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The Journal for CMAs

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

Empowering SMEs for Sustainable Growth

Empowering

SMEs

For Sustainable Growth



The President, CMA Rakesh Singh, Chief Guest Shri Navin Jain (IAS) Director – College Education, Rajasthan and CMA Amit Apte, Central Council Member at the inauguration ceremony of CAT seminar jointly organized by the Institute and the Government of Rajasthan on 11th April 2013, in Jaipur.

The President of the Institute, CMA Rakesh Singh and Chief Guest Shri Navin Jain (IAS) Director – College Education, Rajasthan, deliberating at the CAT seminar jointly organized by the Institute and Government of Rajasthan in Jaipur on 11th April 2013.

The President, CMA Rakesh Singh, Central Council Member and Chairman WTO & IA of the Institute, CMA Sanjay Gupta, Past President of the Institute CMA Kunal Banerjee, and Chairman of Dubai Overseas Chapter CMA Jayanta Sen at the Annual Seminar arranged by Dubai Overseas Center of the Institute in Dubai on 15th March 2013

Central Council Members, CMA T. C. A. Srinivasa Prasad and CMA Dr. Sanjiban Bandopadhyay with the dignitaries on the dais at a session of 34th Cost Conference 2013 held at The Park, Kolkata on 14th April 2013.

Advisor to Finance Minister, GOI, Dr. Parthasarathi Shome, Central Council Member CMA Dr. Sanjiban Bandopadhyay, Advisor to Dy. Chairman, GOH, Shri G. Haldia and CMA Ashok Kr. Mukherjee, Chairman EIRC at the inauguration session of 34th Cost Conference 2013 held at The Park, Kolkata on 14th April 2013.

Dr. N. Saini, Regional Director, MCA, Shri Susanta Majumdar (IAS), Secretary, IT & Electronics, Shri Sugata Marjit, Chairman, West Bengal State Council of Higher Secondary Education, CMA S. C. Mohanty, Vice President, ICAI, Swami Suparnananda, Secretary, Ramkrishna Mission Institute of Culture, CMA Ashok Kr. Mukherjee, Chairman, EIRC, at the inauguration session of 34th Cost Conference 2013 held at The Park, Kolkata on 14th April 2013.

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The Management Accountant

Official Organ of the Institute of Cost Accountants of India established in year 1944 (Founder member of IFAC, SAFA and CAPA)

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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.

MISSION STATEMENT

" The Institute of Cost Accountants of India 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."

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The Institute reserves the right to refuse any matter of advertisement detrimental to the interest of the Institute. The decision of the Editor in this regard will be final.

Editorial

Greetings!

MSMEs have been globally considered as an engine of economic growth and as key instruments for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

SMEs always represented the model of socio-economic policies which emphasized judicious use of foreign exchange for import of capital goods and inputs, labour intensive mode of production and employment generation. With the positive outlook of Indian economy, Indian SMEs are enhancing their capital expenditure and number of staff. To add to this there is an increasing number of SMEs eyeing offshore expansion for their businesses.

Small and medium entrepreneurs are poised to become big in the Indian markets. It is estimated that in value, the sector accounts for about 45 percent of manufacturing output and about 40 percent of total exports. In recent years, the SME sector has consistently registered a higher growth rate in India as compared to the growth rate of overall industrial sector. The major advantage of the SME sector is its employment potential at a low capital cost. The government and regulators have also recognized this fact and introduced various policy measures to help SMEs to grow spontaneously including activation of SME listing platform. No economy in the world can hope to survive without a robust SME ecosystem.

Despite their high enthusiasm and inherent capabilities to grow, SMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario. To survive with such issues and compete with large and global enterprises, SMEs need to adopt innovative approaches in their operations. Indian SMEs have been passing through a transitional phase, keeping competitive spirit high, with a willingness to restructure themselves, facing the challenges and come out with shining colours and contribute positively to Indian economy.

Hope this issue on "Empowering SMEs for Sustainable Growth" will enlighten our valued readers to a great extent. We are very much thankful to the contributors of this issue.

Happy reading!

> *Let no feeling of discouragement prey upon you, and in the end you are sure to succeed.*
>
> —Abraham Lincoln

CMA Rakesh Singh, President

Dear Professional Colleagues,

First of all I take this opportunity to thank all the members who attended the **International Professional Summit** organized by the Institute at the Leela Kempinski Hotel, Gurgaon on 26th & 27th April 2013. The theme of the summit was **New Approach to Sustainable Growth.** The summit was a huge success as it saw the participation of around 250 delegates from India and abroad.

By holding of such a successful event, we could once again showcase the world - the strength of CMA profession. The national and International speakers at the summit deliberated on Sustainability and I am sure that the participants were able to take away the desired outputs.

The Summit was inaugurated by **H.E. Mr. Waven Winslow William, High Commissioner, Seychelles High Commission in New Delhi** on 26th April 2013. **Mr. Satish Jha**, Chairman, Pinewood Partners LLC, Kofi Annan Center was the Guest of Honor while **Mr. Steven Moodie,** CFO Region India, Ericsson presented the keynote address. The speakers highlighted the importance of sustainable growth by stating that the Sustainable development will not be brought about by policies only; it must be taken up by society at large as a principle guiding many choices each citizen makes every day,

During the deliberations the initiatives taken by the Institute in this area were also talked upon and it was informed to one and all that the Institute is leading initiatives in the area of Sustainable development and Integrated Reporting. The Institute has prepared a concept paper on Water Accounting and is currently working on developing a Water Accounting Standard. ICAI is also propagating the implementation of Integrated Reporting framework. With focus on effective cost management, the Institute is well placed to bring about impacting changes in the sustainability landscape.

I would like to thank all the speakers for devoting their valuable time for attending the summit and sharing their views with the participants. I convey my sincere gratitude to the nominating authorities of all the organisations, who were represented by many corporate delegates in the summit. I would also like to thank all the sponsors of the summit for continuously supporting the Institute and our associate / knowledge partners for their support and inputs for making this event a grand success.

To apprise all the members of the activities / initiatives undertaken by the Departments/ Directorates of the Institute, I now present a brief summary of the activities.

Professional Development Directorate

CFC under ACES Scheme of CBEC and Extension of MOU thereof

As members are aware that the Institute entered into an MOU on 13th April 2010 with Central Board of Excise & Customs (CBEC) to facilitate Cost Accountants in Practice to act as Certified Facilitation Centres (CFCs) under Automation of Central Excise and Service Tax (ACES) scheme of CBEC and offered their services such as digitization of paper documents and on-line filing/ uploading of documents such as application for registration, filing of returns, refunds, accounting, disputes resolution, audit, provisional assessment, exports, claims, intimations and permission to assessees. Earlier CBEC extended MOU for two years upto 31.3.2013. Now CBEC and Institute agreed to extend the MOU for two more years till 31st March, 2015. The Cost Accountants in Practice, who applied through the Institute earlier and are acting as CFCs under ACES Scheme, need not apply afresh with the Institute. The user id and password already given to them through the Institute by CBEC would be valid. The Cost Accountants in whole time practice of not less than one year may apply to act CFC under the Scheme by on-line application through the Institute website. The details in this regard may be found from the Institute website under featured links **"CFC Scheme under ACES"**.

Program Directorate

It is a matter of pleasure for all of us that the Continuing Education Program Directorate is engaged in the Capacity building and professional development of the members of the Institute. The directorate wishes to provide a platform where CMAs would get opportunity to share their experiences with fellow members by acting as Discussion leader, Speaker or Faculty in the CEP programs which would also act as a motivational force and build team spirit.

I urge upon my members to please come forward to contribute to the profession by supporting the CEP activities of the Institute, in order to foster and develop professional fellowship and exchange professional knowledge amongst the members. For details refer to the Institute's website.

During the month various programs of professional relevance were organized by our Regional Councils and Chapters across country covering Delhi, Trivandrum, Cochin, Baroda, Mumbai, Coimbatore, Kolkata, Hyderabad, Raipur and so on.

Hyderabad Centre of Excellence

The Business Valuation and Corporate Restructuring course has entered into the fourth week at Hyderabad. The Program entered the eighth week at Kolkata. The Modular mode of the Program is running at New Delhi.

The Vice President CMA SC Mohanty has visited the Hyderabad Center of excellence in connection with the meeting of the Tender Committee on Sunday, the 21st April, 2013.

ICWAI – MARF Programs

The forthcoming in-house programs for various corporate / Government departments under ICWAI-MARF are given below for the ready reference of the members.

- Third Technical Program on Finance and Accounts for SG/JAF IRAS Officers of Ministry of Railways during 10-23 June, 2013 at Delhi, London and Paris.
- Fourth Technical Program on Finance and Accounts for SG/JAF IRAS Officers of Ministry of Railways during 15-28 July, 2013 at Delhi, London and Paris.
- Program on Accounting Standards and Revised Schedule VI for NBCC Limited during 14-15 May, 2013 at Delhi.
- Program on Costing and Contract Management for Indian Navy during 3-7 June, 2013 at Delhi.
- Program on Contract Management for Indian Air Force during 17-22 June, 2013 at Delhi.
- Two Programs for Nepal Electricity Authority during May – July, 2013 at Delhi, Goa and Mumbai.
- One program for Nepal Telecom Company during May-June, 2013 at Delhi.
- Dates for the Programs of Punjab State Power Corporation(Delhi) / other Indian Navy programs including three months Certificate Course(Delhi, Mumbai, Vizag and Cochin) / other programs for Indian Air Force(Delhi) / National Highways Authority of India (at different locations) are to be finalised in due course of time.(May – October, 2013)

Research and Journal Directorate

Partnership with ASSOCHAM

ICAI was proudly associated with ASSOCHAM as knowledge partner for the **National Convention** on the theme **"Odisha - Destination for Sustainable and Inclusive Growth - SME Initiative" at Bhubaneswar on 15 April, 2013.** CMA Suresh Ch. Mohanty, Vice President as theme presenter and CMA Manas Kumar Thakur, Chairman, Research & Publications Committee, ICAI as Session Chairman of the convention shared the stage with other eminent dignitaries from Govt., Industries, Banks, Stock Exchange and Chambers of Commerce. The inaugural address was given by Dr. Damodar Rout, Hon. Minister of MSME, Govt. of Odisha.

The Institute was again associated with ASSOCHAM as knowledge partner in their **"7th SME Sammelan – Banking and Financing Solutions for Sustainable Growth" on 25 April, 2013 at Dehradun,**

Uttarakhand. I also attended the event as a theme presenter. Eminent dignitaries from Govt. circle, Industries, Banks and Chambers of Commerce attended the seminar.

The research based knowledge studies prepared by us in both the events were highly acclaimed by the industry and the Government circle.

Partnership with Tripura University

ICAI was associated with **Tripura University** (a Central University) in a **Three Day National Conference on "Contemporary Issues of Cooperative Societies in India with Special Reference to its North Eastern Region" held at Department of Commerce, Tripura University during 19 - 21 April, 2013.** CMA Suresh Ch. Mohanty, Vice President of the Institute and CMA Manas Kumar Thakur, Chairman, Research & Publications Committee attended the conference. Prof. A.K. Ghosh, Vice Chancellor of Tripura University, Dr. Dinesh, Chief Executive, National Cooperative Union of India, Sri Santanu Das, IAS, Secretary, Cooperation, Govt. of Tripura and other eminent dignitaries were on the dais at the inaugural programme. Participants and dignitaries from different parts of India were present at the conference.

CMA E-Bulletin

It gives me an immense pleasure to know that the Research Directorate of the Institute has come out with **"CMA E-Bulletin"** under the guidance of CMA Manas Kr. Thakur, Chairman, Research & Publications Committee. I hope this e-bulletin will definitely enrich the knowledge base of the readers.

Training and Placement Directorate

I am happy to inform that the Campus Placement for December, 2012 CMA qualified has already been completed at Chennai, Delhi and Mumbai, where in around 150 students got their appointment letters. Companies like, EIL, NLC, power Grid Corp, Accenture, TCS, WIPRO, ITC, TVS, Vedanta, BEL and KPMG participated in the campus placement initiatives. By the time you read this, campus placement would have been completed at Kolkata also.

In order to enhance the Training opportunities for Intermediate qualified, your Institute has entered into an MoU with Central Warehousing Corporation, under which, CWC would be taking our students as Trainees for their various units across the country. This arrangement, I am sure will go a long way in further enhancing the industry linkage of the Institute.

CAT Directorate

I had the opportunity to discuss and hear 150 educationists drawn from 60 Institutions from across the State of Rajasthan, during "CAT Seminar" jointly organised by the Institute and the Government of Rajasthan on 12th April, 2013 at Jaipur. The educational Institutions were highly impressed by the CAT Course and shown interest to introduce CAT Course across the State of Rajasthan from this Academic session.

Technical Directorate

I am happy to inform the members that the Guidance note on Cost Accounting Standard on Cost of Utilities (CAS-8) was approved by the council and has been hosted on the website. The 60th meeting of the CASB was held on 17th April 2013 at Delhi.

International Affairs

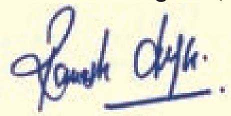
The Institute got an opportunity to represent South Asian Federation of Accountants (SAFA) at the EFAA conference at Amsterdam held on 17th & 18th April 2013 on the theme "The challenges for the profession: Tone at the Top and Soft skills. What does this mean for the future of SMPs and Accounting Education?"

The Institute nominated **CMA TCA Srinivasa Prasad, CCM** to attend the conference as Panel Speaker in a session on 18th April 2013. **CMA Aruna Soman, CCM** was nominated as his Technical Advisor. The conference was well attended by participants from all over Europe, USA and Asia, which included Accountants, Auditors and Entrepreneurs. This event discussed the requirements and characteristics needed for the personnel at the top of the organisations both at audited organisations and auditor organisations.

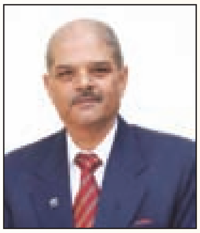
Apart from giving a well-received presentation on the topic, the Institute representatives briefly explained the Kerala model of "Catching them Young" by our Institute, which was appreciated by the participants.

