple products advertisements both in Bank premises and print media etc. creates confusion among the customers and it deteriorates Bank Branches "Ambience". Bank own products and third party products distinction is also missing in most of the depositors'/ borrowers' mind. This is particularly happening in Semi-urban, Rural areas of the Banks. At these places most of the customers are not having good knowledge / awareness on difference between a Bank Fixed Deposit Products vs. Mutual Funds. They are completely believing on the advice of bank staff and accordingly they are investing their 'Hard Earned Money' in Third party products. At the time of maturity period of Third party products, if market conditions are not good, Net Asset Value (NAV) will decrease, thereby customers getting loss and demotivated customer resulting in bad propaganda on Bank Branch.

To Conclude "One foot cannot stand on Two Boats" in Chinese, is a colloquial derogatory phrase. It means that someone cannot make up his or her mind between **two** choices, but usually does them half-heartedly. The phrase is often employed in banking business. Upselling gives more benefits than the business strategy of upselling and cross selling simultaneously.

Upselling enhances customer experience with the Bank, improves customer base, encourages customer to use multiple products, prevent switching to competitor banks, assist in developing new products, value propositions through constant engagement, enjoy customer life time value (customer longevity) and reduces the acquiring cost etc. To get these full benefits, banks have to be more focused on upselling business. Thereby it is WIN-WIN situation both to the Bank and its Customers.

Selling of Government of India schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) Pradhan Mantri Suraksha Bima Yojana (PMSBY) etc. are not to be treated as Cross Selling Products and the purpose of introduction of these products by Government of India is to provide **Social Security** to all Indians.

To conclude, focus on "Pure Banking" is need of hour in the banking industry as banks are facing problems like increase in Non-performing Assets, decrease in profits and some banks are loss making, lower Capital Adequacy Ratios, Asset Liabilities mismatch, lower growth rate in deposits etc. To overcome these challenges "Pure Banking" is best Strategy to improve the financial strength of the Banks. MA

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EVALUATION OF CAPACITY ASSESSMENT – A CASE STUDY

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Abstract

As a continuum of the previous article by the author, which appeared in The Management Accountant Sep 2019, he presents an actual case study of Capacity Assessment, for an MSME, for evaluating new investment.

Introduction

The previous article by me has kindled many readers and has received responses to elaborate more on the subject. I am happy with the thought process that has started, and would like to add few more areas of interest which will really help the end user.

Key Areas of present Focus

Capacity assessment, line balancing and calculating returns on incremental investments is a major area where the quarterly performance audit report which was suggested in the previous article on "Value Addition in Cost Audit - Non Financial Parameters- Focus for MSMEs" in Sep 2019 issue of The Management Accountant, will help the end user as well as external investors and lenders to the business.

The situation

Businessmen nowadays are very reluctant to borrow indiscriminately after the Insolvency and Bankruptcy Code came in to force as they will be forced to lose their businesses if they default. MSME sector entrepreneurs have to pledge their dream homes and family jewels to borrow from banks. One of the reasons for present economic slowdown may be due to the reduced capital expenditure after IBC came into force.

The Case Study

Normally we have a discussion forum with fellow MSME entrepreneurs on various common problems facing us and mutually use it to help each other on concerned areas of specialization voluntarily, as survival and growth are the common thread among all of us. Recently one such MSME unit owner told me that in-spite of the present recession, he is getting some new businesses from his clients for which he has to install additional machineries and his bank is not supporting the loan proposal.

He told me that he provided enough collateral securities and bank is not supporting him. I went through the papers submitted by him to his bank which were prepared by his financial consultant. His request for an additional term loan of Rs 1 crore is not permissible as per the norms prescribed for MSME units by the banking sector and there was no surprise that his loan proposal was not being considered. I felt that roughly 25 to 30 lakhs is the eligible limit as per the prudential lending norms of the bank.

Facts of the Case and a possible solution

I decided to go through the non-monetary information available in his quality system records to assess the capacities of individual processes. My assessment is enclosed in EXHIBIT 1.

EXHIBIT 1

Processes	No. of m/cs	Hourly capacity of each machine	Production/hour	Production/day
1	1	80	80	1280
2	2	50	100	1600
3	2	50	100	1600
4	2	50	100	1600
5	3	40	120	1920
6	2	60	120	1920
7	2	60	120	1920
8	2	60	120	1920
9	2	60	120	1920
10	1	60	60	960

It is assumed that the unit works 16 hours per day on two shift basis.

Present limiting factor of capacities	960	/ day
Normally we leave 15% of capacity for losses for set up/tool change over etc	816	/ day
Let us assume (for calculation purpose)	800	/ day
Number of days per annum	300	
Annual installed capacity	240000	Units
Actual production in 2018	180000	Units
Industry average capacity utilisation	80%	
Capacity utilisation in the present case	75%	

Capacity utilisation is fairly ok as it is nearer to industrial average.

I told him that he has to remove the bottleneck in Process 10 so that better line balancing is achieved and also he can meet his customer demand to a great extent. He told me that the demand will go up from 15000 now to approximately 25000 during the next three years. Based on the discussions, we decided to remove bottleneck in Process 10 by adding a new equipment valued approximately Rs 30 lakhs. This will also reduce manpower requirement substantially as well as improve quality of the products. He also told me that he will not scrap the old equipment and will refurbish the same on his own at a later date as it is already more than 30 years old. Based on the quality and manpower considerations which is always in short supply throughout our state. I accepted his valued suggestions and reworked his new capacities incorporating new machine in Process 10 which are available in EXHIBIT 2.

EXHIBIT 2

Investment Return Calculations			
Processes	**No. of m/cs**	**Capacity/hour**	**Production/day**
1	1	80	1280
2	2	50	1600
3	2	50	1600
4	2	50	1600
5	3	40	1920
6	2	60	1920
7	2	60	1920
8	2	60	1920
9	2	60	1920
10	1	80	1280

It is assumed that the unit works 16 hours per day on two shift basis.

Present limiting factor of capacities	1280	/ day

Normally we leave 15% of capacity for losses for set up/tool change over etc	1088	/ day
Let us assume effective capacity as (for calculation purpose)	1100	/ day
Number of days per annum	300	
Annual installed capacity	330000	Units
Industry average capacity utilisation	80%	
Estimated production capacity	264000	

New machine for Process 10 will cost Rs 30 lakhs including installation, commissioning etc

Estimated Demand Year-wise

	Units
Year 1	210000
Year 2	230000
Year 3	250000

The demand for project expansion has come down from Rs 1 crore plus to Rs 30 lakhs and if we deduct his margin of 25%, loan portion will drop to Rs 22.50 lakhs which I felt will be acceptable to his bank.

I also worked out incremental investment and incremental contribution returns, the results of which are available in EXHIBIT 3.

EXHIBIT 3

Incremental Investment and returns calculations:-

Selling price per unit	400	Rs
Raw material Cost per unit	320	Rs
Gross Contribution	80	Rs
Present Annual Contribution	1,44,00,000	

Annual Contribution Increase during next three years

	Units Produced	Contribution	Incremental Contribution	Cumulative
Year 1	210000	1,68,00,000	24,00,000	24,00,000
Year 2	230000	1,84,00,000	40,00,000	64,00,000
Year 3	250000	2,00,00,000	56,00,000	1,20,00,000

The proposed expansion will not only pay for itself in the shortest period of say 1 year plus but also contribute better to service his existing loans. We drafted a proposal to the bank enclosing my workings and it was accepted by the bank for consideration and I hope he will get the loan sanctioned shorty.

Frankly speaking I didn't make use of full nonmonetary information available in the system to calculate full variable costs including labour, machine, space, energy etc and used only raw material cost as the variable cost. He is also going to save labour which is very scarce in our area. I used only non-monetary information in the first two exhibits and used roughly calculated contribution in the third exhibit.

Conclusion

MSME owners are mostly engineers and are having weaknesses for adding machines indiscriminately without bothering about returns as well as financial viability their units . I used to criticize them regularly for such an approach and after seeing my workings, he was really impressed. He feels that CMA's have in-depth knowledge but their services are not available to small units like him. It is high time, the Institute takes initiatives to give proper training to PCMA's and also make their services available to MSME sector.

While my above working is based on actual case study of a MSME unit, the same is applicable to bigger units also as the principles applied are the same. Borrowing indiscriminately will land them under IBC and they may lose their inherited family businesses if they don't follow proper controls and procedures internally in running their units profitably.

Nonmonetary information is very vital for every business and CMA's should equip themselves to harness, analyze and use it properly in their cliental units. Fortunately quality system records have most of this information available and it is sparingly used by the units. Using Standard Costing and Marginal Costing principles, this information could be very effectively brought for managerial decisions, especially among MSMEs, who have a thin Fixed Cost. Some of the readers of my previous article questioned the ability of standard costing to produce accurate results. I earnestly feel that results need not be 100% accurate as no management is going to be unhappy if the variations are negligible. For example, if a unit makes a profit variation of say 5%, it is not going to matter for the unit and owner. Decisions are taken within a short time frame and a ball park guidance, which provides a lead or direction to profitability of a product is enough for an MSME decision maker. It can be verified periodically over a longer time frame such as 6 months or even a year to provide course correction to the above approach. Over a period of time with better experience, the accuracy can be improved with just 1 or 2 percent variation. MA

References

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SABKA VISHWAS (LEGACY DISPUTES RESOLUTION) SCHEME CALLED AS SVLDRS - BENEFITS TO TRADE AND ANALYSIS FOR THE BENEFIT OF PRACTISING PROFESSIONALS

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Abstract

Liquidity problems are for the trade and Government as well. Pendency of adjudication and investigations is certainly a headache for Government and a cause of tension for the trade. The objectives of SVLDRS will address both the issues effectively. Better to realise the arrears before Financial creditors prevent CBIC to recover under IBC Code. Government is neither financial creditor nor Operational creditor for the arrears of taxes unrecovered. Let the fight remain between NCLT and CBIC to decide the status of amounts due to Government. The Trade should take all the offered sweets.

This scheme is intended to provide substantial relief by off-load of baggage in work load to the Government of India in addition to substantial cash inflow. For the trade, it relieves the tension of infinite waiting of just, fair and reasonable orders from the Adjucating Officers of the Government of India. The success rate of the Department in the appeals (filed by the Department as well as Trade) in CESTAT, High Court and Supreme Court is not more than 15 %. The issues are to be settled relates to Central Excise and Service Tax and can be handled by CGST officers only after introduction of GST. The officers of the Government of India have to deal with pre-GST cases and GST cases. It is not possible to bear the load of both the baggages by the Central Excise Department. The scheme will relieve the load of baggage of pre-GST cases in addition to ensuring cash inflows at the minimum rate of 30 % of the disputed amounts. The Department already got 10 % of the disputed amounts by way of pre-deposit in the case of appeals upto CESTAT and 7.5 % in the case of appeals before the Commissioner (Appeals). Therefore, cash inflow @ 20 % of the disputed amounts is guaranteed to the Department. The only beneficiaries and also adversely affected in the entire exercise are only practising CA/ CMA / Advocates.

Safest to the Government is VDS and litigation is the risky area. The reliefs are accordingly framed.

You can guide Trade how to fill up the format in CBIC site. There is nothing like tension either to the Government or Government officers as always safe option is exercised by issue of SCN and confirmation of the same to be one the safe side.

This scheme is more beneficial to the Trade than to the Government of India. Torture by mechanical SCN's, lack of just, fair and reasonable orders below CESTAT level is just a psychological aspect. The actual burden is cost of a Consultant for replying SCN, filing appeal to the Commissioner (Appeals), thereafter to CESTAT, High Court and Supreme Court, if necessary. Time taken to prepare replies to SCN, filing the appeals and monitoring the process is time taking at all levels of Management. If the same time is spent on expansion of market share and cost reduction, it will give more and better results.

The biggest attractive offer to the Trade in the scheme is arrears. Recovery normally covers taxes to be paid with interest by coercive action. The interest rate increases with lapse of time. It varies from 18% (below 6 months) to 30% (beyond 1 year).

Period of delay	Rate of simple interest
Upto 6 month	18% p.a.
More than six month and up to 1 year	18% p.a. for the 1st six month of delay and 24% p.a. for the delay beyond 6 months.
More than a year	18% p.a. for the 1 st six month of delay + 24% p.a. for the period beyond 6 month upto 1 year + 30% p.a. for any delay beyond one year

In case of an amount in arrears, the relief is 60% of the confirmed duty/tax amount if the same is Rs. 50 lakhs or less and it is 40% in other cases (above Rs. 50 lakhs).

Now, let us see the details of the scheme.

The scheme has 5 attractions as below:-

- Total waiver of interest and penalty
- Immunity from prosecution
- In cases pending in adjudication or appeal, a relief of 70% from the duty/tax demand if it is Rs. 50 lakhs or less and of 50%, if it is more than Rs. 50 lakhs. The same relief is available for cases under enquiry, investigation and audit where the duty involved is quantified on or before 30.06.2019.
- In case of an amount in arrears, the relief is 60% of the confirmed duty/tax amount if the same is Rs. 50 lakhs or less and it is 40% in other cases.
- In cases of voluntary disclosure, the declarant will have to pay full amount of disclosed duty/tax.

To avail benefits of the scheme, one has to register in CBIC site under the head "SVLDRS" and file a declaration. So, let us discuss each area as per the software under the head "SVLDRS". FAQ and your knowledge and experience is of no use. It is like filling up your details in IRCTC site while booking railway tickets. It has the following major heads and sub-heads:-

1. Litigation

i) SCN involving duty pending

ii) SCN involving penalty pending

iii) Appeal pending

Litigation	Relief	Payable
More than Rs.50 lakhs	50%	50%
Rs.50 lakhs or below	70%	30%

2. Arrears

i) Appeal not filed or appeal having attained finality

ii) Declared in the return but not paid

	Relief	Payable
More than Rs.50 lakhs	30%	70%
Rs.50 lakhs or below	50%	50%

3. Investigation, Enquiry, Audit

i) By DGGI (earlier called DGCEI)

ii) By Commissionerate

iii) Audit

	Relief	Payable
More than Rs.50 lakhs	50%	50%
Rs.50 lakhs or below	70%	30%

iv) Voluntary Disclosure

No relief. Entire duty is to be paid. Relief is only on interest and penalty.

It may by seen that "amount of duty" means the amount of central excise duty, the service tax and the cess payable under the indirect tax enactment;

There are other details to be chosen and to be filled up in CBIC software, depending on the sub-head chosen. **Please remember that the application is to be filed in CBIC software only just like buying railway ticket in IRCTC site.** Let us discuss the above major benefits.

1. Litigation

i) SCN involving duty pending

The SCN is pending adjudication by the Appropriate Adjudicating Officer (Assistant / Deputy Commissioner at the Divisional Office level, Joint Commissioner / Additional Commissioner / Commissioner at the Headquarters level) where the final hearing has not taken place as on 30.06.2019. Final hearing is same as Personal Hearing (PH), the word used in the Department. The presumption in the scheme is that once PH is conducted, the Adjudication Order (Order-in-Original also called in brief OIO) is issued. If OIO is not issued but the officer is transferred, does it mean that PH is held? The answer is No. The next officer has to again conduct another PH. In such cases, it is to be to be taken that earlier PH is cancelled and the assessee is eligible for the benefits of the scheme. There are several cases where no PH was conducted even after months after issue of SCN. **Most importantly, there are numerous cases where IOI is not issued even after one year of PH. Here, the word pending means "pending adjudication". FAQ issued by CBIC does not deal with crucial aspect. If PH is held but OIO not issued even after one year, the declaration cannot be filed as per the software. The eligibility should be "Final hearing held before 30-06-2019, but OIO not issued". Trade and Professional bodies like CA / CMA institutes has to take up the issue.**

ii) SCN involving penalty pending

This applies to notice given to another person as a co-noticee. The lorry driver of the vehicle involved in clandestine removal is also issued notice for penalty. Driver can file application / declaration only when the main noticee pays duty.

iii) Appeal pending

Both assessee and the Department files appeals in toto or the particular aspect not agreed/adverse to them. The 1st Appellate Authority is Commissioner (Appeals). Thereafter CESTAT, High Court and Supreme Court. There is no pre-deposit for the Department but the assessee has to pay @ 7.5 % before Commissioner (Appeals) and 10 % before CESTAT (including 7.5% already paid).