I wish all the members and their family on the occasion of May Day, Hazrat Ali's Birthday and Buddha Purnima.

With warm regards,



(CMA Rakesh Singh)
President
The Institute of Cost Accountants of India
1st May 2013



Microenterprise Financing Demand and Supply Analysis

Mr. U. K. Joshi
Director, ASSOCHAM

Significance of Microenterprise

The informal economy always play crucial role in the developmental economies. The confluence of positive political will, institutional infrastructure and availability of progressive finance creates facilitative climate to grow informal economy which generally the developing economies extend.

For example, this segment constitutes a large part of developing and transition economies-comprising 42.0 per cent of value added in Africa, 41.0 per cent in Latin America, 35.0 per cent in the transition economies of Europe and the former Soviet Union, and 13.5 per cent in Organization for Economic Cooperation and Development (OECD) countries. Microenterprise by character quintessentially circumscribed in informal economy. In India, informal economy is alternatively called unorganized sector.

Microenterprise sector while providing employment with comparatively lower cost also help in industrialization of rural & backward areas; in this way it reduces regional imbalances, secures equitable distribution of national income and wealth. According to Report on Employment & Unemployment Survey (2009-10), at overall level, per thousand employed persons 658 persons are working in the units employing less than 10 workers. In order to bring perspective in the growth of labor force in informal economy, report of 2004-2005 stating unorganized sector workers comprises about 86% of work force in Indian economy however the report on February 2012 is showing more than 90 per cent of workforce and about 50 per cent of the national product are accounted for by the informal economy; it is also showing the intensity of labor participation. The most spectacular point is labour to capital ratio in MSMEs is low and overall growth is much higher than the large industries.

Dynamics

India is showing growth trajectory in the economy however government's reports are acquiescing that the favorable impact of growth has not permeated downwards to the underserved population. It resonates into a large working population that is bereft of any continued source of livelihood and social security. However, the growth trajectory is ushering new dynamics in the economics. According to the Report of the Committee on Unorganised Sector Statistics, February 2012, "The high level of growth of the Indian economy during the past two decades is accompanied by increasing informalisation. There are indications of growing inter-linkages between informal and formal economic activities. There has been new dynamism of the informal economy in terms of output, employment and earnings. Faster and inclusive growth needs special attention to informal economy." So the informal economy is enhancing its significance to encompass large number of unemployed population which is required for the growth and gain equitable justice in the Indian economy.

Financing of Microenterprise

Government of India has always been extending special envisages towards promotion of enterprises with smaller denominations. Ministry of Micro Small and Medium Enterprises has specialized schemes for promotion of this segment however the schemes and fund flow are not coordinated. Ministry of MSME and one international agency is working on it. The other effective way to understand the support is through analysis of the banking finance extended towards enterprises with smaller denominations especially through special window called Priority Sector Lending.

Note: The major lower end microenterprise scheme of ministry of MSME the KVIC is also coming under priority sector lending.

Gaps in Microenterprise Financing

Though there are visible endeavor of government to promote enterprises with smaller denomination still there are number of gaps and challenges enumerated in the different reports.

According to Report of Prime Minister's Task Force, amongst others, challenges in access to adequate and timely credit at a reasonable cost; inadequate inflow of equity capital; unavailability of infrastructure, technology and skilled manpower are in tune with the global trends are the major ones and these parameters are linked with financial architecture of the sector. Report on Creation of a National Fund for the Unorganised Sector by National Commission on Enterprises in the Unorganised Sector (NCEUS) (November 2007) is citing estimated credit gap for the micro enterprises in the unorganised sector of Rs. 6.01 lakh crore (75%) as at end March 2011, with the caveat that the number of such unorganized micro enterprises was estimated at 68 million with an average credit off take of Rs 1.18 lakh per enterprise.

"The major reason for this has been the high risk perception among the banks about this sector and the high transaction costs for loan appraisal. While the quantum of advances from the public sector banks (PSBs) to the MSEs has increased over the years in absolute terms, from Rs.46, 045 crore in March 2000 to Rs.1, 85,208 crore in March 2009, the share of the credit to the MSE sector in the Net Bank Credit (NBC) has declined from 12.5 per cent to 10.9 per cent during the same period. Similarly, there has been a decline in the share of micro sector as a percentage of NBC from 7.8 per cent in March 2000 to 4.9% in March 2009"as cited in Report of Prime Minister's Task Force on MSME.

Calculation to Ascertain Gap

In 2010 total population of India was 1173108000. The worker population ratio is estimated at 325 persons per 1000. Therefore, the number of worker population is 381260100 and 791847900 people were not coming under "worker population" category of India. Secondly at overall level, per thousand employed persons 658 persons are working in the units employing less than 10 workers; considering this statistics 251631666 people are involved in enterprises with low per capita employability.

Calculating per microenterprise employability of 10, there were 25163167 microenterprises. Considering per capita investment need of 1.18 lakhs there was demand of INR 296925 crores and the supply from priority sector lending was INR 298535 crores which was marginally matching. However, the crux dwells on the employability of the microenterprises, which is very low may not upto 10 per enterprise. As per Report of Prime Minister's Task Force on MSME, 2010, the MSMEs provide employment to about 60 million persons through 26 million enterprises implying average of 2.3 persons; considering this capacity there would be demand of INR 1285391 crores and the supply (priority sector lending) was INR 298535 crores implying credit gap of 77 percent. Apart from this workforce there were substantial number of self employed population who also requires microenterprise financing.

Nair Committee and its suggestions

The Reserve Bank had constituted the Committee under the chairmanship of Shri M. V. Nair on August 25, 2011 pursuant to the announcement made in the Monetary Policy Statement 2011-12. The Committee was to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending and related issues.

Frequency Distribution of Lending to Micro Enterprises

Lending to Micro Enterprises as percentage to ANBC (As of March 2011)	Number of PSBs	Number of Private Banks
Below 4%	5	8
4% to lett than 7%	9	3
7% and above	12	9
Total	**26**	**20**

The above data reveals that 14 PSBs and 11 Private sector banks currently have achievements below 7 per cent (the stipulated quantity under priority sector lending norm) ranging from 0.3 per cent to 6.9 per cent.

Major Suggestions of the Committee

1. The MSE sector may continue to be under priority sector. Within MSE sector, a sub target for micro enterprises is recommended equivalent to 7 per

cent of ANBC or CEOBE, whichever is higher, to be achieved in stages by 2013-14.

2. The priority sector target for foreign banks may be increased to 40 per cent of ANBC or CEOBE, whichever is higher with sub-targets of 15 per cent for exports and 15 per cent for MSE sector, within which 7 per cent may be earmarked for microenterprises.

Summing up

Visibly there is some improvement in the microenterprise financing. During 2010 the credit gap was 77% whereas during 2011 it was 75% (though there might be difference in calculation). Nair committee has recommended supportive financing under priority sector lending mechanism, which may not be sufficient but definitely will push the banks to lend more to the microenterprises.

To give a different stroke for understanding, during 2010, if non-working force were in working force, then 521035918 people probably would be working in microenterprise segment. Considering the average employability of 10 per microenterprise additional INR 614822 crores would have been required and average employability of 2.3 per microenterprise additional INR 2673140 crores would have been required. Looking at the overall situation it can be said that government's initiative has to be hastened including other innovative arrays of financing has to be induced in the system to give a thrust to the microenterprise segment.

At the Helm

Shri Subir Chakraborty

Our heartiest congratulations to Shri Subir Chakraborty, a Fellow member of the Institute of Cost Accountants of India for taking over the charge of Executive Director (Internal Audit) of Coal India Ltd. (a Mharatna company) with effect from January, 2013. He joined CMPDIL, a subsidiary of Coal India Ltd. in July, 1981 and in course of time he was elevated to the post of General Manager (Finance) & Technical Secretary to Director (Finance), Coal India Ltd. in March 2010 prior to this assignment.

We wish Shri Chakraborty the very best in all his future endeavours.

Fueling SME Growth while Strengthening Credit Rating Capitalism: a Case of SME Rating Service

Mausumi Bhattacharyya
Assistant Professor
Serampore College, Hooghly

Introduction

Small and medium enterprises (SMEs) sector is viewed as an important growth driver of India. Several policy measures have been taken from time to time to rejuvenate this sector. About 45% of industrial outputs of our country are produced in by the SME units. This sector accounts for more than 40% of the gross industrial value addition in the manufacturing sector of our country. About 40% of national export is the contribution of SME sector. Besides, it creates an enormous employment opportunity both directly and indirectly. The SME sector in India provides more than 40 million employments. There are over 11 million SME units in India that produces more than 8000 products (Jeswal, 2012). Therefore, the strategic importance of this sector need not be overemphasized. There is no denying that the economic health of our country largely rests on the wellbeing of this sector. Importance of developing this sector as pillar of national growth was envisioned by Jawaharlal Nehru. He visualized SMEs both as independent production units as well as a support service for big industrial units. SMEs have always been given a special consideration by the policy makers. However, the success in this direction has not been as significant as had been contemplated. SMEs face multiple hazards, the most clinching being the lack of finance. Several policy directives have been enforced by the government towards removing the problem of financing of SMEs. Introduction of SME rating by the credit rating agencies (CRAs) is yet another step for helping the SMEs out in gathering strength as a borrower. The present paper aims to delve into the domain of SME rating and to critically evaluate the flip sides of this scheme in terms of building rating capitalism.

Review of literature

Jeswal (2012) showcased the strategic importance of SME sector in the development of India. She argued that SMEs emerged as leaders during the period of recessions, restoring jobs and business activity lost during that time, despite a slow and fragile economy. Grunert and Norden (2010) projected that SMEs are informationally opaque and bank-dependent. In SME lending banks mostly rely on soft information, namely management skill and character. They showed how soft and hard information influence the bargaining power of the SMEs in the US and Germany. Rikkers and Thibeault (2007) attempted to determine the optimal rating philosophy for the rating of SMEs and described the consequences of the chosen philosophy on several aspects. Meng and Xu (2007) presented a SME credit rating method with heterogeneous information in the context of Chinese enterprises. Raghavendra (2013) revisited the role of credit rating agencies in the context of political economy. He urged that credit rating agencies play a pivotal role in delinking politics from the conduct of the economic policy, thereby undermining the legitimate role of the state in the economic reform. Legitimization of credit rating by the state has a direct bearing on the fate of rated enterprises and more so in case of SMEs.

Rationale for SME rating

There are as many as 14 lakh SME units in India but only 8.5% of them can avail bank loan. It's not that the rest 91.5% of the SMEs do not have any financing need. A vast majority of the SMEs in India are denied bank loan for a plethora of reasons. The most crippling of all is that the SMEs do not have credibility in the eye of the bankers (Khosla, 2011). Banks do not feel confident to extend loans to the business units whose track records are not apparently known to them, nor are they easily verifiable by the banks. Therefore, the SMEs with enormous appetite for funds keep fasting while the banks lose out many a good lending option. A third party intervention was badly sought after to mediate between the demand side and supply side of SME financing. Credit rating agencies emerged in this scene as filler. Rating agencies devised a rating methodology suited for the SMEs for assessing the credibility of the SMEs as borrowers. Banks felt comfortable while dealing with the SMEs with good ratings. Ratings make the selection of borrowers on the part of the banks easier. SMEs, on the other hand, get access to wider market banking on good ratings to their credit. It is beneficial for the SME sector as a whole as "ratings can provide an edge by raising standards through better financial discipline, disclosure and governance practices. It showcases transparency in the company and therefore gives them smoother access to emerging markets" (Talukdar, 2012) It is a confidence-builder, particularly when the SMEs eye for an export market. They can also use ratings as a tool to enhance their own credibility with their partners, suppliers and customers.

To give the SME sector a boost, National Small Industries Corporation (NSIC) devised a rating model that the rating agencies are to follow for awarding rating to any SME unit. All the major rating agencies now offer SME rating, while there has been a dedicated SME rating agency, SMERA. This speaks in favour of the growing popularity of the SME rating service.

SME rating: a subsidized meal

SME rating system gained ground across the globe with Standard and Poor's (S&P's) entry in this field. S&P's, the world's largest rating agency started its SME rating programme in Japan in 2005. In the same year India too witnessed her first award of SME rating by CRISIL. All the general-purpose rating agencies in India, such as, CRISIL, ICRA, CARE, Fitch India and Brickwork offer SME rating service. ONICRA, the only individual rating agency in India also rates SMEs. It is interesting to note that a new rating agency, SMERA, emerged exclusively for offering rating services to SME sector. SMERA is a joint initiative by Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B), Credit Information Bureau (India) Limited (CIBIL) and several leading banks in India. SMERA is the country's first rating agency that focuses primarily on the Indian SME segment. SMERA ratings offer SMEs DUNS number, an internationally acceptable number along with its rating reports (Dubey, 2006). DUNS stands for *Data Universal Numbering System*. It is a unique nine-digit numbering system, which is used to identify a business in a global supply chain. Under the WTO regime, new opportunities are being created for linkages among SMEs across the globe. Sectors such as biotechnology, IT and ITES etc. also have shown promising potential (Rao, 2006). Therefore, the SMEs with DUNS number find it easy to access the global market. This system has been developed by Dun and Bradstreet. Dun and Bradstreet's expertise on rating SME units is an important factor that distinguishes SMERA ratings from other ratings (Bhattacharyya, 2010).

CRISIL, the pioneer of Indian rating industry, started rating SMEs in 2005 It has already completed more than 25000 SME rating assignments. Other rating agencies are also not lagging behind. About 40 public sector banks endorse SME ratings by the approved CRAs. Nineteen of theses banks give interest rate concessions to SMEs.

To revitalize the SME sector, National Small Industries Corporation encouraged enterprises to obtain ratings, the first being subsidized to the tune of 75%. The rating agencies are empanelled by the NSIC Head Office for implementing the scheme in order to facilitate the rating process. NSIC maintains a database of the enterprises that obtained ratings from different rating agencies. To bring about uniformity in the rating methodology to be adopted by the CRAs, NSIC framed a broad outline combining performance and credit worthiness of the SME units. The rating fees to be paid by the enterprises are categorized based on the slabs of turnover.

Turnover	Fees to be reimbursed by the NSIC
Upto Rs 50 lacs	75% of the fees charged by the CRAs subject to a ceiling of Rs. 25000.
Above Rs 50 Lacs and up to Rs 200 lacs	75% of the fees charged by the CRAs subject to a ceiling of Rs. 30000.
Above Rs 200 lacs	75% of the fees charged by the CRAs subject to a ceiling of Rs. 40000.

Ministry of Micro Small and Medium Enterprises.

NSIC offers subsidy to the enterprises for the first year only. Ratings are also valid for a single year. For the renewal in the subsequent years, enterprises are to pay for themselves in full.

Bank finance *vis-a-vis* SME rating

Banks' reluctance to extend loans to the SMEs is mainly due to the perceived risk in lending to a small enterprise with unproven track record and limited assets. CRAs minimize this risk by providing the banks with financial information about the SMEs. They expedite the loan processing process and help SMEs get much needed capital. CRAs not only provide SMEs access to funds but also helps bargain for the favourable terms of loan. Rupa Kudva, MD and CEO of Crisil estimated that "due to Crisil's trusted rating system, SMEs saved more than INR 1bn (US$22.5M) in interest costs and will save a total of INR5.6 (US$125m) by 2013" (Callard, 2010). Banks offer interest rate concessions between 0.25-1.25 per cent to SMEs that enjoy higher credit ratings. Banks can do so because they can now price their loans based on the risks associated with them (Krishnan and Bala, 2012). Pricing of loans are therefore linked with the risk factors determined by the third part CRAs. In fact, while sanctioning loan or increasing credit limit to the SMEs, a comfort factor plays on the part of the banks. A significant benefit accruing to the SMEs is in terms of extension of credit limit by the banks. This has a compounding effect on the SMEs' turnover. By widening the credit cap to the deserving SMEs banks increase their earnings and reap the benefit of credit rating.

SME rating helps the enterprises to move out their cocoons and widen their operational sphere. A good rating serves as a passport to the SMEs for entering new domains where they had never stepped in. Ratings allow them to expand their market base and to get new contracts. It helps small enterprises in foraying into foreign markets and forming collaborations with international players.

Few renewals

The benefits of SME rating, as the CRAs claim, are quite tangible. But a big question pops up: do the SMEs really appreciate this benefit that the CRAs claim to have yielded? If the ratings really earn the SMEs substantial benefit, then why do 60 per cent of the SMEs do not come back for renewal of ratings after the first rating is assigned? According to Crisil, not all the enterprises get good ratings. So those who failed to get a good rating usually do not come back for the second time (Krishnan and Bala, 2012). Even among those enterprises which got a respectable rating, a large section does not come for renewal. This may be due to the fact that the first rating is highly subsidized, but not the subsequent ones. Enterprises may opt for getting assessed at the expense of NSIC. They shy away when they have to bear the entire cost of renewal of ratings out of their own funds. Therefore, it may be deduced that a majority of SMEs go for rating for the first time thanks to the subsidy offered by the NSIC. There is no point in believing that the intrinsic worth of ratings causes the surge in rating requests by the SMEs. It may be argued that ratings are largely unaffordable to the small enterprises. Even if they get a good grade at the first instance, they may not go for reassessment out of sheer financial stringency. The remaining 40% of the enterprises who seek renewal of rating at the expiry of one year may do so as their financial health permit them to afford the cost or there may be definite commitments on the part of the SMEs either in terms of proposed contracts or expansion projects.

Crisil has completed 25000 SME ratings by 2012 while SMERA, the dedicated SME rating agency, has rated over 15000 SMEs in the last five years. SMERA claims that their "rating business is growing nearly 100% year-on-year" (Talukdar, 2012). All said and done, given the huge number of SMEs, these figures seem too small. There is no doubt about it that SME rating is still in its infancy. In most cases SMEs shy away from getting themselves rated due to the fear of not getting a good grade.

SMEs can access the capital market through IPO and list its equity shares in stock exchange meant for the SMEs. SEBI amended SEBI (ICDR) Regulations to incorporate "Issue of specified securities for small and medium enterprises" in April, 2010. In the preparations for the upcoming SME exchange platforms on the NSE and the BSE, an increasing number of SMEs feel the urge to be rated by a CRA to instill investor confidence in their business (Sheth, 2012). Those who will opt for getting listed, for them rating and rating renewal would be a basic necessity.

Paving way for credit rating capitalism

Even if SME rating is not mandatory, a sentiment prevails that a rated entity is better than a non-rated one. This is being dubbed by the government as NSIC itself sponsors a substantial part of the cost of rating. This is nothing but a benevolent state-hegemony in that the SMEs are to become clients of the CRAs. CRAs enjoy State patronage in terms of mandatory ratings directed by the government from time to time. This empowerment of the CRAs by the State reinforces the dominance of credit rating in all financial decision makings. The position of power enjoyed by the rating agencies are attached with their role as 'enforcer of discipline' assigned by the State. The disciplining role played by the CRAs are not subject to legal prosecution for the reason that that they merely give "opinions" on the riskiness of assets or the venture. Even in the US, CRAs are immune from legal prosecutions as they claim protection under the First Amendment as a matter of free speech and freedom of speech. The same is true in almost all other countries. Thus, the advantage without accountability ironically protected by the State makes the self referral system dangerously powerful as the CRAs play a pivotal role in the economy and polity in capitalist democracies. CRAs shape the market sentiments and through their opinions they control almost every domain of economic policy making laying the foundation for "credit rating capitalism" (Raghavendra, 2013). Their power does not end in influencing market sentiments in their favour; it goes far beyond into the realm where it reshapes the politics and fiscal policy making. The grant of subsidy by NSIC, a State-machinery, to the tune of 75% of the cost of rating may well be understood as the exercise of the same power by the CRAs. Credit rating is, after all, a business. State should delink its policy makings from the influence of the private bodies that make profit out of this association. Particularly, no State can guarantee the authenticity and objectivity of the rating exercise of the CRAs. Government's task ends in giving formal recognition to the CRA. Therefore, government does not have any control over the performance of any CRA. But ironically, the fate of the rated entities lies in the hands of the CRAs. By assigning ratings whether good or bad, CRAs make a distinct divide between those who will survive and those who will die out. Rather, it is better to say, that ratings write the destiny of the SMEs. While some SMEs will encash ratings to reap a good fortune, the weaker ones with bad or no rating will find it increasingly difficult to procure finance. In effect, the poor ones may be denied institutional finance to the demise of their business. Grant of supremacy to the CRAs by the State will ultimately result in the disappearance of the small enterprises that do not qualify for institutional lending. Instead of helping them out SME ratings may oust the weaker enterprises from the system. This will grossly be against the notion of Nehruvian development model that our country had always embraced. In rating-driven capitalism fiscal decisions are largely influenced by the CRAs. Now the choice is ours.

Concluding remarks

Small is beautiful. SME rating service commits the small enterprises to beautify them farther in terms of scope of financing, expansion, diversifications and outreach and so on. But the sector severely suffers from information asymmetry, an issue that plagues the systematic growth of this sector. Besides, SMEs are largely unorganised with hardly standardized operational and accounting norms. The sector is characterized by extreme heterogeneity. How far the CRAs will effectively assimilate this heterogeneity to make an unbiased assessment of the health of the SMEs is really questionable. Moreover, the small units basically stand on the feet of their promoters. Can rating models objectively accommodate the personal charisma of the entrepreneurs? Finally, the universal criticism of conflict of interest and rating inflation apply to SME rating as well. By subsidizing the initial rating fees isn't the State legitimizing the license selling function of rating agencies? Time has come for reviewing the danger of rating capitalism hidden behind the veil of apparent benefits.

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Disparity in Institutional Financing in the Development of MSME in West Bengal: A Case Study on West Bengal Financial Corporation

Susanta Kanrar
M.Com, M.Phil, MBA, FCMA
Asst. Professor, Seacom Engineering College, Howrah

I. Introduction:

The MSME sector plays a pivotal role in the Indian economy in terms of its contribution towards Industrial production, Exports, Employment generation and the creation of entrepreneurial base. These sectors are disposed all over the country and are generally set up to satisfy the local demand for goods, which may later cater to the overall economic and global needs. MSME play a vital role in the overall economic development of our country. A small unit can be established with relatively less capital investment and offers more employment opportunities to those who are skilled, semi skilled and unskilled. Its contributions are clear from the following. Total production from this sector in the year of 2000-01 was Rs. 261297 crores and in 2009-10 it is Rs.982919 crores. So within 10 years increase of production is 194.84%. Similarly employment in the year of 2000-01 was 236.73 lakh persons and in 2009-10 it is 695.38 lakh persons, so increase in 10 years period is 191.28%. Similarly increase in export in this 10-year period is 189.45% and increase in total number of MSME in this period is more than 194%.

From the above it is clear that MSME sector play a remarkable role for economic development. One of main objective of every economy is to developed balanced regional development so that every part of the country can economically sound. Every five years plan specially emphasised on proper regional development, specifically six five years plan clearly specified it. Industrial development and regional development are closely linked. Institutional financing play vital role for industrial development by providing financial assistanc. Some of the institution developed at national level for providing financial assistance at national level and some of institution developed at state level for providing financial assistance at stae level. National level institutions includes Commercial Banks, Regional Rural Bank, Cooperative Banks, Refinancing Institutions it includes Small industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD) and National Housing Bank (NHB) and others institutions like Khadi and Villege Industries Commission (KVIC), National Small Industries Corporation (NSIC) and North Eastern Development Finance Corporation Ltd.(NEDFi) .State Level Financial institutions includes State Financial Corporation (SFCs), State Industrial Development Corporation(SIDCs), The State Small Industries Development Corporations (SSIDCs) . At state level SFC ply very crucial role for providing financial assistance to MSME sector.

The West Bengal Financial Corporation (WBFC) was established in 1954. WBFC is committed to help genuine entrepreneurs in the micro, small, and medium sector enterprises in achieving their goals in setting up new manufacturing and service industries or modernizing and or/expanding their existing units, by providing timely financial inputs at reasonable interest rates. It also helps such entrepreneurs to receive assistance from other departments of the central and state governments in obtaining allied services for realization of their dreams, and is also committed in continually improving its internal processes and systems. In spite of this, in West Bengal there are high disparities in institutional financing among the various regions of the state. Regional imbalances in institutional financing are more serious problem in west Bengal.

II. Brief profile of West Bengal:

West Bengal is a state in eastern India, stretches from the Himalayas in the north to the Bay of Bengal in the south. On 1st May 1960 West Bengal was given the status of a separate state in the Indian union, purely on linguistic basis. It is bordered by Nepal and Bangladesh and the states of Orissa, Jharkhand, Bihar, Sikkim, Assam, and Meghalaya in different directions. West Bengal occupies only 3% of the total land area covered by India. Total area of West Bengal is 88,752 km and population is 80,176,197 as per 2001 census. It is a highly populated region of India and one of the fastest growing states of the country. The state comprises of 19 districts and Kolkata serves as its capital. The land is mostly plain except the northern region, which comes under the Himalayan mountain range. West Bengal is a prosperous state with more than two third of the population depending on agriculture. In the more recent time, there is tremendous reformation going on at various sectors viz. economy, education, transport and tourism etc. The state is very rich in natural resources. The forests, rivers, mines, hills are all essential physical entities for human activities. Basically dense forests found in the foothills of the Himalayas are sources of medicinal plants and other products useful for rural livelihood. The Ganges is the only perennial river in West Bengal that divides in to two – one branch enters Bangladesh in the name of Padma and the other branch flows in the state in the name of river Bhagirathi and river Hooghly. Of the important mineral resources, the state has a large deposit of coal and iron ore. The coal mining at Raniganj coalfield was the first mining operation in the country. This coalfield also has a large source of iron ore. Other important minerals of the state include dolomite, limestone, Rock Phosphate, granite and china clay.

The services sector is the largest contributor to the GDP, contributing 51% of the state domestic product. Agriculture is the second major player in the economy of West Bengal, contributing 27% to the state's domestic product and the contribution from industry sector comes the remaining22%. Industrial growth in the state has picked up pace in the recent times. Important industries include engineering products, electronics, electrical equipment, cables, steel, leather, textiles, jewellery, frigates, automobiles, railway coaches, and wagons.

III. Objectives of Study:

In the backdrop, the present paper attempt to find the extent and magnitude of regional disparity in institutional financing to MSME sector by the West Bengal Financial Corporation. The study will be for thirteen years period starting from 1999-2000 and ending to 2011-2012.

IV. Research Methodolog y:

Paper is based on secondary data and various data are collected from various secondary sources. Various annual report of WBFC are used to analysis this disparity. Data from official website of SIDBI, RBI, MSME enterprises, prime minister task force are also used. Different research paper, article, doctoral thesis have been also used to prepare the paper. Simple statistical tools and techniques have been used to analysis the data. The data for the study also directly collected from WBFC's head offices of Kolkata.

V. Hypothesis of Study:

Hypothesis of study are:

1. Development of MSME sector in backward district is much slower than non-backward district.
2. There is massive disparity in financial assistance by WBFC comparing to backward and non-backward district.

VI. WBFC'S Assistance to MSME sector in Backward and Non-Backward Districts:

West Bengal is well known for its position among one of the leading industrialized states of India. The state's share of total industrial output in India was 9.8% in 1980–81, declining to 5% by 1997–98. However, the service sector has grown at a rate higher than the national rate. At present there are nineteen districts in West Bengal and industrial development among the districts are widely varied from district to district. State industries are mostly localized in the Kolkata region. Few districts are highly industrially developed and many are totally industrially underdeveloped. Out of nineteen districts ten districts are treated as industrially backward district as per Central Government's specification of industrially backward districts of Category 'A' and Category 'B'. A list of industrially backward and Non–Backward Districts are given below.

Backward and Non–Backward Districts of West Bengal

Backward Districts	Non-Backward Districts
Malda	North Twenty Four Parganas
West Dinajpur	South Twenty Four Parganas
Murshidabad	Barddhaman
Coach Behar	Hoogli
Bankura	Nadia
Jalpaiguri	Howrah
Purulia	Kolkata
Birbhum	Uttar Dinajpur
Paschim Medinipur	Darjiling
Purba Medinipur	

More or less in every five years plan emphasis is given on removable of regional disparity and it is also applicable for state level plan. So it is expectable that more emphasis is given on backward district in every aspect whether infrastructure or finance so that backward district can remove all hurdle and turned to non backward district. WBFC is a state level financial institution and West Bengal Government hold more than 90% share of the corporation. So it is totally state government owned financial corporation and it is expectable that it always pursue government's objectives, policies and other norms. In table - 01, 02, 03, 04 and 05 financial assistance by WBFC to backward and non backward districts are shown below.