For the cases upto CESTAT

Final date of Hearing (PH) held before 30/06/2019, the assessee is not eligible for this scheme. The presumption is OIO is issued. The above suggestion is squarely applicable here also.

If PH is not held before 30/06/2019, the appeal is pending and the trade can opt for the scheme.

Pending at High Court / Supreme Court

Withdraw appeal and upload the withdrawal documents in the CBIC site and opt for the scheme.

WITHDRAWL **FOR ALL THE ISSUES RAISED IN THE APPEAL AND NOT ONLY THOSE ADVERSE LAVING THE REMAINING ISSUES IN LITIGATION.**

2. Arrears

	Relief	Payable
More than Rs.50 lakhs	40%	60%
Rs.50 lakhs or below	60%	40%

i) Appeal not filed or appeal having attained finality

OIO (Order-in-Original) is passed by officers from Assistant Commissioner to Commissioner (Head of Commissionerate). The appeal on the adverse orders passed by Assistant Commissioner, Deputy Commissioner, Joint Commissioner and Additional Commissioner lies to Commissioner (Appeals). The appeal on the adverse orders passed by OIO passed by Commissioner or OIA (Order-in-Appeal) by the Commissioner (Appeals) lies to CESTAT. **It is to be borne in mind that the Commissioner (Appeals) has no discretionary powers under law to condone the delay in filing the appeal for only 1 month (after prescribed time limit of 2 months) while there is no such restriction for CESTAT.**

Appeal not filed means assessee accepted the OIO or OIA CESTAT order or HC order or SC order. Appeal is to be filed within the prescribed time limit as above.

Appeal having attained finality means that the appeals of the assessee were dismissed on appeal.

ii) Declared in the return but not paid

This is one of the most common and frequently occurring event. This is an admission by the person that they owe to the Government the difference between the declared tax payable and tax paid. There is no scope for any liberal interpretation or escape. The best beneficiary in this scheme is the defaulter as the duty with interest is substantial.

3. Investigation, Enquiry, Audit

i) By DGGI (earlier called DGCEI)

ii) By Commissionerate

iii) Audit

	Relief	Payable
More than Rs.50 lakhs	50%	50%
Rs.50 lakhs or below	70%	30%

Section 2 (r) defines **"quantified"** as written communication of the duty payable under the indirect tax enactment. It is clarified by CBIC Circular that such written communication will include a letter intimating duty demand; or **duty liability admitted by the person during enquiry, investigation or audit;** audit report etc.

"enquiry or investigation", under any of the indirect tax enactment, shall include the following actions, namely:— (i) search of premises; (ii) issuance of summons; (iii) requiring the production of accounts, documents or other evidence; (iv) recording of statements; (m) "enquiry or investigation", under any of the indirect tax enactment, shall include the following actions, namely:— (i) search of premises; (ii) issuance of summons; (iii) requiring the production of accounts, documents or other evidence; (iv) recording of statements;

Summary of Relief

For litigation, Investigation /audit

	Relief	Payable
More than Rs.50 lakhs	50%	50%
Rs.50 lakhs or below	70%	30%

For Arrears

	Relief	Payable
More than Rs.50 lakhs	40%	60%
Rs.50 lakhs or below	60%	40%

4. Voluntary Disclosure

This is not applicable only when the declaration is filed after initiation of audit or investigation. Clandestine removal (dispatch without invoice) or clearing more quantity than indicated in the invoice, or realising more amount per unit than indicated in the invoice are the possible cases.

Precautions

1. The relief is only for the issue and time. Relief cannot be claimed as right after 31.12.2019. Suppose a inclusion of inspection charges in the transaction value is the issue. The law as well as case law is in favour of inclusion. Just because relief is granted upto 31.12.2019, the same cannot be claimed as a right. The relief is only because of the scheme.
2. Selective approach in litigation is not allowed. If a SCN or order appealed has 2 issues and there is a clear and settled law in one issue, the application cannot be chosen for one issue only. All the issues in the notice/appeal are to be covered and the gross amount is to be considered.
3. If the Pre-deposit is more than the net amount payable after relief, no refund will be given. Approach to be coupled with the selective approach as above.
4. The last date is only for filing the application by the person. The actual settlement may take any time after 31.12.2019 also. Trade to be informed.
5. If the contents of VDS application are factually incorrect, the immunity can be revoked.
6. The amount indicated as payable by proper officer is not paid within 30 days online in cash, the application is invalid. MA

References

1. Central Excise Act, 1944.
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3. SVLDRS heading in CBIC site.
4. Chapter V of Finance (No.2) Act, 2109.
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6. CBIC Circular dated 25-09-2019.

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ISSUES IN PERFORMANCE ASSESSMENT FRAMEWORK: A CASE OF KONKAN RAILWAYS

Introduction

Transport plays major role in economic development at the national and international levels. It provides access to economic and social activities and opportunities for individuals as well as businesses. Railways are an efficient transport mode—concentrating people and goods and transporting them over a fixed route using multiple coaches and freight wagons. However, it requires a large investment. Hence, the Government is concerned that such investment becomes self-sustainable over a time and offer good economic and social returns.

Rationale

To monitor efficient utilisation of such investment, it is necessary to have suitable performance assessment framework that offers insights into the outcome not only in financial terms but also provide information on strategic and operating aspects of the business. Such framework should address key strategic parameters, like market, product innovation, technology adoption, human resource development, along with financial performance measures. This should provide insights into governance practices, and offers relative measures of performance which can be comparable with entity in same business overcoming scale effects.

Introduction to Konkan Railways

Railways in India is govern by Ministry of railways under Government of India. India's railway network is recognised as one of the largest railway systems in the world under single management. Konkan Railway Corporation Limited (KRCL) was incorporated as a Public Limited Company on the 1990 owned by Indian Railways (51%) and remaining 49% by four State Governments (Maharashtra, Goa, Karnataka and Kerala). KRCL was commissioned in 1998. It constructed a broad-gauge railway line along the west coast of India connecting Roha (near Mumbai) in the North to Mangalore in South. The project was commission at the cost of Rs. 3555 crores of which Rs. 806 crores was equity contribution and remaining Rs. 2748 crores was through external funds.

In the initial period, KRCL was subject to considerable political instability. In project implementation period, the projections went far awry. KRCL did not realise the expected traffic. Though broke even in third year of operations, due to inviably high finance cost obligations of large external borrowings, it accumulated losses over a period of time. KRCL went through two rounds of financial restructurings, one in 2008 and another one, in 2016 to avoid state of negative net worth by conversion of loan in to quasi equity. It is important that KRCL to find out ways to become self-sustainable in years to come.

In this backdrop, the study attempts to explore the performance assessment framework that offers strategic assessment along with financial and operating assessment. It explored the applicability a few select frameworks on KRCL.

Balance Scorecard

Traditional methods of performance measurement focus more on costs and financial information. Robert Kaplan and David Norton (1992) provide managers with a valuable framework for integrating a company's strategic objectives and competitive demands into its performance measurement system, called Balance Scorecard. It allows managers to look at the business from four important perspectives. KRCL has incorporated in its performance assessment framework, the parameters over and above financial ones.

Table 1: How KRCL assessment framework includes components of Balance Scorecard

No.	Parameters	Whether part of KRCL's assessment framework?
1	Financial perspective	Yes. It expresses its targets in terms of financial and operating ratios.
2	Customer perspective	Yes, in reasonable details. It specifically reviews whether the clients' projects are within cost and time milestones.
3	Learning and innovations	Yes, in reasonable details. It has a detailed guidelines to assess not only Human resource management but also operational innovation to be carried every year to improve and upgrade
4	Internal processes	Yes. It lays down targets for improvement in existing internal systems and processes.

OECD framework of Corporate Governance for SOEs

OECD (2015) corporate governance of a State-Owned Enterprise (SOEs) provides the framework for ensuring that the railway is well managed, implementing shareholder-set policy, conducting business lawfully, and performing in accordance with owner's expectations. It includes creating a:

- transparent and healthy relationship between the government and the entity;
- structure for strategic guidance and oversight of the railway; and
- structure for appointing an appropriately qualified and motivated management team.

Table 2 indicates how and to what extent KRCL performs on observing best corporate governance practices in alignment with the OECD recommendations. It provides a brief a snapshot of KRCL's corporate governance practices. It has been observed that KRCL follows the governance practices observing the principles of corporate governance in significance alignment with OECD framework for State Owned Enterprises.

Table 2: To what extent KRCL follows corporate governance practices recommended by OECD (for State Owned Enterprises

No.	Governance parameter	KRCL's practice
1	Board guidelines for fiduciary responsibility	KRCL has its own Board charter and Code of Conduct for Board level Member and Senior Management. These charter and codes are intended to serve as a basis for ethical decision making in the conduct of professional work.
2	Critical function of the Board: Monitor company financial performance and manage financial risks;	Board of Directors in its meeting approve half yearly financial performance. Accounts and Finance department provide monthly P&L account to the higher management to review the financial performance of the Corporation. KRCL has Risk Management Committee to assess all its financial and non financial risks and place them for the approval of Board of Directors. Corporation has its Risk Management Policy.
3	Fit and proper	All Board Members are physically fit and proper to conduct day to day professional activities.
4	Board composition	KRCL has strength of 14 Directors in the Board. Its composition are of 4 Functional Directors, 2 Railway Board Directors, 4 participating State Government Directors and 4 Independent Directors
5	Board appointments	All Functional Directors appointed by Ministry of Railway serve for 5 years term or till date of their superannuation which ever is earlier. All Independent Directors are nominated for 3 years. All Central and State Government Directors hold ex-officio position on the Board.
6	Workers' representative	KRCL is having recognized Employees Union by the name National Railway Mazdoor Union to which majority employees are registered.
7	Board evaluation	CEO and Functional Directors are appraised annually by the authorities of Ministry of Railways. As well as Government Directors from the Centres and States are assessed accordingly.
8	Positions of Chairman and CEO to be separate.	Yes.

For the sake of brevity, the governance parameters are not elaborated. Interested readers may refer the source: OECD (2015), OECD Guidelines on Corporate Governance of State Owned Enterprises, 2015 edition, OECD Publishing Paris, for detailed guidelines.

Financial analysis: DuPont analysis

DuPont Analysis is an extended examination of Return on Equity (ROE) of a company which analyses Net Profit Margin, Asset Turnover, and Financial Leverage. This analysis was developed by the DuPont Corporation in the year 1920.

Components of DuPont Analysis

There are three major financial metrics that drive return on equity (ROE): operating efficiency, asset use efficiency and financial leverage. Operating efficiency is measured by margin (PAT/Sales). Assets utilisation efficiency is measured by asset turnover (Sales by Total Assets) and equity multiplier (Total Assets/ Networth).

The DuPont analysis is product of net profit margin, asset turnover, and equity multiplier.

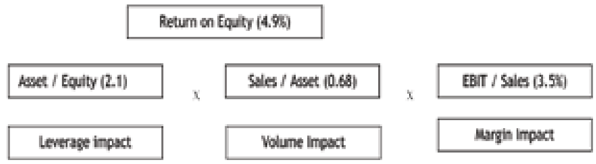

Table 3 provides last five years financial analysis of KRCL in line with variables of DuPont analysis. It is supplement with finding out average trend and compounded annual growth rate (CAGR) of last five years of various variables. Table 4 provides analysis and implications for KRCL.

Table 3: DuPont analysis for KRCL

Dupont Analysis						
Margin Multiplier	2018-19	2017-18	2016-17	2015-16	2014-15	Average
PAT / Sales (after exceptional items)	3.52%	5%	3%	8%	3%	4%
EBIT / Sales	11.9%	12.3%	11.9%	18.8%	15.1%	14%
Asset multiple						
Sales/ Total Assets	0.68	0.65	0.62	0.53	0.48	0.59
Sales / Fixed Assets	0.75	0.74	0.68	0.53	0.44	0.63
Equity / Leverage Multiplier						
Total Assets / Net worth	2.1	2.1	2.3	2.1	2.0	2.12
Net Worth / Total Assets	0.5	0.5	0.4	0.5	0.5	0.47
EBIT / Interest cost	2.6	2.3	1.7	2.3	1.6	2.10
Interest cost / Long term borrowing	7%	7%	9%	9%	10%	9%
Return on Equity (PAT)	4.9%	6.9%	4.0%	8.7%	2.9%	5.6%
Return on Capital Employed (EBIT)	15%	15%	15%	18%	13%	15%
Growth parameters						CAGR
Sales	2,899	2,483	2,153	1,625	1,323	22%
PAT	102	126	60	130	39	27%
Total Assets	6,019	5,538	5,417	4,962	4,172	10%
Capital Employed	4,285	3,803	3,492	3,094	2,774	11%

Table 4: Analysis of KRCL performance through Du Pont Analysis

No.	Particulars	KRCL performance
1	Profit Margin	Margins are volatile in last five years averaging 4% of Revenues. This is due to operational and financial constraints of inelastic revenues stream and relative higher costs being Government company creating developmental infrastructure discharging social obligations. The company has rare achievement of operationally breaking even in third year of operations. However, due to higher cost of external funds, KRCL has suffered financially over period of time.
2	Asset Turnover	Assets turnover has been lagging pulling down the ROE. This is due to regular capital expenditure it has been incurring to create suitable and safe infrastructure. It is now in phase of reaping benefits after absorbing substantial fixed costs. In last five years it has gone up from 0.48 to 0.68
3	Leverage	Equity multiplier is consistently in range of 2 with average of 2.12 in last five years. This can push ROE further by infusing low cost external funds and relatively reducing equity funds. KRCL has significant scope of raising low cost funds from multilateral agencies globally.

Framework that combine financial and operating parameters

World Bank (2017) proposed that the financial sustainability depends on multiple factors—some internal, some external to the railways. As a result, there is no single set of rule or parameters that would guarantee overall financial sustainability. Major elements of railways financial sustainability, include its revenue structure and cost structure.

Table 5 provides a snapshot of relative performance measures to track performance of railways entity. It goes beyond financial realms. It provides a mix operating and financial variables. This offers insights into operating and financial performance of KRCL. Besides, such performance variables creates base for comparison of performance as they are relative variables and not absolute numbers. Relative variables enable to overcome scale effect of comparable entities.

Table 5: Relative performance variables of KRCL

Select performance parameters for KRCL				
No.	Ratio	Formula and Implications	Units	KRCL
1	Proportion of Freight earnings to Total Revenues	Freight earnings / Total Revenues. Higher the ratio, better it is. Since, profitability of freight earnigs are higher, it implies relatively higher profitability	Ratio	0.45
2	Proportion of Passenger earnings to Total Revenues	Passenger earnings / Total revenues. Relatively higher ratio implies lower profitability as profitability of passenger segment is generally lower than freight traffic.	Ratio	0.55
3	Average tariff	Freight revenue/Tonne km. The higher the ratio, the better it is, as margin in freight segment is relatively higher.	Rs./km	0.91
4	Average fare	Passenger revenue/Passenger Km. Relatively lower the ratio better it is, as margin in passenger segment is relatively lower.	Rs./km	0.53
5	Average fare to Average tariff ratio	(Passenger Revenue/Passenger km)/(Freight Revenue/Tonne km). Lower ratio indicates revenue structure tilted more towards freight segment over passenger segment. Since freight segment has higher yield, lower ratio tend to indicate higher profitability.	Ratio	0.59
6	Operating ratio	Operating costs/Operating revenue. A low ratio implies higher operating surplus.	Ratio	0.86
7	Track Density	(Passenger km + Tonne km)/Track Km. High ratio implies effective utilisation of existing infrastructure.	Km	31.45
8	Revenue/traffic unit	Revenue/traffic unit. Higher the better indicating revenues generated per unit of traffic.	Rs. / Km	0.70
9	Labour productivity	Traffic units/number of staff. Higher the better indicating less labour is required to generate one unit of traffic.		3.35
Traffic unit = Passenger km (5656 mn km) + Freight Km (11933 mn km) = 17589 km				
Track km = length of railway network | It is 793 km in case of KRCL.				

Conclusion

The study of various performance frameworks and their applicability reveals that though KRCL does comply substantially with key variables of performance assessment necessary for railway infrastructure company. However, it is recommended that KRCL may create its own comprehensive assessment framework focussing on key parameters that offer timely insights into strategic, governance, operating and financial performance of KRCL. MA

References

1. *Robert Kaplan and David Norton, Harvard Business Review, January-February, 1992.*
2. *OECD (2015), OECD Guidelines on Corporate Governance of State Owned Enterprises, 2015 edition, OECD Publishing Paris.*
3. *World Bank (2017), Railway Reforms: Toolkit for improving Rail sector performance, Transport and ICT Global Practice, September, 2017.*
4. *Annual Reports of Konkan Railway Company Limited*
5. *Indian Railway: A yearbook, 2018*

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OBITUARY

The Institute and its Members deeply mourn the demise of CMA T L Sangameswaran who left for heavenly abode on 12th September 2019 at his residence. He was associated with Mysuru Chapter and served as Chairman, Vice Chairman and Managing Committee Member for long time. He retired as Senior Manager Internal Audit from M/s Vikrant Tyres Ltd., Mysuru during March 1995. After retirement he started practicing as Cost & Management Accountant and served various Industries in Karnataka and was conducting classes on Cost & Management Accountancy. CMA T L Sangameswaran was instrumental in opening an Oral Coaching Centre at Mysore and also an Examination Centre at Mysore for the benefit of the students who were pursuing Cost Accountancy Examination. May his family have the courage and strength to overcome the loss.

Down The Memory Lane

October 2009

Hon'ble Secretary, MCA, Shri R. Bandopadhyay being presented with a plaque bearing ICWAI logo by Vice President Shri B.M. Sharma at Kolkata on October 24, 2009.

Hon'ble Secretary, MCA, Shri R. Bandopadhyay along with Vice President Shri B.M. Sharma and CCMs and Past Presidents at ICWAI Headquarters on October 24,2009.

President of ICWAI, Shri G.N. Venkataraman met Hon'ble Chief Minister of Karnataka Shri B.S. Yeddyurappa and expressed deep condolence for flood affected people in the state.

ICWAI President Shri G.N. Venkataraman (2nd Row, 7th from left) and CCM, Shri S.R. Bhargave (4th Row, 2nd from the right) at the 18th Board Meeting of CAPA held on 30 October, 2009 at Beijing China.

October 1999

Seen from left are S. Ramanathan, CCM Mahesh Shah; Ravi Kant, CBDT Chairman; D.C. Bajaj, CCM at New Delhi.

Introductory meeting of Mahesh Shah, President, ICWAI with Dr. Manmohan Singh at New Delhi.

Down The Memory Lane

The IFAC (International Federation of Accountants) President Mr. Harding and Mr. Peter Jhonston, Director General visited Delhi during 2nd Week of October.

Shri J.K. Puri, past President, ICWAI presenting the Memento to Mr. Peter Johnston, Director General, International Federation of Accountants (IFAC) at New Delhi.

President, Vice President, Central Council Members and Past Presidents are seen with Frank Harding, President-IFAC at New Delhi on his visit to India.

October 1979

Ninth Conference of CAPA was held at Manila in the year 1979. Photo of Indian delegates attended the conference.

Mr. A. Matin Ansari, Executive Director ICMA Pakistan visited Institute Head Quarter on his return to Karachi after attending 9th CAPA held at Manila.

October 1969

Sri Harihar Patel, Hon'ble Minister of Industry & Commerce, Orissa at the opening ceremony of the college. The Principal of the College and the Director of Studies of the Institute are also in the group.

The Coimbatore Chapter conducted a Seminar 25 & 26 October'69 as a part of the Silver Jubilee Celebrations of the Institute.

Source: Extracted from the various issues of The Management Accountant Journal

EASTERN INDIA REGIONAL COUNCIL

EIRC had arranged campus interview for CMAs on 9th August 2019 at its premises. The Campus interview was conducted by "McNally Bharat Engineering Company Ltd." EIRC celebrated the "73rd Independence Day". CMA Ashish Banerjee-RCM hoisted the National Flag on 15th August, 2019. CMA Biswarup Basu, Vice President, CMA Pallab Bhattacharya, Chairman, EIRC, CMA C. R. Chatterjee RCM, CMA Arundhati Basu, RCM, CMA Abhijit Goswami, Past Chairman, EIRC, CMA Saswata Dasgupta Past Chairman, EIRC, CMA Harijiban Banerjee, Past President, CMA Amal Kr. Das Past President, Swami Karunakaranan, Ram Krishna Mission, members, students, Employees of EIRC & HQ were also present. EIRC also celebrated Rakhsha Bandhan on that day. Children of Project Naba Disha under Kalighat Police Station were given some educational kit on the occasion of Independence Day. EIRC had organized a "Faculty meet" on 18thAugust 2019 at EIRC Seminar Hall. CMA Pallab Bhattacharyay, Chairman, EIRC, CMA B. B. Nayak Vice-Chairman, EIRC, CMA Uttam Nayak, Secretary, EIRC and all faculties were present in the programme. EIRC organized its "195th Oral Coaching Class Inaugural Ceremony" on August 19, 2019 at J.N. Bose Auditorium HQ. CMA Balwinder Singh, President of the Institute, CMA Biswarup Basu, Vice-President of the Institute, CMA C. R. Chatterjee, CCM, CMA Pallab Bhattacharyay, Chairman-EIRC, CMA H. Padmanabhan CCM, CMA Nishant Kumar Singh, Treasurer, EIRC inaugurated & graced the ceremony by lighting the sacred lamp. They motivated the student to attend the Oral coaching classes. Inauguration of Pre Placement Orientation Programme for June 2019 Qualified Students was organised by EIRC on 11th September 2019 at J. N. Bose Auditorium and CMA Nishant Kumar Singh, Treasurer, EIRC, CMA D. P. Nandy, Senior Director, CMA B. B. Nayak, Vice Chairman, EIRC, CMA Amal Kr. Das, Past President, CMA Biswarup Basu, Vice-President, CMA Harijiban Banerjee, Past President, CMA Pallab Bhattacharya, Chairman, EIRC, CMA Arundhati Basu, RCM-EIRC were among eminent dignitaries who were present on the dais.Inauguration Ceremony of 195th Session Oral Coaching was conducted by EIRC and CMA Nishant Kumar Singh, Treasurer, EIRC, CMA H. Padmanabhan, CCM, CMA Biswarup Basu, Vice-President of the Institute, CMA Balwinder Singh, President of the Institute & CMA C. R. Chatterjee, CCM were present in the ceremony.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SERAMPORE CHAPTER

The Chapter organised a half-day Seminar on"Income Tax & Direct Tax Code – Expectations and Way Ahead" as part of observance of Direct Taxation Month and Upcoming New Return System in Goods Services Tax at Serampore Ankit Bhawan in association with the Tax Research Department of the Institute on 15th September, 2019. In the Inaugural Session, CMA Biswarup Basu, Vice President of the Institute spoke on the performance of Practising Cost and Management Accountants (CMA) in various fields of industries and expressed the hope that their cherished goal as "Accountant" under Sec.section 288 (2)(iv) of the Income-tax Act would come true shortly. Mr. Nilay Baran Som, IRS, Additional Commissioner of Income Tax in his speech on Income Tax & Direct Tax Code –Expectations and Way Ahead, deliberated mainly on the intricacies of Global Taxation System in the scenario of moving Capital and Technology from one country to another. CMA Mrityunjay Acharjee, an eminent speaker presented at length, Transfer Pricing in India: Basic Principles, Major Issues of Dispute and the Role of Cost Accountants. CMA Rakesh Kr. Sinha discussed on various provisions of TDS. CMA Pallab Bhattacharya, Chairman, EIRC also spoke to the occasion on the role of CMAs in the Direct Taxation field. CMA Ranjan Sanyal Chairman of the Chapter made the presentation as issued by the TRD of the Institute with respect to the merits of inclusion of CMAs into the definition of "Accountant"under Income Tax Act. The session ended with a formal vote of thanks from CMA Santanu Mukhopadhyay, Past Chairman of the Chapter. In the second technical session titled: Upcoming New Return System in Goods Services Tax, CMA Susanta Kumar Saha presented a wide range of GSTR Return in the present and upcoming form. Mr. Subrata Chowdhury, Special Commissioner of Revenue, Government of West Bengal, clarified different questions raised by representative of MSME."The session ended with a formal vote of thanks from CMA Prabir Kumar Datta, immediate Past Chairman of the Chapter.A career counselling program for the students of the Serampore College was organised. The whole program was coordinated by CMA Sanjuckta Tarafdar Basu, Treasurer of the Chapter.CMA Chittaranjan Chattopadhyay, CCM and founder member of the Chapter, CMA Arundhati Basu, Regional Council Member, EIRC, CMA Bibhas Saha, and Secretary of the Chapter and a host of CMAs were among other eminent dignitaries present in the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TALCHER-ANGUL CHAPTER

The Chapter conducted a seminar on GST and the theme was GST-Input Tax credit, Returns and Audit on 14th July 2019, in the chapter premises.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SOUTH ODISHA CHAPTER

The Chapter organized Annual Students' and Members' Meet – 2019 at Berhampur on September 8, 2019. CMA Prasanta Kumar Pani, Chairman gave introductory speech, CMA Niranjan Mishra, Chairman, Indirect Taxation Committee, spoke profusely on subject in "GST audit and return filing". He also handed over representation to the hon'ble MP, Shri Chandra SekharSahu for inclusion cost Accountants in the definition of "Accountant" u/s 288 of Income Tax Act – 1961. Chief speaker, CMA Pravakar Mohanty reiterated on the issue of procurement of a site for South Odisha Chapter permanent building. Shri Chandra Sekhar Sahu, Hon'ble MP, Berhampur and Shri Bikram Kumar Panda, Hon'ble MLA assured the chapter for extending their all sorts of help in procurement of site either through revenue department or from Berhampur Development Authority. The chapter also organized Mega Blood Donation Camp in association with 'AmaOdisha' from "Sambad News Paper".

NORTHERN INDIA REGIONAL COUNCIL

A Faculty Meet & Teachers day celebration was conducted by NIRC on September 5, 2019. A felicitation function of President, CMA Balwinder Singh & Vice President of the Institute, CMA Biswarup Basu was organized by NIRC on August 10, 2019. A GST Seminar - Intricacies of GSTR-9 & GSTR-9C & Amendments in GST Act 2017 was organized on September 7, 2019. Northern Regional Students Convention 2019 was organized on September 24, 2019.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

The Chapter celebrated the 73rd Independence Day on 15th August 2019 at its premises. Chairman of the Chapter, CMA S.L. Swami hoisted the National Flag along with senior members. On this occasion, CMA S.L. Swami welcomed all the participants. He also apprised the members about various activities, achievements and latest developments of the chapter. The chapter conducted First batch of Educational Course on Valuation - Securities or Financial Assets from 16th to 19th August 2019 and from 23rd to 25th August 219 at its premises.

SOUTHERN INDIA REGIONAL COUNCIL

SIRC organized various Discussion and Study Circle Meetings on relevant themes on various dates of August 2019. SIRC organised its Oral Coaching Inauguration Programme on 10th August, 2019 at its premises. CMA Jyothi Satish, Chairperson, SIRC in her inaugural address appreciated the students for taking a right decision to choose a globally recognized Professional Course, i.e. 'Cost and Management Accountancy' Course, which is the most employable course in the country. CMA P. Raju Iyer, Council Member in his address advised the students to concentrate on studies and complete the course well within the time limit. CMA H. Padmanabhan, Council Member highlighted that the CMA Course has large scope in India and abroad and informed the students that a MoU has been signed with an organization to offer SAP Course to the CMA Members and students at a very nominal cost for getting more placement opportunities and enhance their professional career to meet out the current day challenges. Shri Ram Perumal, Director – H Garb Informatix Pvt Ltd., Chief Guest stressed the need to excel in the communication Skills, updated knowledge on Technology, SAP Platform, US Gaap, IFRS etc. to shine in a Corporate as CFO or CEO. As part of the Programme, Senior Oral Coaching Faculty members and Rank Holder students were honoured. CMA Rajesh SaiIyer, RCM, SIRC proposed vote of thanks at the end. SIRC celebrated the 73rd Independence Day on 15th August, 2019 at its premises. Past Chairman, SIRC, CMA members, Oral Coaching Faculty Members, Staffs and Students participated in this event. Shri A. Sehar Ponraj, Registrar of Companies, Chennai was the Chief Guest. CMA JyothiSatish, Chairperson, SIRC and the Chief Guest hoisted the National Flag. During the event, CMA H. Padmanabhan, Council Member, CMA M.J. Gopalakrishnan, Former Chairman, SIRC and CMA Rajesh SaiIyer, RCM, SIRC also addressed the gathering. An Interactive Meet was held with the Registrar of Companies wherein a sizeable number of members took part and clarified their queries relating to the CMA profession.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA VISAKHAPATNAM CHAPTER

The Chapter conducted a "2 Years of GST-Challenges, Sabka Vishwas Legacy Dispute Resolution Scheme & Practical Issues of IND AS" on August 24, 2019 at Fairfield Marriot Hotel, KSR Prime R & B Junction, Visakhapatnam. CMA M Ramakrishna, Chairman of the chapter appraised the CMA Role and its growing importance in the current matters. Chief guest of the seminar, Smt Mini Chandran, Joint Commissioner of Income Tax addressed the gathering and appreciated the initiatives of the chapter towards the profession. Guest of Honor of the seminar, Shri N Srujan Kumar, Dy Commissioner of GST appraised the GST and appreciated the role of CMA in creating awareness as well as supporting the industry in GST. Guest of honor of the seminar CMA PVN Madhav, past chairman of the chapter addressed the gathering about government intentions to reduce the burden as well as smooth process of GST in the country. CMA S Ramprasad, secretary of the chapter gave the vote of thanks. The Chapter inaugurated new session on 11th Aug 2019 at CMA Bhawanand CMA M Ramakrishna, chairman of the chapter addressed the gathering. CMA P.V.N.Madhav MLC in Andhra Pradesh addressed the gathering on the occasion of 73rd Independence Day Celebration on 15th Aug 2019 at CMA Bhawan at Visakhapatnam.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