Table 01 Loan Sanction (In Number) to Backward and Non–Backward Districts

Year	Backward Districts			Non - Backward Districts		
	Number	% In total	Trend	Number	%In total	Trend
1999-00	238	48.18	100.00	256	51.82	100.00
2000-01	242	36.28	101.68	425	63.72	166.02
2001-02	343	45.79	144.12	406	54.21	158.59
2002-03	292	49.08	122.69	303	50.92	118.36
2003-04	169	50.00	71.01	169	50.00	66.02
2004-05	177	46.94	74.37	200	53.06	78.125
2005-06	152	40.00	63.87	228	60.00	89.06
2006-07	101	37.41	42.44	169	62.59	66.02
2007-08	107	39.05	44.96	167	60.95	65.23
2008-09	103	42.39	43.28	140	57.61	54.69
2009-10	113	36.22	47.48	199	63.78	77.73
2010-11	95	31.88	39.92	203	68.12	79.30
2011-12	77	30.43	26.47	176	69.57	68.25
Average	170	41.05	-----	234	58.95	---

Source: Different Annual Reports of WBFC

As we analyse the table-01, we find an amusing situation. The loan sanctioned (in number) to non-backward districts has been maintained in respect of percentage of total loan and also in respect of number. In the year of 2000-01, 2005-06, 2006-07, 2007-08,2009-10,2010-11 and 2011-12 this figure is very much encouraging. On the other hand, the situation for backward districts is totally different. From the year of 1999-00 to 2011-12 in all thirteen year number of loan sanctioned to back – ward districts is always below than non-backward districts and average number of loan sanctioned (in units) in back-ward districts is only 170 where it is 234 for non-backward districts.

Table 02 Loan Sanction (In Amount) to Backward and Non–Backward Districts

Year	Backward Districts			Non-Backward Districts		
	Amount (In Lakhs)	% In total	Trend	Amount(In Lakhs)	%In total	Trend
1999-00	2878.48	36.00	100.00	5117.95	64.00	100.00

2000-01	2922.87	30.79	101.54	6569.14	69.21	128.35
2001-02	3205.10	22.26	111.35	11,194.90	77.74	218.74
2002-03	3801.00	26.82	132.05	10,369	73.18	202.60
2003-04	3051.16	25.91	105.99	8727.08	74.09	170.52
2004-05	5393.78	30.30	187.38	12,408.85	69.70	242.46
2005-06	4251.35	21.21	147.69	15,793.35	78.79	308.59
2006-07	4124.60	25.19	143.29	12,247.75	74.81	239.31
2007-08	6633.03	30.06	230.43	15,429.20	69.94	301.47
2008-09	4706.16	24.87	163.49	14,219.58	75.13	277.84
2009-10	8041.50	33.80	279.37	15,750.87	66.20	307.76
2010-11	3984.06	19.60	138.41	18,657.41	82.40	364.55
2011-12	7423.53	23.15	257.89	23,429.36	75.94	457.79
Average	4647.43	26.99%	—	13,070.34	73.01%	—

Source: Different Annual Reports of WBFC

Also we observed similar situation from table no-02 in case of loan sanctioned in backward and non-backward districts in amount. The loan sanctioned to non- backward districts has been more or less maintained in study period. It is in respect of percentage of total loan of WBFC and also in respect of trend of loan. In the year of 2001-02, 2002-03, 2003-04, 2005-06, 2006-07, 2008-09, 2010-11 and 2011-12 this figure is very cheering. But the situation for backward districts for the same period is totally different and amount of loan has gone down drastically from the year of 1999-00 to 2011-12. In the year of 1999-00 the share of total loan to backward districts was 36% and it going decreasing year by year and finally it was only 23.15% in the year of 2011-12. Average loan to backward districts in study periods is only 26.99% whereas it is 73.01% for non-backward districts. But here it is maintainable that total number of backward districts is ten and non- backward districts is nine. From the above it is clear that attention to non- backward districts is properly maintained, whereas backward districts are neglected during our study period.

Table 03 Loan Disbursed (In Amount) to Backward and Non–Backward Districts

Year	Backward Districts			Non - Backward Districts		
	Amount(In Lakhs)	% In total	Trend	Amount(In Lakhs)	%In total	Trend
1999-00	1585.76	28.72	100.00	3936.24	71.28	100.00
2000-01	2020.07	29.36	127.39	4859.13	70.64	123.45
2001-02	2551.51	26.62	160.90	7034.01	73.38	178.69
2002-03	2644.00	24.94	166.73	7956.00	75.06	202.12
2003-04	2810.12	27.72	177.21	7327.18	72.28	186.15
2004-05	3531.14	31.82	222.68	7567.01	68.18	192.24
2005-06	2829.60	24.66	178.44	8643.11	75.34	219.58
2006-07	3163.22	27.57	199.48	10,361.56	72.43	263.23

2007-08	5339.21	36.73	336.69	9197.42	63.27	233.66
2008-09	4870.98	29.22	307.17	11,796.71	70.78	299.69
2009-10	4202.84	22.49	265.04	14,485.62	77.51	368.00
2010-11	3545.84	17.71	223.61	16,476.50	82.29	418.58
2011-12	3875.56	19.30	231.79	16,206.90	80.70	411.73
Average	3305.38	26.65	-------	9680.56	73.35	-------

Source: Different Annual Reports of WBFC

In the table-03, the situation we observe is not different from table-02. The actual disbursement of loan to backward districts has decreased year after year. It was 28.72% of total disbursement in 1999-00, but from 2000-01 onwards, the proportion declined (except few years) and it reached to 17.71% in the year of 2010-11. On the other hand the position of non-backwards districts is entirely different and their loan disbursement was always more than 70%, except year 2004-05 and year 2007-08. Trend of loan disbursed is also very satisfactory for non-backward districts. Average loan disbursement for non-backward districts is 73.35%, whereas it is only 26.65% for backward districts. Loan disbursement was always below 30% in case of backward districts (except year 2004-05). From table-03 again it is clear that non-backward districts are given much attention comparing to backward districts.

Table 04 Quotients of Sanction of loan by WBFC in Backward and Non-Backward District

Year	Backward Districts			Non - Backward Districts		
	Sanctions (In Lakhs)	Disbursed (In Lakhs)	Quotients	Sanctions (In Lakhs)	Disbursed (In Lakhs)	Quotients
1999-00	2878.48	1585.76	0.55	5117.95	3936.24	0.77
2000-01	2922.87	2020.07	0.69	6569.14	4859.13	0.74
2001-02	3205.10	2551.51	0.80	11,194.90	7034.01	0.63
2002-03	3801.00	2644.00	0.70	10,369.00	7956.00	0.77
2003-04	3051.16	2810.12	0.92	8727.08	7327.18	0.83
2004-05	5393.78	3531.14	0.65	12,408.85	7567.01	0.61
2005-06	4251.35	2829.60	0.67	15,793.35	8643.11	0.55
2006-07	4124.60	3163.22	0.77	12,247.75	10,361.56	0.85
2007-08	6633.03	5339.21	0.80	15,429.20	9197.42	0.60
2008-09	4706.16	4870.98	1.04	14,219.58	11,796.71	0.83
2009-10	8041.50	4202.84	0.52	15,750.87	14,485.62	0.92
2010-11	3984.06	3545.84	0.89	18,657.41	16,476.50	0.88
2011-12	7423.53	3875.56	0.51	23,429.36	16,206.30	0.69
Average	4647.43	3305.38	0.71	13,070.34	9680.56	0.74

Source: Different Annual Reports of WBFC

The quotients for loan disbursement and loan sanctioned have been computed for the backward and non- backward districts in relation to the share of population of backward and non-backward districts. The share of population of 10 backward districts was 44.37% as against 55.63% in nine non-backward districts (Source -- Census of India-2011). From quotients it is evident that even in the year of 2009-10 the backward districts did not get their legitimate share despite the higher rate of growth of sanction. Average loan sanction for backward districts was Rs. 4647.43 lakhs but it was Rs.13,070.34 lakhs for Non–Backward Districts, i,e 2.81 times and average loan disbursement for backward districts was Rs.3305.38 lakhs comparing to non- backward districts of Rs. 9,680.56 lakhs i,e 2.93 times of backward districts. Again it was higher in case of average quotient for non- backward district (0.74) comparing to backward districts (0.71). A detail of loan sanction and disbursement in backward and non- backward districts are shown in table- 05.

Table 05 Cumulative position of loan sanction in backward and Non-backward districts, as on 31.03.2012 (Rs. in Lakhs)

Backward Districts				Non-Backward Districts			
Districts		Total amount Rs.	% share of the district	Districts		Total amount Rs.	% share of the district
01.	Malda	3275.21	1.28%	01.	North Twenty Four Parganas	20135.76	7.87%
02.	West Dinajpur	222..65	0.09%	02.	South Twenty Four Parganas	17627.14	6.89%
03.	Murshidabad	4135.05	1.62%	03.	Barddhaman	48615.00	19.01%
04.	Coach Behar	2149.11	0.84%	04.	Hoogli	18347.53	7.17%
05.	Bankura	16005.58	6.26%	05.	Nadia	4970.90	1.94%
06.	Jalpaiguri	6489.35	2.54%	06.	Howrah	35010.02	13.69%
07.	Purulia	7751.31	3.03%	07.	Kolkata	30414.07	11.89%
08.	Birbhum	4060.41	1.59%	08.	Uttar Dinajpur	2358.91	0.92%
09.	Paschim Medinipur	1473.60	0.58%	09.	Darjiling	8426.02	3.29%
10.	Purba Medinipur	24277.42	9.49%	------	---------	---------	-------
	Total	69,617.00	27.32%		Total	1,85,905.35	72.68%

Source: Different Annual Reports of WBFC

VII. Testing of Hypothesis:

We have examined the following hypothesis as mentioned earlier in our study:

1. Development of MSME sector in backward district is much slower than non -backward district:

   This hypothesis has been examined after taking into account the total number units assisted in backward and non-backward districts, total assistance sanctioned and disbursement to MSME sectors in different districts (i,e backward and non-backward districts) and also the quotients of disbursement and loan sanctioned. In our study, we found that for backward districts, the assisted number of units was always lower and loan sanction percentage in backward districts was always lower than non-backward districts. In 1999-00 it was 36% and gradually decreasing one and finally it was only 23.15% in 2001-12. Similar picture was also observed in case of loan disbursement. Average loan disbursement to backward districts was only 26.65%. The average quotient value for backward districts was 0.71, though it was not bad, but the picture of non-backward districts for the same period was completely different and much better than backward districts. Therefore, this hypothesis holds good.

2. There is massive disparity in financial assistance by WBFC comparing to backward and non-backward district:

   This hypothesis has been examined after taking into account the total assistance sanctioned by the WBFC to backward and non-backward districts since its inception. Backward districts share was only 27.32 per cent in total amount of loan sanction since its inception and average backward district wise sanction was only 2.732 per cent of total loan sanction whereas the picture is totally different in case of non-backward districts. Non-backwards districts share was 72.68%. District wise loan sanction in case of backward districts was only Rs.6961.7 lakhs whereas it was Rs. 20,656.15 lakhs in case of non-backward districts. So there was huge disparity in financial assistance between backward and non-backward districts. Therefore, this hypothesis also holds good.

VIII. Conclusion:

Above study exhibit that WBFC are playing an active role in the development of state MSME sector and year after year their assistance are more or less in increasing trend. But their assistance mostly around developed districts i,e assistance to Non–Backward Districts . More attention should give on backward districts where industrial growth is very slow and where more assistance is needed. Few districts share in cumulative total assistance since WBFC's inception are highly remarkable like Kolkata (11.89%), Howrah (13.69%) and Baddhaman(19.01%) and at the same time few districts are totally neglected to get assistance like West Dinajpur (0.09%), Coach behar (0.84%), Paschim Medinpur (0.58%), Uttar Dinajpur (0.92%). So this may leads a regional misbalance in the growth of MSME sector. State financial corporation recognized as the leader in state level for providing assistance to MSME sector. So if there assistance not properly reached to every corner of the state it may have strong negative impact on the development of state industry as well as in creation of job destination. So proper care should take by WBFC so that their assistance reached particularly to backward districts otherwise it will lead high regional disparity in financial assistance by the corporation. Therefore it is suggested to corporation to open special branches in backward districts for MSME sector to ensure increased flow of credit, particularly in deficit districts. However in long run flow of credit depends upon favourable infrastructure and support system available to MSME sector. Therefore, it is essential to consider these aspects into account while framing plans and programme to augment the flow of credit and reducing disparity in financial assistance between backward and non-backward districts.

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Empowering MSMEs through Cluster Development Programme

Sanjay Pal
Associate Senior Faculty
Entrepreneurship Development Institute of India, Ahmedabad

Introduction:

Cluster and MSME growth have long been practiced and researched in various socio-econ`omic setting around the world. The inception of industrial district lies in Alfred Marshall's observations in the textile and metal working regions of England, France and Germany during the later half of the nineteenth century (Marshall 1890). He argued that economic gains could be reaped when small firms within a specific industrial activity clusters in close proximity to each other. The specialized knowledge pool is often reinforced through a common set of cultural and social values created, what Marshall termed it as 'industrial atmosphere'.

In India, clusters have assumed further significance in the era of deepening globalisation. MSMEs now started realizing that they need to become more efficient to face the competition from within and abroad. They understood that quality and productivity improvement, technology upgradation, market development, improving management efficiency, financial discipline etc. could prove worthwhile in improving their competitiveness. However, mere agglomeration of firms within a cluster, many a times, not necessarily translates into collective action for reaping the benefits of collectivization.

This signifies the importance of Cluster Development Programme (CDP) which has been basically designed to ensure holistic development of the MSMEs and improving their competitiveness. Couple of Ministries in the Central Government namely Ministry of MSME, Ministry of Textile and development banks and international organisations like Small Industries Development Bank of India (SIDBI), World Bank, Department for International Development (DFID), United Nations International Development Organization (UNIDO), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), etc. started supporting Cluster Development Programmes in the industrial and artisan clusters in the country.

In the following section an attempt has been made to understand CDP and its impact, if any, on empowerment of MSMEs operating in clusters. Efforts was made to understand whether and if 'yes' how, it can impact their performance and competitiveness.

Cluster Development Programme-A Brief Discourse:

Here it would be prudent to discuss Cluster Development Programme in brief. It is a matter of fact that in spite of operating in clusters many micro, small and medium enterprises in India are finding it difficult to survive and grow, especially after globalisation. Cost based competition is gradually eroding the profit margin and the entrepreneurs are not getting worth of their efforts. The process of manufacturing did not see any upgrading over the years. The same machines and equipment are being used by the second and third generation entrepreneurs. Lack of awareness or inability to gauge the return on investment coupled with the uncertainty factor led to non up-gradation of technology.

Non-availability of skilled workforce also sometimes decelerates the growth potential of the clusters. There are cases when the latest machines could not be optimally operated due to lack of expertise to handle them. Non-availability of a right kind of vocational and skill up-gradation facilities also affected the skill acquisition process. Inability to access finance from formal financial institutions also at times creates strain on the working capital management cycle of many MSMEs operating in clusters. The trust factor amongst the cluster actors also witnessed a low web. Joint actions to promote business were hardly visible. Competition was getting increasing influenced by the price factor and the social capital base of the clusters was also diminishing. All these led to sickness of MSMEs in many industrial clusters in India.

In order to avert this situation, Cluster Development Programme was implemented in couple of MSME clusters in India with the support of national and international organisations. While describing CDP one could argue that it is a programme designed to enhance collective competitiveness of local firms operating under a cluster mode by adopting strategic measures. Through implementation of enterprise development programme, technology upgradation, brand building, market development, export facilitation, training, counselling, networking, capacity building etc., attempts are made to ensure holistic development of a cluster. The quality and productivity drive supported by upgrading in marketing and design enables the cluster in choosing the high road to growth. Innovation in products and processes helps the cluster to offer value added differentiated products to its clientele. However, these results are neither spontaneous nor can be taken for granted. What matters is developing a precise understanding about problems and prospects of the clusters, role of different clusters actors and interplay of local dynamics, linkages with Business Development Service (BDS) market and support institutions and resilience of the Business Membership Organisations (BMOs). This is generally done through conducting a Diagnostic Study of a cluster. Then the next crucial issue is developing a Cluster Vision, Strategy, Action Plan and lastly implementation of the Action Plan. The implementation strategy, careful execution of the Action Plan and flexibility determine the success or failure of a CDP intervention.

Characteristics of Local Firms in Select Clusters:

Here two clusters where the cluster development programme was commissioned namely leather clusters at Santiniketan and Chennai were selected for the purpose of this study. The leather sector was selected because it is one of the top ten export earners in the country and the requirement of the MSMEs witnessed lot of changes because of increasing competition emanating due to globalisation. Moreover, leather clusters in West Bengal and Tamil Nadu not only has reach heritage but also had significant contribution in the nation's leather industry.

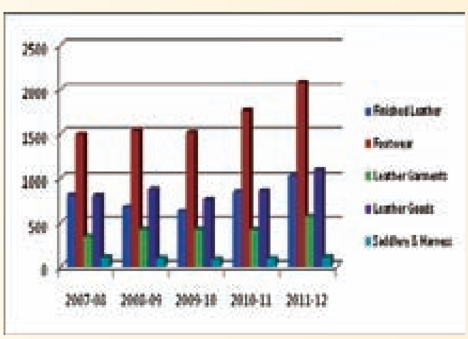
The following table delineates India's export of different product categories;

Table 1: India's Export of leather & leather products: (In Million USD)

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Finished Leather	807.19	673.37	627.95	841.13	1023.21
Footwear	1489.35	1534.32	1507.59	1758.67	2077.27
Leather Garments	345.34	426.17	428.62	425.04	572.54
Leather Goods	800.46	873.44	757.02	855.78	1088.09
Saddlery & Harness	106.18	92.15	83.39	87.92	107.60
Total	3548.51	3599.46	3404.57	3968.54	4868.71
% Growth	15.99%	1.44%	-5.41%	16.57%	22.68%

Source : DGCI & S.

Figure-1: **India's Export of leather & leather products:**



The Indian leather industry is spread over different sub-sectors and produces a wide range of products like finished leather, leather goods, industrial gloves, footwear, garments etc. Firms of various capacities, from micro enterprises, artisan units to large players constitute the industry. As indicated earlier, India's competitive strength in areas like easy availability of raw materials, cheap labour and large pool of relatively skilled manpower have helped the country in making a mark in the global market. The country which was a mere exporter of raw materials in 1960s is now known for its value-added products export. Estimate suggests that value-added products which contributed about 7 percent of India's export basket in the year 1956-57 now contribute about 79 percent of leather and leather products exports from India.

It is imperative to mention here that in the Santiniketan leather cluster CDP was implemented with the support of the Development Commissioner (MSME), Ministry of MSME, Government of India wherein the Chennai leather cluster, it was implemented with the support of DFID,GIZ, World Bank and SIDBI.

Leather Products of Santiniketan

Finished leather of Chennai

The pressure to survive and grow in an increasingly saturated market conditions always haunted MSMEs in the leather goods cluster at Santiniketan. The situation worsened as there was hardly any upgradation in product and design over the years. Same products, designs and patterns are offered to the clientele for decades. As a result, market for these leather goods started getting increasingly saturated. The product line did not diversify and the USP was aesthetic value and brand name; 'Santiniketani leather goods'. Interaction with a few existing customers indicated that they are purchasing these products because these are different from the conventional leather goods, have quality and aesthetic appeal and brand value. 'Dark tan' is the generic colour for all the leather goods manufactured in this cluster.

Excessive reliance on brand name, unique design and colour factor did not provide a substantial competitive advantage in the long run. In the initial years when the products were first time launched in the market it was a unique product. Embossing traditional folk design on leather bags and other items created a lot of enthusiasm in the local, national and subsequently international markets.

However, these are transient advantages which are difficult to hold on to. As the demand for Santiniketan leather goods increased, other leather products manufacturing units in places like Sodhpur, Taratala, West Bengal also started replicating the products. In the absence of a proper entry barrier other firms in the local community also started making leather goods and the growth of market demand was not commensurate with the rate of growth of manufacturing units.

Competition took an ugly turn when some of the local firms started reducing price just to attract others' buyers amidst increasing competition. Widespread emulation of design and process, and cost based competition had a deleterious effect in the growth prospect of the cluster firms. The sustained effort of capturing market by lowering wages had the ominous potential of 'immiserising growth' (Kaplinsky 1998). Same products & design and not-so-complicated manufacturing process declined the potential for deepening specialisation. Vicinity of the units and informal relationships facilitated know- how spillover. In the process of making quick gains some of the new generation entrepreneurs started compromising on the quality front in a race towards cost-competitiveness. As there was no Geographical Indications (GI), firms in other distant clusters started copying the designs as well. The net effect was amply reflected in the performance indicators of this cluster.

The situation of the MSMEs in the Chennai leather clusters was not much different. In the tanning sector, constraints in terms of availing business development services (BDS) for optimal sourcing of dyes and chemicals as well as raw material like hides and skins, was evident. The constraints on the procurement front was visualized in terms of absence of warehousing options in select countries abroad as well as in Chennai for the benefit of exporters as well as importers. In addition, many micro and small tanners experienced limitation with regard to access to adequate levels of finance to secure inputs, particularly by way of working capital to procure raw hides and skins. Many of them therefore remain as job-workers to the larger firms.

In addition, gaps were evident in terms of MIS to monitor and control process along the intra-firm value chain and productivity. Inability to ooptimise procurement function, costs of compliance, inadequate emphasis on cleaner production technologies, and limited productivity and technology upgrading initiatives were found to restrict growth of this cluster. Moreover, there were aspects like inadequate access to credit, progressively high cost of environment compliance, constraints in terms of adoption of cleaner production and eco-benign technologies, issues related to productivity, lack of technology up-gradation, limited market development and productivity constraint were identified as the major pressure points of this cluster.

Therefore, amidst increasing competition, the turnover of both the clusters was witnessing a downward trend. Products emanating from abroad started to capture increasing portion of the market share. The bottom line of productivity and profitability of the MSMEs was increasingly getting affected.

Adoption of CDP in Select Clusters:

With the objective of arresting decline of clusters' performance, reversing the trend and placing them on a growth trajectory, CDP were implemented in the leather clusters at Santiniketan and Chennai.

The first activity under CDP was conduction of diagnostic study. Structured interviews were conducted to understand the problems of the clusters and delineate their future path. Instruments like industry structure analysis, value chain analysis, analysis of business operation, reality tree analysis and SWOT analysis were employed to develop a better understanding about the pressure points of the select clusters. Then in consultation with the cluster stakeholders, long term vision of the clusters, strategy and action plan were devolved. The major problems of the clusters as found out through diagnostic study were kept in mind while developing the action plan. Then the action plan was implemented with prudence and planning. Moreover, monitoring and evaluation (M&E) system was put in place to ensure that the activities do not drift from the original plan.

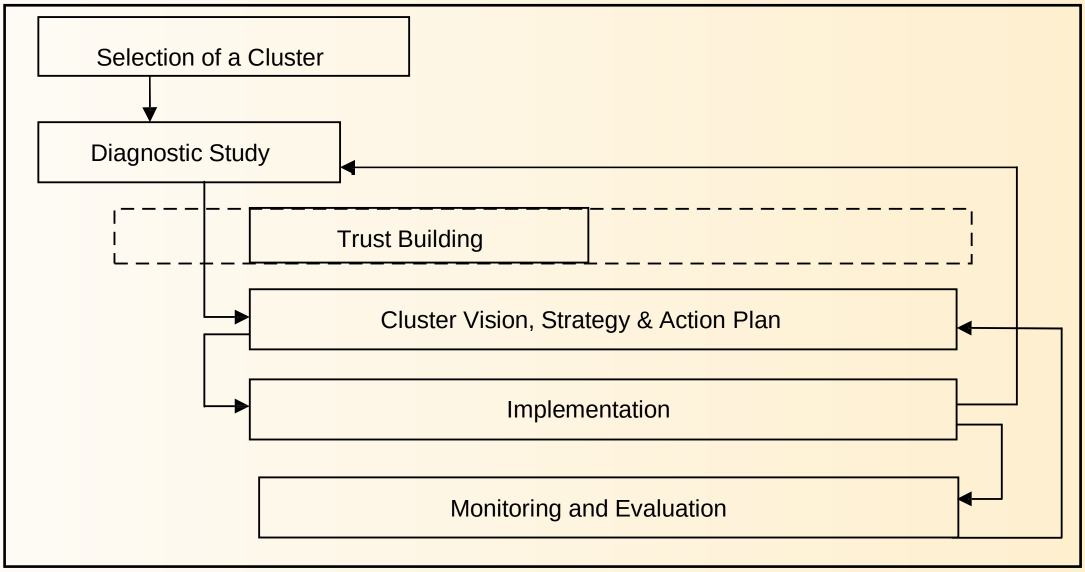


Fig 2: CDP in Practice

As part of action plan, several activities, programmes, were carried out with the objective of arresting decline and ensuring holistic growth of these clusters. Attempts were made to ensure that the locus of competitiveness gets shifted from price factor to competence factor. Upgrading in several spheres of business activity was pursued strategically and systematically. The main activities jointly implemented by the MSMEs in these select clusters under CDP are as under;

- Technology upgradation
- Improvement in productivity and quality
- Skill development
- Value chain upgradation
- Improving market access
- Export development
- Design development
- Brand building
- Improving financial discipline
- Improving access to institutional finance
- Improving management practices
- Implementation of lean manufacturing practices
- Adopting environment friendly manufacturing practices
- Development of business development services (BDS) market
- Establishment of common facility center (CFC) etc.

Under the aegis of Cluster Development Programme, all these were pursued collectively by the MSMEs under private public partnership (PPP) mode. Moreover, capacity building of the cluster actors and strengthening local BMO were pursued with equal seriousness. Lastly, social capita development was also paid due attention to ensure that the fruits of CDP intervention are not short-lived.

The impact of CDP intervention in terms of improving performance indicators of the MSMEs is discussed in the following section.

Impact of CDP:

Here an attempt has been made to evaluate outcome of the CDP intervention through qualitative and quantitative parameters. A survey was conducted in 35 firms each in the select cluster to ascertain whether the CDP intervention has improved the business performance of MSMEs in the Chennai and Santiniketan clusters and empowered them, and if so, how? The findings are presented in the following section.

In the qualitative aspect, the findings suggest that the clusters have made significant progress in terms of product and process innovation. They started targeting, the upmarket segment of customers. The technology upgradation initiative has enabled the local firms to go up in the value addition ladder. However, under CDP the major reliance was incremental innovation rather than radical innovation. Introduction of new design and pattern in the Santiniketan and Chennai clusters have entirely changed the marketing fortune of the cluster MSMEs. Addition of new products in the existing product line and diversification process has opened up new market niches. Competition which was earlier based on cost factor, is now been driven by quality and design factors. This has opened up a plethora of business opportunities for the local firms.

The design development and value addition activities have also been institutionalized. Realizing that the design development activity has no definite boundary and can go unabated, the local business membership organisation (BMO) came forward and started imparting design training by engaging local expertise or even outside BDS, depending on the situation. In Chennai, the local BMO set up a raw material bank and started procuring raw material in bulk and distributing it to its members at a no-profit-no-loss basis. As a result, local firms started making quality products at affordable price.

Information dissemination has a paramount importance in any cluster activity. The natural proximity of firms in a cluster does not necessarily mean that the knowledge spill-over is automatic. In fact, amidst fierce competition and eroding mutual trust, specialised knowledge spill-over became minimal. As a result of CDP, BMO in the Chennai and Santiniketan clusters decided to give a formal structure to the information dissemination process. They started publishing cluster newsletter, through which information on latest machines, their technicalities, information on suppliers, buyers and importers, buyer-seller meets, trade fairs, BDS etc. were supplied for the benefit of their member MSMEs.