In connection with 'Direct Taxation month' the chapter conducted a PD Programme on 13th September, 2019 on the topic 'PRODUCT COSTING IN SAP ENVIRONMENT'. Central Council Member, CMA Neeraj D. Joshi addressed the members and students of the Chapter on the topic. Chairman of the Chapter, CMA K. Ravindran conducted Career Counselling programme on 29th August, 2019 at Shri Nehru Maha Vidyalaya College of Arts & Sciences, Coimbatore. Chairman, CMA K.Ravindran addressed on 'Career as a Cost Accountant' and around 2300 Higher Secondary Commerce students from various schools in and around Coimbatore organised by KPR College of Arts & Science and Research in association with Rotaract District Organization participated in the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA THRISSUR CHAPTER

The Chapter celebrated the 73rd Independence day of the Nation on 15th Aug,2019. CMA Sugunan.T.G, Chairman of the chapter hoisted the flag. Contribution to Flood Relief Programme on 15th& 18th August, 2019 had been organized by the chapter. The Chapter conducted a seminar on SAP for CMA Members and CMA Final students at Seminar Hall of the Chapter on 25th August, 2019. Mrs. Sukritha Ramesh Sankar, Divisional Head – Commercial, Apollo Tyres Ltd, Perambra took the technical session of the seminar.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TRIVANDRUM CHAPTER

The inauguration ceremony of 85th oral coaching batch of CMA Intermediate course was conducted by the chapter on July 28, 2019. During the inaugural address, CMA Joseph Louis, chairman of the Chapter vividly explained about the Institute, course details, examination avenues for CMAs, area of Practice, Campus Placements, MOUs with various universities and International Accounting bodies etc. Faculty members, CMA S S Thanu, CMA S Prasanna kumar, CMA Biju V, CMA Gopakumar B, CMA Ajith kumar etc enlightened students about the course and methods of studying and approaching the examinations. CMA Pranav Jayan, secretary of the chapter guided students with tips for approaching examinations with confidence. He also expressed thanks for all the participants.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COCHIN CHAPTER

The Chapter conducted a PD Programme on Private Equity and the role of CFOs in PE. The speaker of the day was Shri. Raghu Balakrishnan, Founder Director, Cognitive Advisory Services LLP, Kakkanad.The programme was opened by CMA (Shri.) Thomas T.V. Chairman PD Committee of the chapter. Managing Committee of the chapter arranged a felicitation to CMA (Shri.) Jose V J, being elevated as Director-Finance, Cochin Shipyard Limited recently.The Chapter conducted a PD Programme on Recent Developments in Cost Audit at Center for Excellence, CMA Bhavan, Cochin on September 1, 2019. The speaker of the session was CMA (Shri.) Kunal Banerjee. CMA (Shri.) Anil Xavier, Chairman of the chapter and CMA (Shri.) Sankar P. Panicker, Vice Chairman, SIRC attended the function.Managing Committee of the chapter conducted a felicitation programme for CMA Intermediate and Final passed students on September 7, 2019. CMA (Shri.) Suresh Kumar K.P. Coaching Committee Chairman and CMA (Shri.)Sankar P. Panicker, Vice Chairman, SIRC felicitated passed students. CMA (Shri.) Anil Xavier, chairman of the chapter distributed trophies to the passed students. IBBI in association with the Chapter and The Institute of Company Secretaries of India, Kochi Chapter conducted a full day Joint PD Programme on Insolvency and Bankruptcy Code-2016 at Center for Excellence, CMA Bhavan, Cochin on September 16, 2019. The programme was inaugurated by Mr. K. R. Sajikumar, Executive Director, IBBI. Mr.Sivasubramanian, Advocate & Insolvency Professional Partner, HSB Partners delivered a speech about professional opportunities and processes under IBC-2016. The Interactive session of the programme was led by Hon'ble Mr. Ashok Kumar Borah, Member (J), NCLT, Kochi Bench and by Hon'ble Mr.Veera Brahma Rao Arekapudi, Member (T), NCLT , Kochi Bench. Dr. S.K. Gupta, MD & CEO IPA-ICAI, CMA (Shri.) Anil Xavier, Chairman of the chapter and CMA (Shri.) Sankar P. Panicker, Vice Chairman, SIRC, CS. Asish Mohan, Chairman, Kochi Chapter of ICSI shared the dais.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BANGALORE CHAPTER

The Chapter organized a PD Meet on "CFO Services - as a Professional Service Opportunity" at its premises on August 10, 2019 and CMA Srikanth Ravindranath- CEO, Ocellus Consulting Pvt Ltd, CMA Sreepada H.R, Chairman, CMA Manjula B.S, Vice Chairperson, CMA Kumar H.N, Secretary attended the Meet. Another Meet was organized on "GST Annual Return and Audit (GSTR-9 & GSTR-9C)" at its premises on August 17, 2019 and Shri. K.S.Basavaraj, Joint Commissioner of State Taxes, Bengaluru, CMA Sreepada H.R.-Chairman of the chapter, CMA Kumar H.N, Secretary, CMA Vishwanath Bhat, Treasurer SIRC attended the Meet.The Chapter organized a Practitioners' Meet on Artificial Intelligence on August 7, 2019 and CMA G S Mahapatra, Practising Cost Consultant, CMA Kumar H.N, Secretary, CMA Jayarama A.V, M.C. Member of the chapter attended the Meet. Another Practitioners' Meet on "Corporate Law Compliance for Smaller Businesses" was organized on August 28, 2019 at its premises. CMA Anil B Shenoy, Practicing Cost Consultant, CMA Jayarama A.V, M.C, Member of the chapter attended the Meet. The Chapter celebrated Independence Day at its premises and CMA Sreepada H.R., Chairman of the chapter, CMA Manjula B.S, Vice Chair Person, CMA Kumar H.N , Secretary, CMA Satish R, Treasurer, CMA Vishwanath Bhat, Treasurer, SIRC, CMA Jayarama A.V , Member of the chapter participated in the celebration. 106th Oral Coaching Inauguration was organized by the chapter on July 19, 2019 at Pathi Auditorinium, Rama Mandira, N.R.Colony, Bengaluru. A Students Study Circle Meeting on August 24, 2019 was organized by the chapter at its premises. Three Professional Development Meets were organized at its premises during July 2019. Two Practitioners' Meets were organized on July 13 and July 31, 2019 on Cost Audit Guidelines and Corporate Governance Provisions in Companies Act, 2013 respectively. Inauguration programme of "Management of Family Business" was organized on June 24, 2019 at Acharya Bangalore Business School. A career counselling programme was organized on July 19, 2019. A Students Study Circle Meeting was organized by the chapter on July 6 and on 27, 2019. An International Yoga Day Celebration was organized by the chapter on June 21, 2019. GST 4thBatch Inauguration was organized on May 18, 2019 at its premises and Sri M G Kodandaram, IRS, Assistant Director (Rtd), CMA Raveendranath Kaushik, Past Chairman of the chapter were present in the programme.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SURAT SOUTH GUJARAT CHAPTER

The Chapter organized a full day seminar on the subject "GST Annual Returns, GST Audit and new GST Forms" on August 11, 2019 at its premises.In inaugural session, CMA Brijesh Mali, Chairman of the Chapter welcomed the Chief Guest, Shri Kishan Kella, Add. Director, Directorate of GST Intelligence, Surat, Guest of Honor Shri Rafiq Memon, a leading Textile Industrialist and all the participants. Shri Kishan Kella recognized the role of CMAs' in economy and hope the CMAs will aid the Government and Economy in further compliances in his speech. Shri Rafiq Memon expressed the fact in his speech that in this competitive scenario every organization will have to assure the best quality at the most optimal cost to stay competent in international market. The seminar was divided into four technical sessions. CMA Nanty Shah, Secretary of the Chapter proposed formal vote of thanks. The Chapter also conducted Press Meet two days prior the Seminar in which Adv. Avinash Poddar was being invited to address the press. The Chapter celebrated 73rd Independence Day at its campus. CMA Brijesh Mali, Chairman of the Chapter along with CMA Nanty Shah, Secretary and CMA Pankaj Kannaujiya, Treasurer of the Chapter hoisted the Flag and addressed the students and members. The Chapter organized a CEP on the subject "Practical Issues faced while filling GSTR-9 and their solutions" on August 18, 2019 at its premises. CMA Brijesh Mali, Chairman of the Chapter welcomed all the participants. CMA Dr.Shailendra Saxena, Past Chairman and GST expert was the speaker. He guided all the participants about filling of GSTR – 9, the problems faced by Cost Accountants and explained about their solutions. CMA K. C. Gupta, vice chairman of the chapter presented formal vote of thanks.The Chapter arranged Press Meet after declaration of Result of June-2019 exams at Chapter's Auditorium on August 24, 2019. Around 75 successful students along with 8 rank holders from intermediate and final were present. CMA Nanty Shah, Secretary of the Chapter addressed the students and guided them to the next step towards future. The Chapter organized a CEP on the subject of "UDIN" dated September 7, 2019 at its premises. CCM, CMA Dr.Ashish Thatte was the faculty and Guest of Honor. CMA Nanty Shah, Secretary of the Chapter welcomed all the participants and Guest. Chairman and CMA Kailash C. Gupta, Vice Chairman of the Chapter welcomed the guest with flowers and memento. CMA Dr.Ashish Thatte gave some important tips regarding campus placement and guided them for better future as in corporate employee or PCA. Chairman CMA Brijesh Mali also gave blessings to the students.The programme was followed by technical session on 'UDIN'. CMA Dr.Ashish Thatte gave in depth knowledge and guidance about the subject. CMA Pankaj Kannaujiya, Treasurer presented formal vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BARODA CHAPTER

The Chapter celebrated Independence Day on 15th August 2019 and a Press Conference was arranged for the students who have cleared their examination for June 2019 term.The Chapter organized an Evening Talk on 'Filling of ITR' on August 21, 2019 and the speaker was CA Rucha Vyas. The Chapter organized an Evening Talk on 'Impact of IND AS on Cost Audit Report' on August 30, 2019 and the speaker was CMA Kailash Sanhlekcha.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PIMPRI CHINCHWAD AKURDI CHAPTER

The Chapter conducted a seminar on 'Coffee with Live Telecast on Budget 2019 and Panel Discussion' on 5th July, 2019 at CMA Bhawan, Pimpri, Pune.CMA Dhananjay Vatsyayan in his speech briefly focused on major changes highlighted in the Budget 2019. The Chapter conducted a seminar on 'Union Budget 2019' on 11th July, 2019 at CMA Bhawan, Pimpri, Pune. CMA Jayant Hampiholi, Chairman of the Chapter welcomed and introduced Guest Faculties CMA L D Pawar, Chairman of The ICAI – WIRC and CMA CA Manoj Behede. CMA L D Pawar in his speech briefly highlighted on Union Budget 2019. CMA Manoj Behede briefly focused on the changes in various sections of Finance Act under Income Tax and Customs. The Chapter conducted inaugural function of 17th Batch of Oral Coaching classes on 15th July 2019 at CMA Bhawan. Mr.Vikas Adawade, senior officer welcomed all the dignitaries and Ms.Simran Padhi & Mr.Varad Deshpande introduced Chief Guest CMA Pawan Handa, Functional Consultant, Sopra Steria India Ltd., CMA CA Santanu Sil, CFO, Brabo Robotics & Automation Ltd (A Tata Enterprise), CMA Ashish Deshmukh, Past Chairman of the Chapter, CMA Mahendra Bhombe, Past Chairman of the Chapter. CMA Mahendra Bhombe and CMA Ashish Deshmukh felicitated all the dignitaries by offering memento & bouquets. CMA Ashish Deshmukh welcomed and introduced the Chief Guest Adv Sachin Patwardhan and Shri Sadashiv Khade, Chairman, Pimpri-Chinchwad Navnirman Vikas Pradhikaran.CMA Shantanu Sil in his speech shared his thoughts about career in corporate world. CMA Pawan Handa in his speech highlighted on current scenario in corporate industries. Adv Sachin Patwardhan congratulated the students for choosing CMA option and guided them about future career. The Chapter conducted Sport's Event for its members and students during August 2019. The Chapter celebrated Flag Hoisting Ceremony on the occasion of the 73rdIndependence Day of India on 15th August 2019 at CMA Bhawan, Pimpri, Pune. On this occasion CMA Jayant Hampiholi, Chairman, WIRC hoisted the flag.CMA L D Pawar, Past Chairman, WIRC was also present for this event.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AHMEDABAD CHAPTER

The chapter had organized closing ceremony of GST Certificate Course 3rd batch and distribution of Certificate to pass out candidates of 3rd batch. CMA Haren Bhatt, Chairman welcomed Chief Guest CMA P H Desai, Vice Chairman, WIRC and pass out students and gave brief about chapter activities. Chief Guest CMA P H Desai explained about various opportunities in GST practice. The Chapter organized inaugural function of Oral Coaching batch of June 19 and felicitation of meritorious students of Foundation, Inter and Final of Ahmedabad Chapter for passing Dec'18 exam. CMA Haren Bhatt, Chairman of the chapter welcomed Chief Guest CMA Ashish Bhavsar, RCM of WIRC and immediate past Chairman of the Chapter, dignitaries on dias, students and their parents and gave brief about chapter's activities. CHA P H Desai, Vice Chairman, WIRC informed students about scope of opportunities for CMAs and advised students for updating knowledge. Chief Guest CMA Ashish Bhavsar motivated students for hard and smart work and also explained importance of practical training. The Chapter organized the Independence Day on August 15, 2019. The flag hoisting ceremony was performed by CMA Ashish Bhavsar, RCM of WIRC and immediate past chairman of the Chapter in presence of office bearers, Managing Committee members, Staff and Students. Flag hoisting was followed by National anthem.

The Chapter organized workshop on GST returns and GST audit on August 17, 2019 and August 18, 2019 at its office. CMA Dakshesh Chokshi, Chairman of PD Committee and CMA Haren Bhatt, Chairman of the chapter felicitated Shri Hiren Pathak and Shri Praveen Maheshwari by offering memento. Shri Hiren Pathak and Shri Praveen Maheshwari highlighted GST returns and GST Audit and discussed about GST returns and GST Audit under the Act. Both faculties were very impressive and their presentation was excellent. The workshop was very interactive and all participants were delighted to attend this workshop.The Chapter organized CEP on Case method and writing on 22nd August'2019. CMA Haren Bhatt, Chairman welcomed faculty Dr. CMA P P Shah and participants, felicitated faculty by offering memento. Dr. CMA P P Shah presented and explained various points needed to be covered while writing a case.The Chapter organized a Press Meet on August 26, 2019 in connection with result of June'19 exam of Foundation, Intermediate and Final.

Kind Attention!!!

Hope you are getting The Management Accountant Journal in physical form at your doorstep regularly. If not, requesting esteemed Members and Subscribers to mail us at: ***journal@icmai.in*** for smooth and uninterrupted delivery of the same.

DIRECT & INDIRECT TAXES UPDATES - SEPTEMBER 2019

CMA Rakesh Bhalla
Central Council Member
Chairman, Direct Tax Committee
Member, Indirect Tax Committee
The Institute of Cost Accountants of India

DIRECT TAXES UPDATES

Recent circulars/notifications/rules/clarification /News

* **Tax on income of certain domestic companies-** Option for Domestic Company for concessional tax rate of 22% (excluding surcharge & cess) subject to the condition that they will not avail any exemption/incentive. **Exemptions / benefits that cannot be availed are listed below:**
  -Additional Depreciation on Plant & Machinery
  -Additional Allowance on Scientific Research
  -Section 32AD (investment in P&M in notified backward areas), 32AB (Investment Deposit Account), 35CCC (Expenditure on Agriculture Extension project), 35CCD (Expenditure on Skill Development project)
  -Chapter VI-A Deductions other than Section 80JJAA
  -Without set off of any loss carried forward from any earlier Assessment Year if such loss is attributable to any of the above deductions
  -Option needs to be exercised before filing of return. Once exercised, it cannot be revoked.
  -MAT will not be applicable to such Companies.

(THE TAXATION LAWS (AMEND.) ORDINANCE, 2019)

* **Concessional rate of tax of 15 per cent for new companies engaged in manufacturing and production**
  Rate of Tax will be 15% (excluding surcharge & cess) subject to the below conditions:
  -Company has been set up & registered on or after 1st October, 2019 and commenced manufacturing operations on or before 31st March, 2023.
  -This benefit is available to companies which do not avail any exemption/ incentive and commences their production on or before 31st March, 2023
  -The Company is not formed by splitting up, reconstruction of a business already in existence.
  -The Company does not use any plant & machinery previously used for any purpose.
  - MAT will not be applicable to such Companies

(THE TAXATION LAWS (AMEND.) ORDINANCE, 2019)

* MAT rate has been reduced from 18.5% to 15% excluding surcharge & cess for companies who continue to avail exemptions and incentives (as mentioned above). However, these companies can opt for the concessional tax regime after expiry of their tax holiday/exemption period. After the exercise of the option they shall be liable to pay tax at the rate of 22 percent and option once exercised cannot be subsequently withdrawn.

(THE TAXATION LAWS (AMENDMENT) ORDINANCE, 2019)

* Listed companies which have already made a public announcement of buy back of shares before 5 July 2019, should not be chargeable to income distribution tax on such buy back under section 115QA of the Act.

(THE TAXATION LAWS (AMENDMENT) ORDINANCE, 2019)

* The enhanced surcharge introduced by Finance (No.2) Act, 2019 shall not apply on capital gains arising on sale of equity share in a company or unit of equity oriented fund or unit of business trust liable for STT, in the hands of individual, HUF, AOP, BOI, AJP. Further, the enhanced surcharge shall also not apply to capital gains arising on sale of any security including derivatives, in the hands of Foreign Portfolio Investors (FPIs).

(THE TAXATION LAWS (AMENDMENT) ORDINANCE, 2019)

* In order to provide relief to listed companies which have already made a public announcement of buy-back before 5th July 2019, tax on buy-back of shares in case of such companies shall not be charged. ***(THE TAXATION LAWS (AMENDMENT) ORDINANCE, 2019)***

* The Government has also decided to expand the scope of CSR 2 percent spending. Now CSR 2% fund can be spent on incubators funded by Central or State Government or any agency or Public Sector Undertaking of Central or State Government, and, making contributions to public funded Universities, IITs, National Laboratories and Autonomous Bodies engaged in conducting research in science, technology, engineering and medicine aimed at promoting SDGs. ***(THE TAXATION LAWS (AMENDMENT) ORDINANCE, 2019)***

* **Exemption from TDS on cash withdrawal under section 194N *(at the rate of 2%)* for making payment to farmers** – Central Government specifies the commission agent or trader, **operating under Agriculture Produce Market Committee (APMC).** Shall be deemed to have come into force with effect from the 1st day of September, 2019. ***(Notification No. 70/2019-Income Tax Dated 20th September, 2019)***

* Non applicability of provisions of Section 194N (i.e. TDS at rate 2% on cash withdrawals above Rs. 1 crore) in relation to **Cash Replenishment Agencies (CRA's) and franchise agents of White Label Automated Teller Machine Operators** (WLATMO's) maintaining a separate bank account from which **withdrawal is made only for the purposes of replenishing cash in the Automated Teller Machines (ATM's)** and the WLATMO have furnished a certificate every month to the bank certifying that the bank account of the CRA's and the franchise agents of the WLATMO's have been examined and the amounts being withdrawn from their bank accounts has been reconciled with the amount of cash deposited

in the ATM's of the ***(WLATMO's. Notification No. 68/2019 dated 18th September 19)***

* CBDT notified the Income-tax Authorities which shall exercise and perform, concurrently, the powers and functions of Assessing Officer, to facilitate the conduct of E-assessment proceeding in a centralised manner in respect of returns furnished under Section 139 or in response to notice under Section 142 (1) during any financial year commencing on or after 1st day of April, 2018 ***(Notification No. 72/2019 dated 23rd September 19)***

* CBDT amends the jurisdiction of Principal CITs & CITs ***(Notification No. 50/2014-Income Tax dated the 22nd October, 2014)***

* CBDT notifies Additional depreciation on motor Car and Motor vehicles i.e. 15% to 30% and 30% to 45% respectively, subject to other conditions. ***(Notification No. 69/2019-Income Tax dated 20th September 2019- Income-tax (9th Amendment) Rules, 2019)***

* Deletion of Proviso to sub-rule (5) related to investment made by a non-resident investor and lock in period in Rule 2F of Income Tax Rules related to Guidelines for setting up an Infrastructure Debt Fund for the purpose of exemption under clause (47) of section 10 ***(Notification No. 66/2019 dated 16th September, 2019)***

* **CBDT notifies tolerance range for wholesale trading & for other cases for AY 19-20** w.r.t. the calculation of arm length price related to International transaction determined as per section 92C i.e. 1% in case of wholesale trading and 3% in other cases ***(Notification No. 64/2019, 13th September 2019)***

* **CBDT notifies Cost Inflation Index for Financial Year 2019-20 at 289** (for the purpose of indexation of cost of acquisition and cost of improvement – Capital Gains) ***(Notification No. 63/2019, 12th September, 2019)***

* **CBDI notifies Income Tax E-assessment Scheme, 2019 with effect from 12th September, 2019 *(Notification No. 61/2019- 12th September 2019).* Further, CBDT notifies directions such as procedure of assessment and related procedures, for giving effect to Income Tax E-assessment Scheme, 2019 *(Notification No. 62/2019, 12th September 2019)***

* **CBDT clarifies on certain issues relating to filing of Forms ITR-5, ITR-6 and ITR-7** which includes furnishing of details of shareholding in Schedule SH-1 / SH-2, details of assets and liabilities in Schedule AL-1 / AL-2. It also provide solutions to queries of Partnership firms and Trusts ***(Circular No. 26 of 2019, 26th September 2019)***

* On consideration of representations received from across the country, CBDT has decided to **extend the due date for filing of ITRs & Tax Audit Reports from 30th September, 2019 to 31st of October, 2019** in respect of persons whose accounts are required to be audited.
(F. No. 225/157/2019/ITA.II dated 27th September 2019)

* **CBDT as a one-time measure provides relaxation of time filling of compounding application,** with a view to mitigate unintended hardship to taxpayers in deserving cases, and to reduce the pendency of existing prosecution cases before the courts ***(Circular No. 25/2019 dated 09.09.2019)***

* **CBDT lays down the procedure to identify & process Income Tax cases for prosecution in respect of certain Income Tax related offences** such as Failure to pay tax to the credit of Central Government, Failure to pay the tax collected at Source, Wilful attempt to evade tax, etc. ***(Circular No. 24/2019, 09.09.2019)***

* **Appeal filing limit not applies to cases of Bogus LTCG / STCG-Exception to monetary limits for filing appeals specified in any Circular issued under Section 268A *(Circular No. 23 of 2019, 06th September 2019).* Similar instructions has been issued vide instructions no. F. No. 279/Misc./M-93/2018-ITJ(Pt.) dated 16th September 2019.**

* **Computer Assisted Scrutiny Selection (CASS) Cycle for the current year (2019) has been finalized in Income Tax Business Application (ITBA). The Board has approved the parameters for selection of cases and cases are visible to the Assessing Officers *(Instruction No. 1-CASS 2019 dated 24.09.2019)***

* **CBDT prescribes the time frame for handling of grievances of startups *(Instruction no. F. No. 173/149/2019-ITA-I dated 23.09.2019)***

* **CBDT has issued instructions that Assessing officer should not share their RSA token and ITBA password with staff i.e. inspectors and other staff *(F. No. Systems/ ITBA/Common Module/160/2016-17(part file)Admn./ dated 17.09.2019)***

* **CBDT instructs to IT officials that sharing of secret info** *(obtained from foreign jurisdictions under the Exchange of Information (EOI) process of Double Taxation Avoidance Agreements (DTAAs)/ Tax Information Exchange Agreements (TIEAs)/ Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC))* **about overseas black money with ED** *(Enforcement directorate),* **CBI only after obtaining consent from the Competent Authority of the sending jurisdiction *(Instruction no. F.No. 500/163/2017/ FT&TR-III dated 18.09.2019)***

* **Roll out of facility for System generated Document (i.e. Intimation Letter) containing Document Identification Number (DIN) for documents issued outside the system but uploaded manually in Income Tax Business Application (ITBA) *(ITBA - Common Functions Module/Instruction No.3 dated 17/09/2019)***

* **Functionality for processing of returns having refund claims which were not processed within the time allowed u/s 143(1) due to some technical or other reasons has been issued *(System/ITBA/Instruction/ITR Processing/177/16-17 dated 12.09.2019)***

* **Availability of Miscellaneous Functionalities related to 'Selection of Case of Search Year' and 'Relevant Search Years' in Assessment module of Income Tax Business Application (ITBA) *(Instructions no. F.No. System/ ITBA/ Instruction /Assessment/177/2016-17/ dated 12.09.2019)***

* **Approval of CIT (Intl. Taxation) not required for certificates u/s 197 / 195 if revenue effect is less than Rs. 10 crores *(Instructions F.No.275/16/2019-IT(B) dated 2nd September 2019)***

* **Central Board of Direct Taxes sets up National e-Assessment Centre (NeAC),** which shall have its headquarters at Delhi

and shall comprise of Income-tax authorities as per below office order *(Notification no. F. No. 187/7/2019-ITA-I dated 20th September 2019)*

* **Transfer/ posting in posts in the various grades of Indian Revenue Service to the newly created National e-Assessment Centre (NeAC), Delhi and its Regional Centres (ReACs)** ***(Notification no. F.No. A-11011/2/2019-Ad-VI dated 17.09.2019)***

* **Re-designation of nomenclature of posts of Member CBDT and revision in their jurisdiction** ***(Notification no. F. No.A-35015/7/2012-Ad.VI dated 11th September 2019)***

* **The Central Board of Direct Taxes (CBDT) has entered into 26 APAs in the first 5 months of the current financial year (April to August, 2019)** ***(Press release dated 4th September 2019)***

* **Amendment in certain sections has been done vide the Taxation Laws (Amendment) Ordinance, 2019, such as Section 92BA, Section 115BA including insertion of new sections 115BAA and 115BAB etc**

* Extension of due date for linking of PAN with Aadhaar from 30.09.2019 to 31.12.2019
(Notification No. 75/2019 dated 28th September 2019)

Income Tax Compliance calendar – October 2019

Date	Things to remember
7th October	-Due date for deposit of tax deducted/collected for the month of September, 2019. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan. - Due date for deposit of TDS for the period July 2019 to September 2019 when Assessing Officer has permitted quarterly deposit of TDS under section 192, 194A, 194D or 194H
15th October	- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of September, 2019 has been paid without the production of a challan. - Due date for issue of TDS Certificate for tax deducted under section 194-IA & 194-IB in the month of August, 2019 - Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending September, 2019. -Quarterly statement of TCS deposited for the quarter ending September 30, 2019 -Upload declarations received from recipients in Form No. 15G/15H during the quarter ending September, 2019 -Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of September, 2019
30th October	- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA & 194-IBin the month of September, 2019 - Quarterly TCS certificate (in respect of tax collected by any person) for the quarter ending September 30, 2019
31st October	-Audit report under section 44AB for the assessment year 2019-20 in the case of a corporate-assessee or non-corporate assessee. - Intimation by a designated constituent entity, resident in India, of an international group in Form no. 3CEAB for the accounting year 2018-19. - Quarterly statement of TDS deposited for the quarter ending September 30, 2019 - Due date for furnishing of Annual audited accounts for each approved programmes under section 35(2AA) - Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending September 30, 2019 - Copies of declaration received in Form No. 60 during April 1, 2019 to September 30, 2019 to the concerned Director/Joint Director.

<u>All about the Direct Tax Law Code-</u> *Government to tweak Income Tax Act, won't replace it with Direct Tax code- will only incorporate select suggestions from the draft law to avoid creating more uncertainty for businesses amid an economic slowdown.*

* The draft legislation has proposed significant relief for taxpayers
* Tax experts said the timing of policy changes is vital as businesses may not prefer to have radical changes in law to coincide with economic uncertainty
* Some suggestions in the draft legislation, submitted to Finance Minister, may find their way into the Income Tax Act, 1961 through amendments in the next budget session of Parliament
* This will make the law modern and capable of dealing with new business models by incorporating global best practices without creating any uncertainty among businesses.
* The idea of replacing the close to six-decade-old law is less appealing to the government now as this would involve unsettling well-established jurisprudence, which could create uncertainty for businesses that are grappling with a deep economic downturn.

Key Considerations-

* The task force on direct tax code (DTC) has recommended abolishing dividend distribution tax (DDT) with a view to promote investment
* Lower income tax rates likely in direct tax code regime
* Compliance key focus in new Direct Tax Code report - The DTC report aims to simplify tax law provisions, and improve certainty and predictability of the law and An overhaul of the tax law will help widen tax base in the country

<u>Important cases decided</u>

* **Re-opening of case u/s 147 is not permissible merely on the ground of change of opinion of A.O.** Further, for assessment u/s 147 of the Act, it is to be proved that there was failure on the part of assessee to disclose fully and truly, all the material facts necessary for reopening assessment (DCIT Vs M/s

* **Expenses allowable on accrual of liability for payment or expenditure (CIT Vs M/s. Oberon Edifices & Estates (P) Ltd (Kerala High Court), 05.09.2019)**
Larsen & Toubro Limited (ITAT Mumbai, 06.09.2019)

INDIRECT TAXES UPDATES

- GST Compliance Calendar – Returns for the M/O Sept. 2019 to be filed in Oct. 2019

Return		Last Date
GSTR-1	Outward supply for the month of Sept. 2019	11th October 2019
GSTR-5	Non-resident foreign taxpayers return for the month of Sept. 2019	20th October 2019
GSTR-6	Input service distributor for the month of Sept. 2019	13th October 2019
GSTR-7	Tax Deducted at Source for Sept. 2019	10th October 2019
GSTR-8	Tax Collected at Source by e-commerce operator for Sept. 2019	10th October 2019
GSTR-3B	Summary return tax payment for the month of Sept. 2019	20th October 2019

Recent Notifications and Circulars

- 37th Meeting of GST Council - GST rates set to be revised on various goods and services from 1-10-2019: Revised rates will come into effect from 1-10-2019 when notifications in this regard will be issued

- GST rates will be reduced on slide fasteners, marine fuel, wet grinder (containing stone as a grinder), dried tamarind, plates and cups made up of leaves/ flowers/bark, cut and polished semi- precious stones.
- GST rate is set to increase on railway wagons, coaches, rolling stock (without refund of accumulated ITC), and on caffeinated beverages.
- Exemption from GST recommended on imports of specified defence goods not being manufactured indigenously, supply of goods and services to specified persons for purpose of organizing Under-17 Women's Football World Cup in India, and on supply of goods and services to Food and Agriculture Organisation (FAO) for specified projects in India.
- Compensation Cess will be reduced on passenger vehicles of engine capacity 1500 cc in case of diesel, 1200 cc in case of petrol and length not exceeding 4000mm designed for carrying upto 13 persons. The reduced rates were earlier available to passenger vehicles of such length and engine capacity but designed to carry upto 9 persons only.
- Aerated drink manufacturers will be excluded from composition scheme.
- In respect of job work services, rate of GST will be reduced on supply of such services in relation to diamonds and on supply of machine job work such as in engineering industry, except supply of job work in relation to bus body building.
- Rates of GST on hotel accommodation service have also been recommended to be reduced, with the highest being 18% in case where the room tariff is Rs. 7501 or more/per day.
- GST on outdoor catering services other than in premises having daily tariff of unit of accommodation of Rs. 7501, is also set to be reduced.
- Exemptions have been recommended in respect of services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, etc.
- GST exemption on export freight for transportation of goods by air or sea has been recommended to be extended till 30-9-2020 and services provided by an intermediary to a supplier of goods or recipient of goods when both the supplier and recipient are located outside the taxable territory, have been exempted.
- GST Council also recommended certain clarifications on classification and rates of GST in respect of certain goods and services.