Upgrading in the sphere of skill and speed of response has enabled the leather goods cluster to adopt a development pathway characterized by increasing customer loyalty. Some of the newly introduced designer products created a market niche and the initiatives in marketing ably supported the cause. More and more number of firms has started targeting high end of the market. Collectivization process and joint actions, has had a cascading effect and facilitated upgrading process. People started learning from the 'best practices' of others and the leveraging factor was startling. The process of deepening specialisation, spill-over of knowledge and synergy (Krugman, 1991) are important in improving competitiveness of a cluster and the CDP intervention in two select clusters is a testimony to this.

The weaknesses were converted into strengths and the cluster thus learnt to leverage on its strengths. In the present scenario, the business is now dictated by the competence factor, the cost based competition paved way for quality driven competition. Interestingly, all the CDP activities were implemented collectively and with active participation of the major cluster actors. Small working groups, otherwise known as consortiums were created and they were given responsibility to continue the development momentum and take advantage of globalisation.

A closer look at the quantitative parameter would affirm one's faith in the usefulness of CDP strategy in the two select clusters. The ingrained strive for quality amongst entrepreneurs and their employees were amply reflected in terms of majority of the respondents placing quality above other factors. This is in striking contrast to the earlier situation (before CDP intervention) when quality was often compromised on the pretext of being cost competitive. The quality up-gradation has minimised rejection rate in both the clusters.

Table 2: Performance of Two Select Clusters

Performance Indicators	Chennai			Santiniketan		
	Increased	Decreased	No Change	Increased	Decreased	No Change
Quality	32 (91.43)	0 (0.00)	3 (8.57)	26 (74.29)	1 (2.86)	8 (22.85)
Productivity	31 (88.57)	0 (0.00)	4 (11.43)	25 (71.43)	3 (8.57)	7 (20.00)
Occurrence of Less Rejection	29 (82.86)	1 (2.86)	5 (14.29)	23 (65.72)	1 (2.86)	11 (31.42)
Cost Economization	29 (82.86)	2 (5.71)	4 (11.43)	18 (51.43)	5 (14.29)	12 (34.28)
Turnover	32 (91.43)	0 (0.00)	3 (8.57)	25 (71.43)	3 (8.57)	7 (20.00)
Export[3]	27 (77.14)	3 (8.57)	5 (14.29)	8 (66.67)	0 (0.00)	4 (33.33)
Spending in R&D[4]	21 (75.00)	1 (3.57)	6 (21.43)	14 (63.64)	1 (4.55)	7 (31.81)
Delivery Schedule	26 (74.29)	2 (5.71)	7 (20.00)	26 (74.29)	2 (5.72)	7 (20.00)
Financial Management	25 (71.43)	2 (5.71)	8 (22.86)	7 (20.00)	12 (34.29)	16 (45.71)
Skill Base	21 (60.00)	3 (8.57)	11 (31.43)	29 (82.86)	0 (0.00)	6 (17.14)
BDS-Firm Linkages	34 (97.14)	1 (2.86)	0 (0.00)	27 (77.15)	2 (5.71)	6 (17.14)
Networking	31 (88.57)	0 (0.00)	4 (11.43)	26 (74.29)	1 (2.86)	8 (22.85)
Activities of Local BMOs	28 (80.00)	5 (14.29)	2 (5.71)	30 (85.72)	1 (2.86)	4 (11.42)
Social Capital	25 (71.43)	4 (11.43)	6 (17.14)	26 (74.29)	2 (5.71)	7 (20.00)
Profitability	26 (74.29)	3 (8.57)	6 (17.14)	22 (62.86)	7 (20.00)	6 (17.14)

Figures in parenthesis are percentages calculated on the basis of total no. of 35 firms

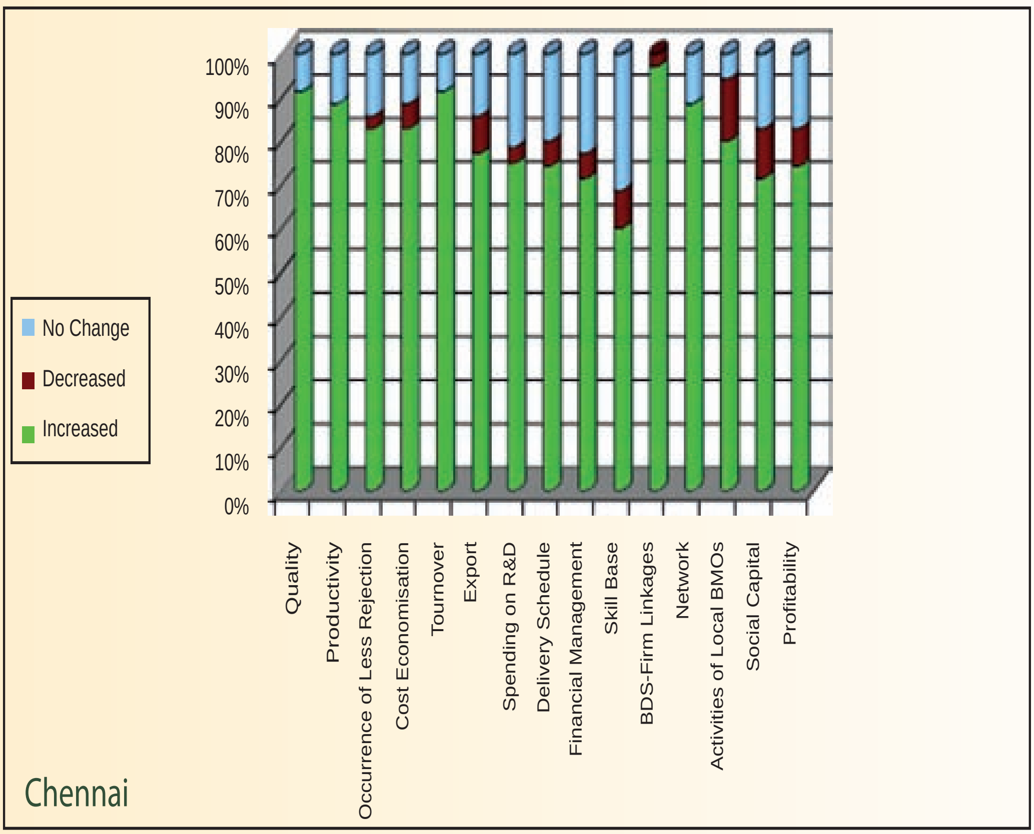
[3]12 *firms in Santiniketan are involved in 'Export'. In Santiniketan 98% of export is materialized through indirect channels. Corresponding percentages were calculated based on the number of 'valid cases'.*

[4]28 *firms in Chennai & 22 firms in Santiniketan were found to invest in R&D. Corresponding percentages were calculated based on the number of 'valid cases'.*

Adoption of appropriate technology has enabled firms in Chennai to enhance productivity. In Santiniketan operations like skiving were done manually for decades. This unnecessarily consumed a lot of production time. Introduction of skiving machine not only offered much better finish but contributed in enhancing productivity and cost optimization. Alongside specialised jobs like trimming, stitching, embossing was done manually which ensures maintaining the characteristics of the handicrafts cluster.

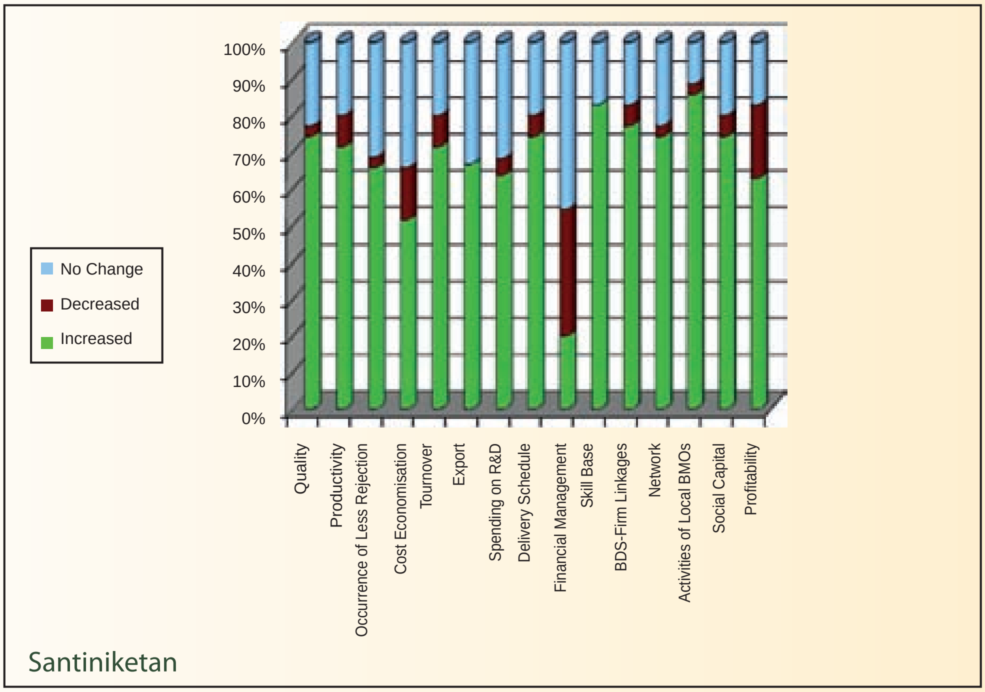
Improvement in turnover, export and profitability is a natural corollary to the process of cluster upgrading. No wonder that these important economic indicators showed a positive growth. Spending on R&D also witnessed a positive trend. Here R&D did not mean activities pursued deliberately to introduce radical change in the process of manufacturing or in end products. Resources spent in introducing small changes in design, shape, pattern etc. have also been accounted for under 'R&D spending'. Adoption of new technique of leather processing in Chennai was also considered here. Experimentation to introduce folk art in leather goods has positively affected marketing prospect of the cluster products.

Figure 3: Performance of Cluster MSMEs in Chennai:



There were instances of orders getting cancelled due to inability to meet the delivery time. This had happened with a few firms in both the clusters, especially at Santiniketan. Improvement in productivity and skill upgradation ably supported by improved management practices, planning and execution have helped the clusters in meeting customers' demands with ease and efficiency.

Figure 4: **Performance of Cluster MSMEs in Santiniketan:**



Linkages with specialised business development service providers (BDSPs), support institutions were also strengthened. New BDSPs were introduced in different domain areas and a data bank of quality BDSPs was circulated amongst cluster firms. Local firm started engaging more number of BDS in strategic areas. This in effect facilitated the development of the BDS market as well. There was improvement in the clusters' linkages with the support institutions. For example, services of Micro, Small and Medium Enterprise Development Institute (MSME-DI; formerly known as Small Industries Service Institute), National Small Industries Corporation, District Industries Centre were increasingly utilized by the cluster actors. Quality conscious entrepreneurs started utilizing product testing facilities available at the testing laboratories. Trust, co-operation and joint action among firms, BMOs, BDSPs and support institutions were improved and this has contributed in developing social capital base of the clusters.

Conclusion:

It is therefore can be concluded that cluster development programme has proved to be worthwhile in helping MSMEs in overcoming challenges of globalisation and increasing market competition. It helped them in enhancing performance of the MSMEs operating in Chennai and Santiniketan leather clusters. It not only improved the vital economic indicators like turnover, export, productivity and quality, but also helped them in achieving growth trajectory. The CDP has improved their access to intuitional finance. Enhanced spending on R&D, technology up-gradation and improving management practices was found to empower cluster MSMEs and enabled them in taking advantages of globalisation. They were found to upgrade their value chain through collectivization and joint action. In fact adoption of CDP was found to help cluster MSMEs in becoming an integral part of the global value chain (GVC). It is quite likely that the select clusters will now be able to contribute significantly in development of leather industry in the country and growth of the national economy.

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Empowerment of Micro & Small Enterprises in West Bengal for Inclusive Growth

Dr. Anirban Ghosh
Assistant Professor,
Netaji Subhas Open University, Kolkata

Introduction

The Micro, Small and Medium Enterprises (MSME) sector has been recognised as engine of growth all over the world. Micro, Small and Medium Enterprises play a significant role in the Indian economy in terms of output, employment generation, exports etc. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, which in turn, reduces regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. In India, given the large employment generation by SMEs, specially in the disadvantaged/informal sector, the preference to SMEs is important for achieving the national objectives of growth with equity and inclusion.

Meaning of MSME

The MSMED Act 2006 made a paradigm shift from industry to enterprise for its wide coverage and has redefined the manufacturing and service enterprises depending on the investments in plant & machinery and equipments respectively. Earlier this sector was known as small scale industries.
In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two categories:

i. **Manufacturing Enterprises:** The manufacturing enterprises are engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries. The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.
ii. **Service Enterprises:** The service enterprises are engaged in providing or rendering of services and are defined in terms of investment in equipment.