- 37th Meeting of the GST Council – Changes proposed in law and procedures:
GST Council in its 37th meeting held on 20-9-2019 has also recommended many relaxations in various compliances and procedures.

- In respect of annual returns for the period 2017-18 and 2018-19, while requirement of filing Form GSTR-9A has been waived for composition taxpayers, taxpayers having aggregate turnover upto Rs. 2 crore will be given option not to file Form GSTR-9.
- The new monthly return system will now be introduced from April, 2020 & not from Oct. 2019.
- Introduction of integrated refund system with disbursal by single authority from 24th September, 2019.
- In principle decisions have been taken to prescribe reasonable restrictions on passing of credit by risky taxpayers including risky new taxpayers, and to link Aadhar with registration of taxpayers under GST.
- As per the Press Release, input tax credit to the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement under Section 37 of the CGST Act, 2017, will be restricted.
  Further, Circular No.105/24/2019-GST, dated 28-6-2019, which was issued in respect of post-sales discount, will be rescinded.

- Job work – Finance Ministry waives GST Form ITC-04 for July 2017-March 2019:
Requirement of filing GST Form ITC-04 provided under Rule 45(3) of CGST Rules, 2017 has been waived for period July 2017 till March 2019. In this form, suppliers are required to furnish details of challans in respect of goods sent to job worker or received back from him or sent from one job worker to another during a quarter. Such registered persons would, however, be required to furnish details of all challans in respect of goods dispatched to job worker during the said period but not received back or not supplied from the place of business of the job worker, as on the 31st of March, 2019. This information is required in serial number 4 of FORM ITC-04 for the quarter April-June, 2019.
(Refer Not No. 38/2019-Central Tax, dated 31-8-2019).

- Disbursement of refund of State tax by Central Government:
Provisions of Section 103 of the Finance (No. 2) Act, 2019 which amends Section 54 of the Central GST Act, 2017 have come into effect from 1st of September, 2019. Section 103 introduces sub-section (8) to Section 54 in the CGST Act to provide for disbursement of the refund of SGST in such manner as may be prescribed. This amendment will empower the Central Government to grant refund of SGST also and will provide for single refund disbursing authority once similar amendments are also made in State GST Acts. (Refer Notification No. 39/2019-Central Tax, dated 31-8-2019).

Case Laws

- Transitional credit – Due date under Rule 117 of CGST Rules is procedural and not mandatory: Gujarat High Court has held that the due date contemplated under Rule 117 of the CGST Rules, 2017, to claim transitional credit, is procedural in nature, and thus, merely directory and not a mandatory provision. It held that the entitlement to credit was vested right which cannot be taken away by Rule 117 with retrospective effect for failure to file GST Tran-1 within due date. It also noted that denial of carry forward of credit may lead to cascading effect and would offend the policy. The Court also held that discrimination in terms of time-limit foravailment of ITC with respect of purchases made prior to GST and those made after GST, was arbitrary, irrational and unreasonable. Violation of Articles 14 and 19(1)(g) of Constitution of India was noted. [Siddharth Enterprises v. Nodal Officer – 2019 VIL 442 GUJ]

- Power to attach assets is a drastic step and is to be used sparingly:
Gujarat High Court has held that the power under Section 83 of the Central GST Act, 2017 is a drastic power which should be used sparingly and only on substantive weighty grounds. It observed that attachment of bank accounts and trading assets should be the last resort, and that blockage of input tax credit by way of computer entry was illegal. The Court was of the view that subjective satisfaction, which is required for the purpose of Section 83, is not dependent on Section 67. It noted that just because a search has been undertaken resulting in seizure of goods, it by itself may not be sufficient to arrive at the subjective satisfaction that it is necessary to pass an order of provisional attachment to protect government revenue. The High Court also held that the order for attachment can only be passed by a Commissioner and not by subordinate officers. ***[Valerius Industries v.UoI – 2019 TIOL 2094 HC AHM GST]***

-Seizure of documents – No justification required to get back copies: Observing that Section 67(5) of the Central GST Act, 2017 creates a right to receive copies by a person from whose custody the documents are seized, the Bombay High Court has held that said person need not give justification why he needs the copies of seized documents. The Court in this regard observed that the documents or books should not be needlessly kept in custody which will otherwise gravely prejudice the person from whose custody said documents were seized. Rejecting the fears of the department, the High Court noted that there must be cogent reasons to withhold copies. ***[High Ground Enterprises Ltd. v. UoI – Judgement dated 14-8-2019 in Writ Petition No. 8075 of 2019, Bombay High Court]***

- Interest/late fee/penalty when to be taxed as per principal supply:
Madhya Pradesh AAR has held that amount charged by the applicant, a stockbroker, on delay of payments while dealing in sale/purchase of securities on behalf of the clients is not interest. It held that to qualify for same, there must be specific percentage charged on periodic basis. Exemption under Notification No. 12/2017-CT(R) was denied observing that it cannot be said that the share broker had extended any deposit, loans or advances to its clients. The AAR held that said amount will qualify as penalty and shall be subjected to GST. It held that the same will take the colour of the principal supply which is facilitating transaction in securities. ***[In RE: Indo Thai Securities Ltd. – 2019 VIL 268 AAR]***

- Interest/late fee/penalty is amount for tolerating an act – Liable to GST:
AAR Tamil Nadu has held that the amount received on or after 1-7-2017 towards interest, late fee or penalty relating to the services, other than continuous supply of services, rendered by the applicant before 1-7-2017 are liable to GST. Referring to provisions of Section 7 and Section 13 of the CGST Act, 2017, the Authority observed that the applicant had collected an amount of interest, late fee or penalty for the delayed payment of consideration for the original service after 1st July 2017 and separate invoices were raised by the applicant for the same. It held that it can be said that the said amount was a consideration for tolerating the delayed payment of consideration in respect of lease rent. ***[In RE: Chennai Port Trust – 2019 VIL 245 AAR]***

- GST leviable on transportation in own vehicle with e-way bill: Rajasthan AAR has rejected the plea that transportation by own vehicles based on invoices and e-way bill without issuing the LR/GR will not be liable to GST. Observing that e-way bill cannot be generated without issuing LR/GR/consignment note, AAR classified the activity under GTA service. The AAR also held that in case of taxable and non-taxable supplies, ITC will be restricted to so much of input tax as is attributable to taxable supplies including zero-rate supplies as per Section 17(2) of the Central GST Act read with Rule 42 of the Central GST Rules, 2017. ***[In RE: KM Trans Logistics – 2019 VIL 264 AAR]***

- Monetary value of providing refundable interest free deposit liable to GST: AAR Gujarat has held that notional interest/monetary value of the act of providing refundable interest-free deposit is a 'consideration' as is covered in both the limbs of the definition. The said act was held as liable to GST. It also observed that refundable interest-free deposit is an additional commercial consideration to cover the risk. The AAR, however, held that first 10 free transactions allowed to Demat account holder are in the nature of discounts and will not attract GST, subject to conditions of Section 15(3) of the Central GST Act, 2017. ***[In RE: Rajkot Nagarik Sahakari Bank Ltd. – 2019 VIL 255 AAR]***

- Lease agreement for 99 years is not sale of immovable property – GST leviable: Rajasthan AAR has held that the lease agreement between the lessor and the lessee for a period of 99 years was not a 'sale of immovable property' and is liable to GST @ 18% under HSN 9972. The Authority referred to Section 7 of the CGST Act, 2017 and the definition of 'lease' as provided under Section 105 of the Transfer of Property Act, 1992 and observed that lease could be of perpetuity as quantum of time had no relation in determination of lease or sale. It also observed that the lessee in the lease deed had no right to further sell the allotted plot. Further, it held that merely charging of stamp duty does not change the status of the document from lease agreement to sale deed. Bombay High Court decision in the case of Builders Association of India was relied upon. ***[In RE: Greentech Mega Food Park Pvt. Ltd. – 2019 VIL 205 AAR]***

- GST implication on lump-sum amount received before 1-7-2017:
The applicant received certain amount as mobilization advance in 2011. This lump-sum mobilization amount was recoverable as adjustment towards the payment due for the tax invoices that the applicant would raise as per the progress of the contract. The issue was whether GST would be leviable on the invoices issued post introduction of GST on the gross amount of the invoice or the net amount after adjusting the lump-sum amount outstanding as on 30-6-2017. AAR West Bengal held that the applicant was deemed to have supplied works contract service on 1-7-2017 to the extent covered by the lump-sum that stood credited to its account on that date as mobilization advance. It noted that unadjusted portion of the advance as on 1-7-2019 had not suffered tax under the pre-GST regime. It was held that the value of the supply of service in the subsequent invoices as and when raised would be reduced to the extent the advance is adjusted in such invoices. To avoid double taxation, GST would be charged on the net amount that remain after such adjustment. ***[In RE: Siemens Limited – 2019 VIL 250 AAR]***

- Input Tax Credit not available on medicines provided to employees and pensioners: Tamil Nadu AAR has denied ITC on medicines used for providing health and medical facilities to the employees and pensioners in the hospital maintained by assessee.

The applicant was maintaining an in-house hospital under Chennai Port Trust Employees (Contributory Outdoor and Indoor Medical Benefit After Retirement) Regulations, 1989 and Chennai Port Trust Employees (Medical Attendance in the Trust's Hospital and reimbursement of Hospital Charges) Regulations, 1994 for providing health and medical cover exclusively to their employees and pensioners. The AAR held that since the medicines and medical facilities were provided by the applicant to its employees for their personal use, ITC in respect of the same would not be available under Section 17(5)(g) of the CGST Act, 2017. Applicant's contention that the medicines were not the "goods for personal consumption" as the applicant-assessee had paid for the same, was rejected, observing that the fact as to who paid for the medicines was irrelevant to usage of the said medicines. ***[In RE: Chennai Port Trust – 2019 VIL 249 AAR]***

Customs

Notifications and Circulars

- Bank guarantee under AA/DFIA/EPCG Schemes - Norms revised: CBIC has revised norms for execution of bank guarantee (BG) under Advance Authorization, DFIA and EPCG Schemes. Manufacturer exporters/service providers registered under GST can claim exemption from furnishing BG if they have exported in previous two FYs and have minimum export of Rs.1 Crore in the preceding financial year, or have paid Rs.1 Crore GST in the preceding financial year, under different categories. As per Circular No. 31/2019-Cus., dated 13-9-2019, certificate of export performance or payment of GST for availing exemption must be procured from the Export Promotion Councils or authenticated by a CA registered with the GST department.

- Drawback when permissible on FOB value without deducting foreign bank charges: Duty drawback may be permitted on FOB value without deducting foreign bank charges. CBIC has clarified that since agency commission up to the limit of 12.5% of the FOB value is allowed, deduction on account of foreign bank charges is available within this overall limit of 12.5% of the FOB value. Circular No. 33/2019-Cus., dated 19-9-2019 further clarifies that agency commission and foreign bank charges, separately or jointly, exceeding this limit is to be deducted from the FOB value for granting duty drawback.

- Steel Import Monitoring System to be effective from 1-11-2019: Import policy for certain specified items classifiable under Ch. 72, 73 and 86 of ITC(HS) has been revised from free to 'free subject to compulsory registration under Steel Import Monitoring System'. Under SIMS, importers will be required to submit online advance information for import and obtain an automatic registration number by paying fee of Rs.1/thousand on CIF value. As per Notification No. 17/2015-20, dated 5-9-2019, SIMS will be effective for Bill of Entry filed on or after 1-11-2019. Registration facility will be available from 16-9-2019.

- Packing of Bottled in Origin beverages permissible under Customs Section 64(b): Packing of Bottled in Origin alcoholic beverages in a mono carton and an outer carton to enable safe transport, is permissible in both public and private bonded warehouses under Section 64(b) of the Customs Act and not under Customs Section 65, as such activity is not processing. CBIC Circular No. 28/2019-Cus., dated 3-9-2019 clarifying so, observes that Section 64(b) allows the owner of warehoused goods to deal with the containers in such manner as necessary to prevent damage to goods. It notes that the original shipper's carton is removed to comply with the statutory labelling requirements.

- Mechanism for claiming additional MEIS: DGFT has notified a mechanism for claiming additional MEIS benefit in respect of exports made on or after 1-11-2017 by exporters who are not able to claim the benefits at higher rates as notified by DGFT in 2017-2018 by way of four Public Notices, since scrips were issued to them as per the older rates. As per DGFT Trade Notice No. 28/2019-20, such exporters are required to submit an application to the RA with the relevant documents. The RA would open a supplementary file, check the eligibility of the claim and fill the differential rate. After approval at the level of Deputy DGFT, the RA would issue the scrip for supplementary file, which will be utilized like other MEIS scrips.

- Advance Authorisation – Exclusion of certain imports from compliance of FTP Para 4.12(iv): The DGFT has modified Para 4.12(iv) of the HBP and also added a new Appendix 4P to the HBP. As per amendment by Public Notice No. 25/2015-20, 14-8-2019, certain items as specified in the new appendix like cashew (HS code 0801), all restricted/ prohibited items under the FTP, items covered under Para 4.11 of the FTP 2015-20 and items covered under Appendix 4J will not attract the provisions of Para 4.12(iv) of the FTP which provides for norms ratified by the norms committee in respect of advance authorization obtained under Para 4.07 of the FTP. Para 4.12(iv) provides that advance authorization will be valid for the entire period of the FTP i.e. 30.03.2020 or for period of three years from the date of ratification of norms by the norms committee.

- Motor vehicles - New policy condition inserted under Chapter 87 of ITC (HS): A new condition has been inserted in Chapter 87 of the ITC(HS) by Notification No. 14/2015-20, dated 28-8-2019. Accordingly, registration of vehicles imported by a vehicle manufacturer, an organisation or a citizen for their personal use, demonstration, testing, research or scientific use, etc., should comply with the Standard Operating Procedure issued under the Central Motor Vehicles (Eleventh Amendment) Rules, 2018.

- Agarbatti import restricted: The Central Government has revised the import policy condition for 'Agarbatti' and other odoriferous preparations which operate by burning, covered under Exim Code 3307 41 00, as also under Exim Code 3307 49 00, from 'free' to 'restricted'. DGFT Notification No. 15/2015-20, dated 31-8-2019 amends the import policy for specified items under Chapter 33 of Schedule I of ITC (HS) for this purpose.

Case Laws

- Refund claim not maintainable unless self-assessment order is modified though appeal: 3-Judge Bench of the Supreme Court has held that unless the order of assessment or self-assessment is appealed, no refund application against the assessed duty can be entertained. The Apex Court observed that endorsement made on the Bill of Entry is an order of assessment, and that speaking order is not required to be passed in 'across the counter affair' when there is no lis. Setting aside the Delhi and Madras High Court Orders, the Supreme Court also noted that as self-assessment is nonetheless an order of assessment, no difference is made by deletion of the expression "in pursuance of an order of assessment" under Section 27(1) (i) of the Customs Act, 1962 (while introducing provisions of self-assessment) and no separate reasoned assessment order is required to be passed in the case of self-assessment. Further, taking note of the fact that provisions of Section 128 make appealable any decision or order under the Customs Act, the Court opined that order of self-assessment is appealable in case any person is aggrieved by it. It observed that Section 128 has not provided for an appeal against a speaking order but against "any order". ***[ITC Limited v. Commissioner - Civil Appeal Nos. 293294 of 2009 and Ors., Supreme Court]***

- Appeal against CESTAT Order on violation of exemption condition lies before High Court:
3-Judge Bench of the Supreme Court has held that an appeal against the CESTAT Order, involving violation of conditions of Customs exemption notification, would lie before the High Court and not the Supreme Court. Remanding the matters back to the High Court, the Apex Court observed that the question involved was not

related to determination of rate of duty, valuation, determination of classification of goods, or coverage under exemption notification. It also observed that the appeals did not involve any question of law of general public importance which would be applicable to a class or category of assessees as a whole. ***[Commissioner v.Motorola India Ltd. - Civil Appeal No. 10083 of 2011 and Ors., decided on 5-9-2019, Supreme Court]***

- Valuation – Substantial mark-up in supply of imported goods to customers when not indicates undervaluation of imports: Considering the nature of business of the appellant/importer and that the overheads involved in the business activity were bound to influence the price at which the imported goods were sold to the Indian customers, CESTAT Mumbai has held that the difference between the declared price at the time of import and the selling price cannot be designated as profit accruing to the importer. The Tribunal also held that the fact that importer/ appellant and the supplier being connected through a common holding company and being related parties, was not sufficient to reject the declared price if there was no evidence that the relationship between the supplier and importer (being related parties) had impacted the conditions of sale. ***[Voith Turbo Pvt. Ltd. v. Commissioner - Final Order No. A//86581/2019 dated 11-9-2019, CESTAT Mumbai]***

- Customs duty increase – Effect of notification issued late after BE filed on same day:

Observing that the twin conditions of presentation of Bill of Entry and arrival of goods stood complied with on 16-2-2019, prior to the issue of notification dated 16-2-2019 at 8:45 pm raising Customs duty on imports from Pakistan, Punjab & Haryana High Court has allowed clearance while not considering the said notification. The Court in this regard observed that purport of the notification was to discourage imports from Pakistan and not to penalize the Indian importers. It also held that imposition of 200% duty amounted to prohibition of imports which could not be applied retrospectively. ***[Rasrasna Food Pvt. Ltd. v. UoI – 2019 VIL 408 P&H CU]***

- EOU – CST refund when goods cleared in DTA – FTP to prevail over HoP Appendix: Gujarat High Court has allowed a writ petition filed against denial of refund of Central Sales Tax (CST) to an EOU in a case when the inputs procured from the DTA were used in the production of goods cleared in the DTA during 2007-09. The Court observed that there was conflict between Para 6.11 of the Foreign Trade Policy and Appendix 14I-I of the Handbook of Procedures Vol. 1, during the relevant period. It held that FTP provisions govern the statutory scheme and Appendix cannot override FTP, which shall prevail in case of any conflict. [Hubergroup India Pvt. Ltd. v. Union of India – 2019 VIL 419 GUJ CU]

- No redemption fine when confiscation remains unchallenged: CESTAT Chennai has held that redemption fine under Section 125 of the Customs Act, 1962 is an option in lieu of confiscation and hence, both (confiscation and redemption fine) cannot run simultaneously. It observed that when the order on confiscation remained unchallenged, and when even the exporter offered to willingly accept back the consignment, there cannot be any question of redemption fine. The Tribunal also held that penalty under Section 112(a) was imposable as mere importation rendering goods liable to confiscation, was sufficient to attract penalty. [OMS Sivajothi Mills v. Commissioner – 2019 TIOL 2607 CESTAT MAD]

- SAD refund – Generic description of imported goods in sale invoices when correct: Observing that the adjudicating authority had not come to the conclusion that the product sold was entirely different and there was nothing on record to disbelief the Chartered Accountant's certificate stating that both the products were one and the same, Madras High Court has allowed the appeal against the CESTAT Order denying SAD refund. The refund was rejected by the department stating that the assessee had not adopted the same code while describing the product in the sale invoice. The Court noted that the Commissioner (Appeals) had in its order stated that the assessee had used the generic description of the imported goods in the sales invoices and non-mentioning of grade will not change the imported goods. [P.P. Products Ltd.v. Commissioner - 2019 (367) ELT 707 (Mad.)]

- Proof of exports for fulfilment of EO – Absence of Bill of Export not fatal: The Bombay High Court has directed the DGFT to issue export obligation discharge certificate in a case where the Additional DGFT was satisfied that the petitioner had fulfilled the export obligation but denied the benefit of fulfilment of export obligation only on the ground of non-furnishing of bill of export,. The Court observed that the impugned order recorded a finding of fact of fulfilment of export obligation based on ARE-1, commercial invoices and certificate of payments of domestic supplies. Supreme Court's decision in the case of Larsen & Toubro Ltd. holding the view that non-availability of bill of export would not by itself lead to denial of the benefit of fulfillment of export obligation, if the export to SEZ can be evidenced by other contemporaneous documents, was relied upon. The department was directed to accept the hard copy of the application for MEIS as the exporter could not file it in-time as was placed under Denied Entity list before. [Forbes Marshall Pvt. Ltd. v. Union of India - 2019 (9) TMI 398 - Bombay High Court]

- Catalyst consumed in final product cannot be extended exemption available to goods for setting up, running, repair or maintenance of plant: CESTAT Ahmedabad has had held that the catalyst "Petromax- MD", consumed in the final product and not required for setting up of the plant or required for running, repair and maintenance of the plant, was not eligible for the benefit of exemption which provided that the goods should be used in setting up of the crude petroleum refinery. The goods in question were hence denied benefit of Entry No. 45 of List 17 of Sl. No. 228 of Notification No. 21/2002-Cus. [Nayara Energy Ltd. v. Commissioner – 2019 VIL 580 CESTAT AHM CU]

- No fundamental right to import and quantitative restrictions can be imposed: The Bombay High Court has held that there is no fundamental right to import poppy seeds and quantitative restrictions can be imposed as per the National Policy on Narcotic Drugs and Psychotropic Substances, controlled by the Narcotic Drugs & Psychotropic Substances Act, 1985 which can be traced to the Foreign Trade (Development & Regulation) Act, 1992. The importer had challenged the Central Bureau of Narcotics guidelines which regulate import of poppy seeds, as an unconstitutional restriction on their right to trade and carry on business. The Court noted that there is no fundamental right to import anything without restrictions, or only on terms beneficial to a particular person and that the importer had not challenged the power to impose such restrictions. [Chailbihari Trading Pvt Ltd. v. Union of India - 2019 TIOL 2021 HC MUM NDPS]

Central Excise, Service Tax & VAT

Case Laws

- Form-C to mining & power generation dealers for HSD procurement – Circular denying said form set aside: Jharkhand High Court has set aside a circular issued by the Jharkhand Commercial Tax Department, denying Form-C for all the items in the amended definition of 'goods' (after introduction of GST) under Section 2(d) of the Central Sales Tax Act, to dealers engaged in the mining and power generation, and procuring HSD for operations. The Court in this regard relied on Punjab & Haryana High Court Order in the case of Carpo Power Ltd. as affirmed by the Supreme Court. It observed that the definition of goods is expansive and that 'goods' appearing in second half of Section 8(3)(b) may not necessarily mean 'goods' as defined under Section 2(d) of the CST Act. It also held that the registration of a dealer under Section 7(2) is not subject to any liability of the dealer to pay the tax. [Tata Steel

v. State of Jharkhand – 2019 VIL 446 JHR]

- Business Auxiliary Services to foreign firm for development of business in India, whether exports – Issue referred to Larger Bench: CESTAT Mumbai has referred to Larger Bench the question as to whether services rendered to foreign entity located outside India for development of its business in India will qualify as export of service in terms of specified phrases used in Export of Services Rules, 2005 from time to time. The Tribunal was of the view that if services rendered were for sale of goods of foreign entity in India, then same cannot be used/ consumed outside India. The matter was referred to LB noting CESTAT decisions to the contrary. [Arcelor Mittal Projects India Pvt. Ltd. v. Commissioner – 2019 TIOL 2582 CESTAT MUM]

- No VAT liability on transporter even when consignor and consignee details not given: Allahabad High Court has held that tax liability cannot be fixed on the transporter merely because the assessee/transporter did not furnish the details of the consignor and the consignee of the completed transactions. The Court observed that merely because the Section 8A(5) of the U.P. Trade Tax Act, 1948 and Rule 84A of the U.P. Trade Tax Rules create certain obligations on transporter, it cannot be concluded that in the event of breach of the same, occurrence of taxing event at the hands of the transporter can be presumed. [Prince Road Lines v. Commissioner – 2019 VIL 383 ALH]

- EOU – Cenvat credit of duties paid on inputs at time of debonding: Madras High Court has allowed Cenvat credit of duty paid on inputs/raw material at the time of debonding of an EOU into DTA. The Court observed that proviso in Rule 3 of the Cenvat Credit Rules, 2004 inserted in 2008 by Notification No. 35/2008-C.E. (N.T.), was more in the nature of an explanation clarifying about allowing of credit on capital goods and was not a stand-alone enabling provision to provide Cenvat credit. The High Court also held that the proviso was not only not happily worded but was placed at the wrong place in Rule 3(1). [Stanadyne Amalgamations Pvt. Ltd. v. Commissioner – 2019 VIL 384 MAD CE]

- Refund of excess amount paid by mistake as pre-deposit: CESTAT Chennai has allowed refund of excess amount paid by mistake as pre-deposit by the assessee. It observed that when the legislature made it clear what is to be collected as pre-deposit, in the absence of any finding about non-satisfaction of conditions as to pre-deposit, the department cannot retain such excess amount remitted by mistake. The Tribunal observed that if one goes strictly by the requirements under Section 35FF of Central Excise Act, 1944 read with Circular No. 984/8/2014-CX, liability of assessee remains at 7.5%/10% and not a penny more. [UR Options v. Commissioner – 2019 VIL 576 CESTAT CHE ST]

- Cenvat credit on renting of crates for carrying goods to buyer's premises: Observing that as per definition of 'input services' the restriction to avail credit up to the place of removal was applicable only for outward transportation of goods, CESTAT Chennai has allowed Cenvat credit of tax paid on renting of crates used in stacking of motor vehicle parts supplied to the customers. The Tribunal noted that input service was renting of crates and not GTA and that merely because the crates were used for supply of goods to buyer's premises, credit cannot be denied. [Lucas TVS Ltd. v. Commissioner – 2019 VIL 574 CESTAT CHE CE]

- Entry Tax on excavators treating them as motor vehicles, is illegal: Gujarat High Court has held that levy of entry tax under Gujarat Tax on Entry of Specified Goods into the Local Areas Act, 2001 on excavators @ 12.5% is illegal, discriminatory, in violation of Article 304(a) of the Constitution and contrary to the object and purpose of enactment of the Entry Tax Act. The Court held that levy of entry tax on excavators treating them as motor vehicles, even though they were always covered by a separate entry under the Sales Tax Act and the VAT Act during -2006-07, was dehors the scheme of entry tax. It held that the State cannot levy entry tax on excavators beyond the VAT rate of 4%. [M H Khanusiya v. State of Gujarat – 2019 VIL 435 GUJ]

- No service tax on surrender charges deducted from ULIP fund: CESTAT Delhi has held that service tax was not payable on surrender charges deducted from the fund value of policy holder on pre-mature withdrawal, as it was not for asset management but a penalty. The Tribunal, considering clarification by CBEC Circular TRU No. 334/1/2010, observed that the charge pertaining to asset management alone formed the value in case of ULIP policy. It observed that surrender charges are permitted to be levied by IRDA by way of penal charges towards recovery of initial expenses. Clarification by substitution of clause (ii) in explanation to Section 65(105)(zzzzf) of Finance Act 1994, was relied upon. [Max Life Insurance Co. India Ltd. v. Commissioner – 2019 VIL 550 CESTAT DEL ST]

- Exemption to GTA services available for transportation of biscuits: CESTAT Allahabad has held that exemption to GTA services for transportation of foodstuff will apply to biscuits as well. The Tribunal observed that the size and time of eating biscuits may change but nevertheless biscuit is a food item. Observing that the eatable biscuits would fall under the category of foodstuff, the Tribunal rejected the Revenue department's contention that biscuits cannot be foodstuff since foodstuff is only relatable to those items which are to be further processed. [Commissioner v. GlaxoSmithKline Consumer Healthcare Co. Ltd. – 2019 TIOL 2630 CESTAT ALL]

- Export of Scientific and Technical Consultancy Service – POPS Rule 3 when applicable: CESTAT Mumbai has allowed refund of Cenvat credit on export of Scientific & Technical Consultancy services. Considering the pricing method, it held that Rule 3 and not Rule 4 of the Place of Provision of Services Rules, 2012 was applicable. The Tribunal observed that from payment of material cost plus a markup by the service recipient, it cannot be concluded that goods were made physically available by the service recipient. Pricing method was also held as not a reimbursement. Absence of clause that service recipient was to provide material for R&D was also noted. [Dow Chemical International Pvt. Ltd. v. Commissioner – 2019 VIL 588 CESTAT MUM ST]

- Setting aside of penalty while remanding the matter when correct: Madras High Court has dismissed an appeal against the CESTAT order wherein the Tribunal had set aside the penalty and allowed Cenvat credit on MS items used for fabrication of support structures, while remanding the matter for computation of credit. The Tribunal had held that since only the issue of interpretation was involved, imposition of penalty was unwarranted. The Department did not dispute the entitlement to such Cenvat credit before the High Court. The High Court held that the finding of the Tribunal relating to penalty were not beyond the scope of power of the Tribunal under Section 35C of the Central Excise Act, 1944. It noted that the words 'as it thinks fit' under Section 35C(1) are wide enough to confer such power upon the Tribunal to exercise its discretion, while remanding the case only for the purpose of computation of Cenvat credit, for which the assessee was found entitled. It also held that so long as entitlement to avail Cenvat credit was not validly disputed by the Department, it cannot insist on an open remand. [Commissioner v. Madras Cements Ltd. - 2019 (367) ELT 817 (Mad.)] MA

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Information Source - *M/s LKS, CBIC.gov.in., various internet websites including Income tax website, Dailyhunt, Deloitte, livemint.com, related links and various notifications, circulars, orders, press releases and other sources-many thanks to all.*

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Kolkata, the 19th September, 2019

NOTIFICATION

11–CWR(581-619)/2019: In pursuance of sub-Regulation (3) of Regulation 11 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that the Certificates of Practice granted to :