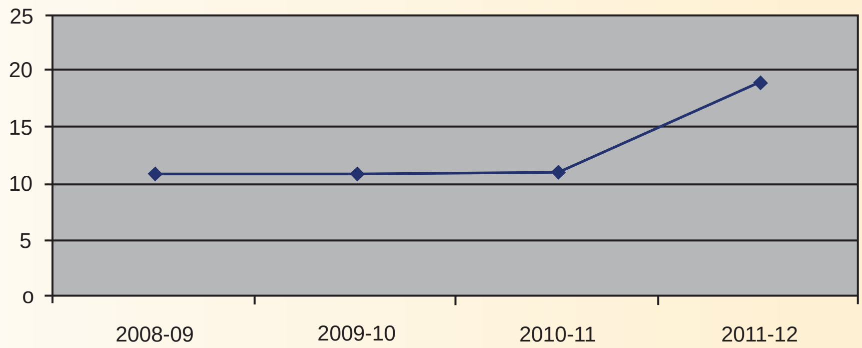
The limit for investment in plant and machinery or equipment for manufacturing and service enterprises respectively will be as follows as per notification S.O. 1642(E) dtd.29-09-2006:

Enterprises	Investment in plant & machinery (Manufacturing Sector)	Investment in equipments (Service Sector)
Micro Enterprises	Upto Rs.25lakh	Upto Rs.10lakh
Small Enterprises	Above Rs.25lakh & upto Rs.05crore	Above Rs.10lakh and upto Rs. 02crore
Medium Enterprises	Above Rs.05crore & upto Rs.10crore	Above Rs.02crore & upto Rs.05crore

Present status of Indian MSMEs

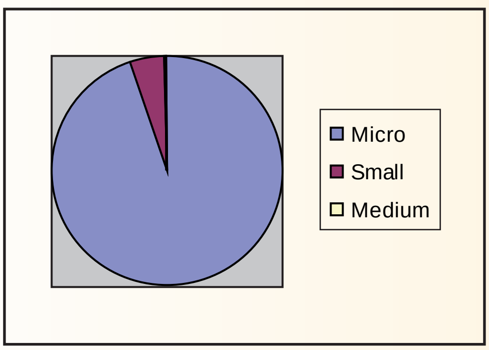
Prior to enactment of the MSMED Act, 2006 there was a system of registration of small scale industrial units by the District Industries Centres (DICs). As per the provisions of the Act, all MSMEs are required to file Entrepreneurs Memorandum

(Part-I) with District Industries Centres (DICs). After commencement of the unit, it is mandatory for the entrepreneur to file Entrepreneurs Memorandum (EM-Part-II). According to the submitted EM-II, MSMEs have shown consistent growth rate of more than 10% every year till 2010-11, whereas in year 2011-12 growth rate was 19% which is approximately twice the Growth rate recorded in previous years.

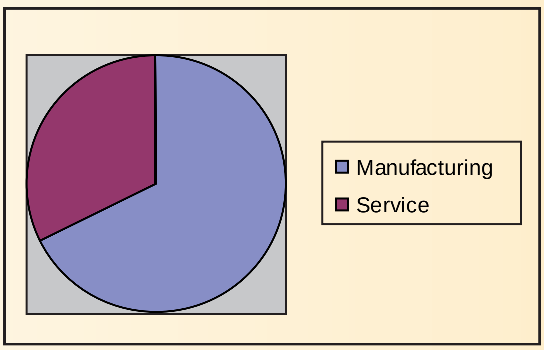


Annual Growth Rate of Indian MSMEs

Out of the total working enterprise, the proportion of micro, small and medium enterprises are 94.94%, 4.89% and 0.17% respectively. It comprises of 67.10% manufacturing and 32.90% service enterprises. So the manufacturing enterprises dominate the service enterprises though there is ample opportunities to start a service unit in the present Indian economy.



Proportion of enterprises as Micro, Small & Medium

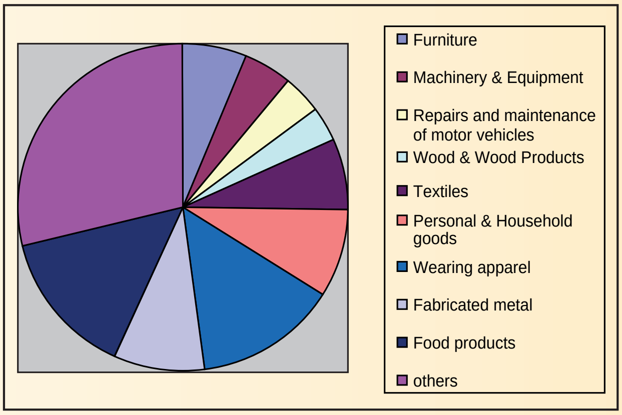


Proportion of enterprises

Source: *Annual Report, 2011-12, MSME*

Currently, there are more than 6000 products produced by MSMEs in India. The products are diversified in nature ranging from traditional to high-tech products. Out of these products, food products and beverages holds the maximum share of 14.26% and wearing apparel holds 13.67%.

The total employment in the MSME in the country was 93.09 lakh (registered sector) as per the report of the 4th census. It was estimated that the sector would employ 732.17 lakh persons in the year 2010-11.



Products of MSME,

Source: *4th All India Census report*

Year	No. of MSME (in lakh)	Employment (Person in lakh)	Fixed Investment (Rs. in Crore)	Production Gross output (Rs. in Crore)	Contribution in GDP
2006-07	2610.01	594.61	5,00,758	7,09,398	7.20
2007-08	2702.79	626.34	5,58,190	7,90,759	8.00
2008-09	285.16	659.35	6,21,753	8,80,805	8.72
2009-10	298.08	695.38	6,93,835	9,82,919	NA
2010-11	311.52	732.17	7,73,487	10,95,758	NA

NA- Not Available

Source: Annual Report, 2011-12, MSME

The above table shows the enormous growth in terms of employment generation, fixed investment and gross output of the sector. The sector has maintained a higher growth rate and contribution of the sector to the GDP is very significant.

Major issues concerning the MSME sector

From the foregoing section, it is evident that the role of MSME in economic development cannot be ignored. By nature, MSME helps in generating huge employment as it is a labour intensive sector as well as encourage entrepreneurship for livelihood. Although MSMEs are a diverse and heterogeneous group, they face some common problems, which are briefly indicated below:

- Lack of adequate and timely credit,
- Collateral requirements,
- Limited access to equity capital,
- Problems in supply to government departments,
- Procurement of raw materials at a competitive cost,
- Problems of storage, designing, packaging and product display,
- Lack of access to export markets,
- Inadequate infrastructure facilities,
- Lack of access to modern technology,
- Lack of branding.

The problems faced by MSMEs are quite unique to the nature of the sector. Access to adequate and timely credit at a reasonable cost is the most critical problem faced by the sector. The major reason for this has been the high risk perception among the banks about the sector and high transaction cost for loan appraisal. Access to equity is another problem for this sector. In the era of globalization, the MSMEs have to be competitive for their survival. To ensure competitiveness, it is essential that availability of infrastructure, technology and skilled manpower are in tune with global practice. The infrastructure like road, electricity, water, transport etc. should be provided for to address the issues. Credit and finance apart, access to technology is crucial to the growth of MSMEs in the country. If technology and innovation are employed effectively, India will become a major destination for low cost, high quality manufacturing and services. Technology adoption is a catalyst not only for growth among India's micro, small and medium enterprises, but for the growth of the Indian economy as a whole. Another major problem is the lack of market accessibility for the poor entrepreneurs/ household unit owners, etc. Most MSEs do not have money to invest in market research and are unable to carry out design and technical improvements to keep up with market demands. The rural entrepreneurs do not have the access to information and communication technology. As a result they do not get the information about the price and demand of the product in the market. It is because of this lack of information that the middlemen are able to take advantage of and exploit the poor entrepreneurs by paying a paltry sum for their products and selling those products in the international market at exorbitant prices.

Various incentive schemes of the Ministry of MSME, Govt. of India to boost the sector:

Promotion of MSMEs is very important in any economy. Various schemes have been provided to boost the sector as well as to overcome the challenges faced by the MSMEs. Most of the schemes are offered through the Office of Development Commissioner for the MSME sector. The important schemes are:-

i. **National Manufacturing Competitiveness Programme (NMCP) Scheme under XI Plan:** The Government has announced formulation of National Competitiveness Programme in 2005 with an objective to support the Small and Medium Enterprises (SMEs) in their endeavour to become competitive and absorb the competitive pressure caused by liberalization and moderation of tariff rates.

ii. **Micro & Small Enterprises Cluster Development Programme (MSE-CDP):**The ministry started MSE-CDP for holistic development of selected MSEs clusters through value chain and supply chain management on co-operative basis.

iii. **Credit Linked Capital Subsidy Scheme for Technology upgradation:** The scheme aims at facilitating Technology Upgradation of MSEs by providing 15% capital subsidy (12% prior to 2005) on institutional finance availed by them for induction of well established and improved technology in approved sub-sectors/products.

iv. **Credit Guarantee Scheme:**The individual MSEs may get Collateral free loans upto a maximum limit of Rs.50lakhs.

v. **ISO 9000/ISO 14001 Certification Reimbursement Scheme:** Incentive Scheme of Reimbursement of expenses to the extent of 75% or Rs.75,000/- whichever is lees for acquiring Quality Management System - ISO 9000 or Environment Management System - ISO 14001 certification.

vi. **MSME MDA :**The scheme offers funding upto 75% in respect of to and fro air fare for participation by MSME Entrepreneurs in overseas fairs/trade delegations. The scheme also provide for funding for producing publicity material (upto 25% of costs) Sector specific studies (upto Rs. 2lakhs) and for contesting anti-dumping cases (50% upto Rs. 1lakh). This scheme is applicable to individual MSMEs & Associations.

vii. **Mini Tool Rooms:** Assistance upto 90% or Rs.9.00crores, whichever is less for setting up new Mini Tool Rooms. For upgradation of existing Tool Rooms, assistance is 75% or Rs.7.5crores.

viii. **Scheme of National Award:** The MSMEs have registered tremendous growth as also progress in terms of quality production, exports, innovation, product development and import substitution, very much beyond the expected objectives of setting up MSMEs. This scheme has been launched to encourage new entrepreneurs and to motivate them in the innovative endeavour.

ix. **Initiatives for Women Entrepreneurs:** To cater to the needs of potential women entrepreneurs, without having adequate educational background and skills, the Micro, Small & Medium Enterprises Development Organization (MSME-DO) has introduced process/product oriented Entrepreneurship Development Programmes (EDPs).

The Public Procurement Policy' is another step towards promoting MSEs by enhancing their competitiveness through increased participation in Government purchases, encouraging linkages between MSEs and large enterprises and increased share of supplies to Government, Ministries/ Departments and PSUs. In this tune the government introduced the defence offset policy to broaden the sector's market reach. No doubt, the MSME sector can benefit immensely from the new public procurement policy and offset policy by raising the quality standards.

Status of MSME in West Bengal

The role of MSME is well established in Indian economy which accounts for 8.72% to the national GDP in 2008-09, 45% of the manufactured output and 40% of the exports. In case of West Bengal the status of MSME is very optimistic. And it has recorded a phenomenal growth over the periods. According to a report of ASSOCHAM, with over 43,000 jobs generated in the small and medium enterprises (SMEs) sector in 2011-2012, West Bengal has emerged as a leading state to facilitate growth in the SMEs sector. The financial lenders in the state have disbursed Rs 2,812.48 crore to the micro small and medium enterprises (MSME) during the last financial year (2011-12), registering an annual growth of near 25 per cent advances to MSMEs.

The following table shows that during 2007-08 to 2010-11 there was a negative growth in terms of establishment of new enterprises in West Bengal. But during the year 2011-12 there was a positive growth of 33.25% over the last year 2010-11.

Year	Number of EM-II	Annual Growth rate
2007-08	17,618	-------
2008-09	13,428	-23.78
2009-10	11,685	-12.98
2010-11	10,109	-13.49
2011-12	13,470	33.25

Number of EM-II issued to MSME by the DICs

This phenomenal growth was possible only due to the help extended by the banking sector and the state government. According to a report of the State Level Bankers' Committee (SLBC) the small enterprises, borrowed Rs 1,322.86crore, followed by micro with Rs 1,101.08crore. Overall, public sector banks in the state lent Rs 1,207.59crore, private sector banks lent with Rs 1,067.19crore of advances. A contribution of Rs 5,37.70crore has been made by five regional rural banks (RRB) towards MSME credit flow. The State Bank of India and Punjab National Bank emerged as the leading PSBs and advanced Rs 1,85.54crore and Rs 1,03.12crore, respectively. Among private sector lenders, the outperformers are Axis Bank, and HDFC Bank disbursing Rs 6,46.28crore and Rs 2,97.51crore respectively to the MSMEs. As a result, the investments in plant and machinery has increased by 39% in 2011-12 in compared to the previous year.

Incentives for the Sector

However, the MSMEs in West Bengal face a number of challenges in areas of credit availability, raw material procurement, marketing, infrastructure availability, technology, manpower and labour laws. Several steps are being taken in order to facilitate the MSMEs to perform better taking into considerations their importance in the economic development and employment generation. The Government of West Bengal has introduced West Bengal Incentive Scheme (WBIS) 2007 for MSEs where the government has provided various incentives for the promotion of MSMEs in the state. For the purpose of availing incentives, the enterprises have been classified on the basis of their location viz. Group A area (KMDA area), Group B area, Group C area Group D area. In general the MSEs located in group A area are not eligible for such type of incentives. The WBIS 2007 provides various incentives like capital investment subsidy, interest subsidy, waiver of electricity duty and electricity charges, incentives for generation of employment, refund of stamp duty and registration fees, subsidy for conversion of piped gas, subsidy for quality improvement, incentives for patent registration, incentive for approved expansion of project of an existing unit etc. Provision of the Incentives Scheme:

Area	State Capital Investment Subsidy		Interest Subsidy on term loan borrowed	
	Micro	Small	Micro (Subsidy to the extent of 30% of annual interest liability)	Small (Subsidy to the extent of 25% of annual interest liability)
Group B	25% of FCI	15% of FCI	6 years	6 years
Group C	30% of FCI	17% of FCI	8 years	8 years
Group D	35% of FCI	20% of FCI	10 years	10 years

FCI- Fixed Capital Investment **Source:** The Kolkata Gazette, June 18, 2007

An eligible enterprise irrespective of its location is entitled to refund of stamp duty and registration fee and will also be entitled to waiver of electricity duty and electricity charges as follows:

Waiver of Electricity duty	Reimbursement of Electricity Charges	Refund of stamp duty and registration fess	
Micro & Small	Micro & Small	Micro	Small
5 years from the date of commercial production	30% of such charges for 5 years from the date of commercial production	75%	50%

Source: The Kolkata Gazette, June 18, 2007

An eligible micro enterprise is entitled to reimbursement of 80% of its contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) for a specified period depending on the location if the said enterprise recruits at least 30% of its employees from amongst the persons registered with Employment Exchange. An eligible small enterprise is entitled to reimbursement of 75% of its contribution towards Employees State Insurance and Employees Provident Fund for a specified period depending on the location if the said enterprise recruits at least 40% of its employees from amongst the persons registered with Employment Exchange.