1. Shri L Kathiresan, BCOM,FCA,CMA(USA),FCMA,41/20, Kamarajar Road,Ramakrishna Nagar, Chennai – 600087, (Membership No-1922) is cancelled from 31st January, 2019 to 31st March, 2019 at his own request,
2. Shri Suresh Agrawal, BCOM(HONS),LLB,ACS,FCMA,106, Vishveswariya Nagar, Triveni Nagar Road,Jaipur – 302018,(Membership No-7883) is cancelled from 4th February, 2019 to 31st March,2019 at his own request,
3. Shri Balram Kumar Kanda BSC, MA, ACMA 47, State Bank Nagar, Paschim Vihar, New Delhi-110063 (Membership No-9165) is cancelled from 25th July, 2019 to 31st March, 2020 at his own request,
4. Shri. K Ravi Shankar,BCOM,ACMA,10, Ratnammal Street, Rangarajapuram, Chennai-600024(Membership No-13278) is cancelled from 14th June, 2018 to 31st March,2019 at his own request,
5. Shri Sattiraju Tirumaleswara Rao BCOM,ACMA, H. No. 3-2-166/4, G. K. Colony, Behind "More" Opp. Tiny Scholor's School, Hyderguda, Attapur, Hyderabad-500048 (Membership No-15216) is cancelled from 7th May, 2019 to 31st March,2020 at his own request
6. Shri. Bipin Bihari Mishra, BCOM, LLB, ACMA, Duplex 9, Manorama Estate Rasulgarth Bhubaneswar-751010(Membership No-17790) is cancelled from 01st December, 2018 to 31st March,2019 at his own request,
7. Shri Karunakara Shetty BCOM, ACMA 1304, A/2, Kedar CHS Ltd, Kavyadhara Complex, Kolshet Road, Dhokali, Thane (West) - 400607 (Membership No-20945) is cancelled from 10th June, 2019 to 31st March,2020 at his own request,
8. Shri. Prodyot Kumar Bhandary, BCOM(HONS), ACMA, H.I.G. Flat D/14, Serampore Housing Estate, Rishra, Hoogly – 712248, (Membership No-20969) is cancelled from 7th April, 2018 to 31st March, 2019 at his own request,
9. Shri. Sridhar Guda, BCOM,MBA,FCMA, D-10/10,Platinum City, HMT Road, Yeshwanthpur, Bangalore 560022 (Membership No-22536) is cancelled from 20th October, 2018 to 31st March,2019 at his own request,
10. Shri. Sateesh Kumar Gandikota, BCOM,MBA,ACS,FCMA, Flat No. 402, Chaitanya Residency, Behind Church, Very Near to PJR Stadium, Chandanagar, Serilingampalli Mandal, Dist: Rangareddy, Hyderabad-500050(Membership No-26451) is cancelled from 19th November, 2018 to 31st March,2019 at his own request,
11. Ms. Lakshmi V, MCOM, FCMA, Lakshmi V & Associates, 23/1049, Sreenivas, Thamaravelil, Thycaud,. Thiruvananthapuram-695014(Membership No-27758) is cancelled from 14th June, 2018 to 31st March,2019 at her own request,
12. Shri. Sunil Kumar, MCOM,ACMA, Sunil Kumar & Associates, A-10, MGS Chambers, 1st Floor, Nehru Ground, NIT, Faridabad-121001(Membership No-28130) is cancelled from 15th February, 2018 to 31st March, 2018 at his own request,
13. Shri. Vamsheshwar Rao Guntur, BCOM,FCS,FCMA, 1-6-44, 1st Floor Musheerabad, Hyderabad-500020(Membership No-32331) is cancelled from 26th February, 2018 to 31st March,2018 at his own request,
14. Ms. Pavitra Kanneboyena, BCOM,MBA,FCMA, Ligh-161, H B Colony, Moula-ali. Hyderabad-500040(Membership No-33143) is cancelled from 3rd October, 2018 to 31st March, 2019 at her own request,
15. Shri Vishal Ashokbhai Yagnik,MCOM,ACMA 613 ,Shiromani Complex,Nehru Nagar, Satellite Road, Ahmedabad – 382338 (Membership No -33805) is cancelled from 15th December, 2018 to 31st March,2019 at his own request,
16. Ms Garima Arora BCOM, ACMA 929, Sec7 Ext Gurgaon-122001 (Membership No-34085) is cancelled from 1st March, 2019 to 31st March,2019 at her own request,
17. Ms Pragyan Priyadarsini Pati, MA, ACMA, Plot .No MIG-A/28,Brit ColonyNayapalli Behind Pollution Control Board, Bhubaneswar -751012 (Membership No -34447) is canelled from 17th December, 2018 to 31st March,2019 at her own request,
18. Shri. Bijaya Kumar Rana BCOM, ACMA, At/po : Narayanpur Via – Dhamangar, Bhadrak-756117 (Membership No-34929) is cancelled from 29th March, 2018 to 31st March,2019 at his own request,

19. Shri. Ravi Babu Pyla, MCOM, ACMA, 50/80/23, Seethamapeta, Visakhapatnam-530016(Membership No-35610) is cancelled from 17th January, 2018 to 31st March,2018 at his own request,
20. Shri Parappurath Puthiya Purayil Shabeer Ali, BCOM,ACMA, Alpha Chembers, Near altex, Kavyadhara Complex, Caltex Junction, Near Sannivan Tourist Home, Kannur (Kerala) – 670002, (Membership No-37582) is cancelled from September 10, 2019 to 31st March,2020 at his own request,
21. Shri. Roushan Kumar Choudhary, BCOM,MA,ACMA, F-59, Bhagat Singh Park, Siraspur, Delhi – 110042, (Membership No-38316) is cancelled from 01st August, 2018 to 31st March,2019 at his own request,
22. Shri Manoj Rathore BCOM, MBA, ACMA C-277/B, C-Block, Street No.-11, Near Sanatan Dham Mandir Bhajanpura, Delhi-110053(Membership No-38319) is cancelled from 31st July, 2019 to 31st March,2020 at his own request,
23. Shri Naveen Mittal, BCOM,MBA ,ACMA 25, Mota Singh Nagar, Tej Bagh Colony, Sanour Road, Patiala -147001 (Membership No – 38412) is cancelled from 27th December, 2018 to 31st March,2019 at his own request,
24. Shri. Sandeep Kumar - BCOM,ACMA, 96 A / 9, Shalom Apartment, Block - A, Flat No. 9, Kishangarh, Vasant Kunj, Delhi – 110070, (Membership No-38413) is cancelled from 11th November, 2018 to 31st March,2019 at his own request,
25. Shri. P C Chowdareddy , BCOM, ACA, ACMA, Pottlavarapalli Village, Mittemari Post, Chikkaballapur District, Bagepalli-561207(Membership No-39962) is cancelled from 10th February, 2018 to 31st March,2018 at his own request,
26. Ms. Hemangi Umesh Kene, BCOM, ACMA, B -103, Sohan Tower, Nr. Amrai Police Chowki, Vijay Nagar. Kalyan (East)-421306(Membership No-40686) is cancelled from 18th June, 2018 to 31st March, 2019 at her own request,
27. Mr. Rakesh Kumar Paliwal - MCOM,ACMA,366, Mishrilal Nagar Extention, A B Road, Dewas - 455001(Membership No-40693) is cancelled from 29th September, 2018 to 31st March,2019 at his own request,
28. Shri. Vaibhav Chandrakar, MCOM, ACMA, MIG1/853, Near Shriram Chowk HUDCO Bhilai-490009(Membership No-41376) is cancelled from 3rd December, 2018 to 31st March,2019 at his own request,
29. Shri Sachin Kumar Alwadhi BCOM, MBA, ACMA #55, Street No-5, Piara Singh Colony, Rupnagar, Punjab-140001 (Membership No-41694) is cancelled from 2nd March, 2019 to 31st March,2019 at his own request,
30. Shri. Rahul Kumar Tandon, MCOM,LLB,ACS,ACMA, H. No. 52.- B, Bakshi Nagar, Jammu Tawi, Near Vishal Mega Mart, Jammu - 180001 (Membership No-42431) is cancelled from 26th December, 2018 to 31st March, 2019 at his own request,
31. Shri Rahul Kumar Paliwal, BCOM,ACS,ACMA,Kamleshwar Colony, Subhash Ganj, Dabra – 475110 (Membership No-42699) is cancelled from 29th January, 2019 to 31st March,2019 at his own request,
32. Shri. Murlidhar Jagetiya, BCOM, ACMA, 10, Aaram Apartment, 12, Sampat rao Colony, Alkapuri. Vadodara-390007(Membership No-43616) is cancelled from 31st March, 2018 to 31st March,2018 at his own request,
33. Shri Sajin Odu Para BCOM, ACMA 11/440/K, Nadakkavi Complex, Opposite Karthika Theatre, Pattambi Road, Valanchery-676552 (Membership No-43648) is cancelled from 6th October, 2018 to 31st March,2019 at his own request,
34. Shri Vivek Kumar Sharma, MCOM, ACMA, House No. 569, Street No. 6, Durga Puri, Tibra Road, Modinagar – 201204 (Membership No – 43712) is cancelled from 11th January, 2019 to 31st March, 2019 at his own request,
35. Shri Nibash Chandra Sahoo, BCOM(HONS),ACMA At /Po – Balakati,Via –Aul Kendrapara – 754219 (Membership No – 43817) is cancelled from 25th December, 2018 to 31st March, 2019 at his own request,
36. Shri Parag Prakash Gujar BCOM, ACMA B 304, Hari Leela C. H. S. Sector-6, Plot No. 302, Nerul, Navi Mumbai-400706 (Membership No-43972) is cancelled from 17th July, 2019 to 31st March,2020 at his own request,
37. Shri Surender Kumar S BCOM, ACMA, New No 526, Old No 263A, Dr Radhakrishnan Road West Tatabad, Coimbatore-641018 (Membership No-44054) is cancelled from 22th March, 2019 to 31st March,2019 at his own request,
38. Shri. Amol Ashok Modi, BCOM, MBA, ACMA, A 703, Wonder City, Katraj,. Pune-411046(Membership No-44371) is cancelled from 15th October, 2018 to 31st March, 2019 at his own request,
39. Shri Parag Surana,BCOM,ACMA, 5 General Muthia Street, 1st Floor ,Chennai – 600079 (Membership No-45396) is cancelled from 5th February, 2019 to 31st March,2019 at his own request.

(S. C. Gupta)
Secretary(Acting)

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2019

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
Tuesday, 10th December, 2019	Fundamentals of Economics & Management
Wednesday, 11th December, 2019	Fundamentals of Accounting
Thursday, 12th December, 2019	Fundamentals of Laws & Ethics
Friday, 13th December, 2019	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only. Each paper will be of 100 marks and for 3 hours duration.**

2. Application Forms for Foundation Examination has to be filled up through online and fees will be accepted through online mode (including Payfee Module of IDBI Bank).

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

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

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

5. **Last date for receipt of Examination Application Forms is 10th October, 2019.**

6. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result: 21st February, 2020.**

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

CMA S. C. Gupta
Secretary (Acting)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2019

	PROGRAMME FOR SYLLABUS 2016			
	ATTENTION: INTERMEDIATE & FINAL EXAMINATION (DECEMBER – 2019 TERM) WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.			
Day & Date	INTERMEDIATE (Time: 2.00 P.M. to 5.00 P.M.)		FINAL (Time: 2.00 P.M. to 5.00 P.M.)	
	(Group – I)	(Group – II)	(Group – III)	(Group – IV)
Tuesday, 10th December, 2019	Financial Accounting (P-05)	-------------------	Corporate Laws & Compliance (P-13)	-------------------
Wednesday, 11th December, 2019	-------------------	Operations Management & Strategic Management (P-09)	-------------------	Corporate Financial Reporting (P-17)
Thursday, 12th December, 2019	Laws & Ethics (P-06)	-------------------	Strategic Financial Management (P-14)	-------------------
Friday, 13th December, 2019	-------------------	Cost & Management Accounting and Financial Management (P-10)	-------------------	Indirect Tax Laws & Practice (P-18)
Saturday, 14th December, 2019	Direct Taxation (P-07)	-------------------	Strategic Cost Management – Decision Making (P-15)	-------------------
Sunday, 15th December, 2019	-------------------	Indirect Taxation (P-11)	-------------------	Cost & Management Audit (P-19)
Monday, 16th December, 2019	Cost Accounting (P-08)	-------------------	Direct Tax Laws and International Taxation (P-16)	-------------------
Tuesday, 17th December, 2019	-------------------	Company Accounts & Audit (P-12)	-------------------	Strategic Performance Management and Business Valuation (P-20)

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	₹1400/- US $ 100	₹1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	₹2800/- US $ 100	₹2400/- US $ 90

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms is 10th October, 2019.**
5. **The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2018, including notifications and circulars issued up to 31st May, 2019, are applicable for December, 2019 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate), Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2019-20. For statutory updates and amendments please refer to: http://icmai.in/studentswebsite/Syl-2016.php**
6. **Companies (Cost Records and Audit) Rules, 2014 as amended till 31st May, 2019 is applicable for December, 2019 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19-Cost and Management Audit (Final) under Syllabus 2016.**
7. **The provisions of the Companies Act 2013 are applicable for Paper 6-Laws and Ethics (Intermediate) and Paper 13-Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st May, 2019 for December, 2019 term of examination. Additionally, for applicability of ICDR, 2018 for Paper-13-Corporate Laws & Compliance (Final) under Syllabus 2016 refer to relevant circular in website for December, 2019 term examination by following link: http://icmai.in/studentswebsite/Syl-2016.php**
8. **For Applicability of IND AS and AS for Paper 5 - Financial Accounting, Paper 12 - Company Accounts and Audit (Intermediate) and Paper 17 - Corporate Financial Reporting (Final) refer to relevant circulars and notifications in website for December, 2019 term examination in the given link: http://icmai.in/studentswebsite/Syl-2016.php**
9. **Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6-Laws and Ethics (Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13-Corporate Laws and Compliance (Final) under Syllabus 2016 for December, 2019 term of examination. Please refer to http://icmai.in/studentswebsite/Syl-2016.php**
10. **Examination Centres: Adipur-Kachchh (Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 21st February, 2020.**

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

CMA S. C. Gupta
Secretary (Acting)

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

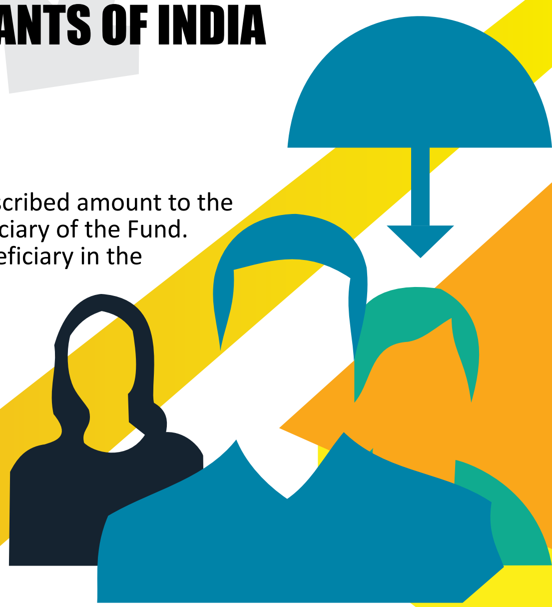
CMA Bhawan, 12 Sudder Street, Kolkata - 700016

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-



BENEFITS

- ***Income Tax Benefit under section 80G***
- ***Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.***
- ***Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.***

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
- Any other disease that may be considered by the Board of Trustees to be critical in nature.

To apply for life membership or for further details please visit

https://eicmai.in/External/Home.aspx#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