Area	Reimbursement of contribution to ESI & EPF	
	Micro (80% of the contribution)	Small (75% of the contribution)
Group B	6 years	6 years
Group C	8 years	8 years
Group D	10 years	10 years

An eligible enterprise is entitled to get the reimbursement of expenditure 9subject to maximum amount of Rs.5lakh) for modernization, installation of pollution control device and for obtaining ISI/ BSI certification/ ISO 9000/ISO 14001 from the approved institutions as follows:

Micro enterprise: 75% of the expenditure incurred

Small enterprise: 50% of the expenditure incurred.

There is also a provision of incentive of reimbursement of 50% of expenditure incurred for obtaining a patent of a product and an eligible enterprise owned by women or SC/ST entrepreneurs or self help group is entitled to get 10% additional incentives irrespective of their location.

During 2011-12 the number of units covered under West Bengal Incentive Scheme increased by 138% and amount of subsidy disbursed increased by 93% compared to previous year. The state government undertook skill development programme for the entrepreneurs' skill development and spent government fund which increased by 24% in 2011-12 in compared to 2010-11.

The government provides marketing supports to handicraft units by coordinating their participation in state and national level exhibition. It results in increase of sales in state level and national level exhibition by 31% and 10% respectively over the last financial year.

In addition to granting different subsidies to the MSEs, the state government organized Rural Haat, Urban Haat Cluster Development Programme and set up Natural Fibre Mission for the improvement of rural livelihood as well as for the development MSME sector in the State of West Bengal. The state government has already taken initiatives to pen sales outlets at state owned oil companies under BENCRAFT scheme for marketing support to artisans of handicrafts, khadi, handloom, silk etc. All these facilities and incentives provided by the state government have positive effect in the growth of the MSME in the State of West Bengal achieving 33.25% growth in 2011-12 over the previous year 2010-11.

Conclusion

The Micro, Small &Medium Enterprises (MSMEs) in India have seen a tremendous development in the last five decades and has maintained a higher growth rate. The MSME sector has made significant contribution towards employment generation and rural development in terms of manufacturing output. The development in MSME has boost up the process of rural industrialization which in tern helps in poverty eradication and employment generation.

No doubt, to sustain the growth of MSMEs and ensure their continued contribution to national industrial production, economic growth and employment, both the Central and State governments have taken a number of initiatives to facilitate the MSMEs. But most of the entrepreneurs are not aware of these benefits/ incentives. It is our duty and responsibility to make them aware and inform these entrepreneurs so that they can get the incentives for their enterprises as provided by the government. It will definitely help them take initiatives for setting up MSME in achieving the objectives of growth with equity and inclusion for the purpose of socio-economic development of the country.

Reference

Mishra. Shivani. (2012). Small Scale Industries: Striving and Thriving in the Era of Globalization, IJECBS, India

TAX TITBITS

S. Rajaratnam
MA, LLM, FCMA
Advocate & Tax Consultant, Chennai

Income From Hire Purchase Agreements – How Reckoned?

In a hire purchase agreement, instalments cover both elements of principal and interest, so that the bifurcation as between the two becomes necessary for assessment. Where the assessee offered an income on Equated Monthly Instalment (EMI) Scheme basis, the authorities felt that the indexing system otherwise known as sum of digits method should be followed, a method approved by the Special Bench of the Tribunal in favour of revenue for in Dy. CIT v. Nagarjuna Investment Trust Ltd. (1998) 65 ITD 17 (Hyderabad)[SB] followed by the High Court later in Chakra Financial Services Ltd. (formerly known as Priyadarsini Leasing and Finance Ltd.) v. CIT (2013) 350 ITR 396 (AP) drawing support from the decision of the Supreme Court in Sanjeev Woolen Mills v. CIT (2005) 279 ITR 434 (SC). Such controversies could be avoided where the agreement itself spells out the formula as between principal and interest. Probably tax accounting standards, which can be prescribed by the Central Board of Direct Taxes under section 145, can cover this matter as well, as and when the draft Notifications for assessment of contractors and subsidies are finalised.

Share Application Money

Share application money received by a company is treated as cash credit on par with any borrowing under section 68 of the Income-tax Act, 1961, though its character is different from normal deposits or borrowings. Section 68 requires a taxpayer not only to prove the identity of the creditor/ depositor, but also his creditworthiness, a task which is not capable of being satisfied, so that the Supreme Court in CIT v. Lovely Exports (2009) 319 ITR (St.) 5 came to the rescue of the companies by holding that, where the names, addresses and Permanent Account Number details are given, there can be no addition in respect of such amounts received. The check as to the identification of the source of share capital had been undertaken in a legal scale by the Income-tax Department only in recent years. There has been a widespread practice of benami shareholdings, but making the company accountable for ownership of such unidentified subscribers has been an onerous responsibility. There has been a number of decisions either way depending upon the facts of each case. But the responsibility for the company to identify the source cannot be lightly avoided. The best course advised for companies is to insist upon payment either by way of account payee cheque or draft or through a bank along with Permanent Account Number, so that the initial burden is discharged by the company.

Substantial Expansion – Whether Can Lead To The Inference Of A New Undertaking?

Where a Government company claimed relief under section 80-I (now deleted) for substantial expansion in the business of manufacture of caustic soda investing about Rs.7.5 crores on new plant and machinery with production capacity nearly double of the existing ones, the Assessing Officer felt that it is only an old undertaking, which is being reconstructed and that at any rate, substantial expansion by itself will not qualify for relief. The High Court found that eligible criteria as set out in Textile Machinery Corporation Ltd. v. CIT (1977) 107 ITR 195 (SC) and Bajaj Tempo Ltd. v. CIT (1992) 196 ITR 188 (SC) can be listed as under:

1. Investment of substantial fresh capital,
2. Employment of requisite labour therein,
3. Increases in productive capacity,
4. Earning of profit attributable to such new venture and

5. The overall criterion that it should be capable of being identified as a separate and a distinct entity.

Since the High Court found that these conditions are satisfied, the assessee was held eligible for relief as a new industrial undertaking, so that it has decided in favour of the assessee reversing the decision of the Tribunal without costs in this case in Gujarat Alkalies and Chemicals Ltd. v. CIT (2013) 350 ITR 94 (Guj). This decision should avoid narrow interpretations, which are invariably adopted by revenue in cases of substantial expansion, even where it is capable of being treated as resulting in creation of a new and independent unit. Reliefs are available for some classes of new industrial undertaking in section 10A, 10AA, 10B, 80IA and 80IB. But the tolerance limit of 20% should have to be borne in mind, so that the old machinery cannot form more than 20% of the entire value of block of plant and machinery used for expansion.

Jurisdiction Of Courts Limited To Substantial Question Of Law

The High Court in Dy. CIT v. Sulabh International Social Service Organisation (2013) 350 ITR 189 (Patna) has referred to the decision of the Supreme Court in M. Janardhana Rao v. Jt. CIT (2005) 273 ITR 50 (SC), wherein the Supreme Court has pointed out, that the High Court must make effort to distinguish between a question of law and a substantial question of law. It referred to the tests laid down by the Supreme Court in Sir Chunilal V. Mehta and Sons Ltd. v. Century Spinning and Manufacturing Co. Ltd. AIR 1962 SC 1314, wherein the following tests have been listed:

1. Whether directly or indirectly it affects substantial rights of the parties, or
2. the question is of general public importance, or
3. whether it is an open question in the sense that the issue is not settled by pronouncement of this court or Privy Council or by the Federal Court, or
4. The issue is not free from difficulty, and
5. It calls for a discussion for alternative view.

The High Court also disapproved the conduct of the authorities in upsetting the inference consistently accepted in the past. Such approach on the part of authorities was criticised in following words:

"We can not understand the approach of the appellant, and wholly disapprove of the appeal at the instance of the Department which ought to have been done thoughtfully, and has burdened this court with a most unwanted matter. In that view of the matter, we are clearly of the view that the learned Assessing Officer exceeded his jurisdiction in passing the order of assessment."

Transfer Pricing Rules

Assessment for A.Y.2013-2014 would require application of transfer pricing rules even for domestic transactions with related parties. Transfer pricing rules would require the following steps to be taken to arrive at arm's length price, which may require substitution of transaction price, if it happens to be higher in respect of receipts and lower in respect of payments. The following are the steps that are required for arriving at arm's length price:

1. The choice of the most appropriate method out of the five listed methods. Since it has to be "most" appropriate method, it should be the only method, that should have application.
2. The next task is choice of comparables, which is often a major problem.
3. After choice of comparables, one has to arrive at a benchmark and if it has more than one benchmark in the same method, which is chosen, the average will be the relevant benchmark.
4. Adjustments are thereafter required for variations with reference to the facts of the particular case. The required adjustments in view of the wide differences between one trade and another are a fertile area of litigation.
5. Circular No.2 of 2013 dated 26th March, 2013 has instructed its officers and apparently expects the taxpayers to conform to the following instructions for compliance.

i. Cost of Research and Development (R&D) activities based on cost of intangible development as part of cost is "generally discouraged", a view which is not fair, where R&D forms an integral part of cost.
ii. Where profit split method is applicable, but it involves transfer of unique intangibles under Rule 10B(1)(d) in a singular or multiple international transactions, which are interrelated with transaction-wise determination becoming incapable of evaluation, the value attributable to such unique intangibles would be on the proportionate return of relative contributions made by each associated enterprise. If it were so done, it can no longer be a unique intangible, so that this could also be a source of controversy.

iii. Selection of comparables under Rule 10C(2) for profit split method are advised to be based upon six listed criteria, which are in general terms by no means exhaustive. What are listed are also not capable of precise practical applications. Where comparable cases to the satisfaction of the Transfer Pricing Officer is not available, profit split method is required to be dropped for recorded reasons and for the choice of any other method indicating the scope of another area for litigation.

Another Circular on transfer pricing rules is Circular No.3 dated 26th March, 2013, which exclusively treats R&D by a contract service provider. Risk burden on economically significant functions are required to be taken into consideration. The instruction is highly theoretical as is common in all cases of determination of arm's length price. The Circulars do not make the exercise any the less easier.

The replacement of earlier law under section 40A(2) arming the Assessing Officer with practically wider power to disallow payments to the related parties, which are excessive and unreasonable, would appear to give more discretion to the tax collector with less burden on the taxpayer. The difficulty lies in the absence of relevant statistical information as are available abroad, so that the task required under the transfer pricing rules places a burden not capable of being easily discharged.

At the Helm

Shri P. V. Bhattad

Our heartiest congratulations to Shri P. V. Bhattad, Council Member of the Institute of Cost Accountants of India for taking over the charge as General Manager (Finance) of Western Coalfields Ltd. He was earlier Deputy General Manager (Finance), South Eastern Coal Fields Ltd. His contact details are as below:

Ph. No.: 09422104218, e-mail: pvbhattad1957@gmail.com.
Address: General Manager (Fin.), Western Coalfields Ltd., "Anand", 22, Cosmos Town, NIT Layout, Nagpur 440022

We wish Shri P. V. Bhattad the very best in all his future endeavours.

The Broken Arrow: Power of Recovery of Tax arrears in Union Indirect Taxation

Ravindran Pranatharthy
B.Sc, PGDM (GERMANY), M.L,
Advocate – Indirect taxes & IPRs

The Government creates tax laws and obliges the citizens to pay taxes. Non-payment of tax is an offense which is not tolerated in the Tax Law, until an amnesty scheme comes along in due course. When tax payers owe taxes to the Government without any demur, such dues are really taxes in arrears. The Government of late has been cracking its whip at such arrears of tax owed to it. Powers to recover tax arrears have always existed in the tax laws. The tax administrations have also never shied away from the use of such powers. However, with the uncomfortable fiscal slippages being increasingly witnessed in the recent years, the government has been evincing a greater interest in realizing the tax arrears. In the Union indirect taxes arena such arrears are reported to have crossed Rs.70,000 Crores which is the cumulative burden over a long period of time. Compared with revenue realizations over the years, such arrears may be relatively small. However, the tax arrears are a significant sum nevertheless and they can contribute to meeting Revenue targets. The government's anxiety in collecting tax arrears is understandable in the circumstances. An analysis of recovery provisions relating to Central Excise and Service Tax arrears reveals some interesting facts.

Neither a lender nor a borrower be

There is no rule of law that to borrow the provisions of another law, the borrowing Act should find an enabling provision in the lending Act. It is enough that the borrowing Act has enabling power granted within it so to do. This has often resulted in indiscriminate "borrowings" of law. When one law borrows from another law expressly, there is often the question of what to do if and when the borrowed provisions were to be deleted or modified substantially in the 'lending' law.

The Central Excise Act has historically been a very compact code as compared to the commodious ambit of the Customs Act, 1962 which can be described as a self-contained code. Owing to its compressed nature, the Central Excise Act has been compelled to develop detailed subordinate legislations such as CENVAT Credit Rules, Central Excise Rules etc. The Central Excise Act has also had to borrow certain provisions in the Customs Act, 1962 which were thought to be useful in the levy, collection and administration of the Central Excise Duty. Even though nothing prevented the government from making the Central Excise Act a self-contained code in the manner of the Customs Act, the borrowing of provisions of the Customs Act has been the preferred method of making the Central Excise Act tick.

Limited Borrowing Scope of Section 12 of the Central Excise Act

Section 12 of the Central Excise Act is the foremost provision in the Central Excise Act **borrowing** provisions of the Customs Act, 1962. The Section is reproduced here:

> "Application of the provisions of [Act No.52 of 1962] to Central Excise Duties – The Central Government may, by notification in the Official Gazette, declare that any of the provisions of the Customs Act, 1962 (52 of 1962), relating to the levy of and exemption from customs duties, drawback of duty, warehousing, offences and penalties, confiscation, and procedure relating to offences and appeals shall with such modifications and alterations as it may consider necessary or desirable to adapt them to the circumstances be applicable in regard to the matters in respect of the duties imposed by section 3 and section 3A".

It is clear from the section that only the following provisions in the Customs Act, 1962 can be borrowed into the Central Excise Law by a Gazette Notification:

- Levy of and exemption from customs duty (Chapter V of the Customs Act – Sections 12 to 28BA)
- Draw back of duty (Chapter X of the Customs Act – Sections 74 to 76)
- Warehousing (Chapter IX of the Customs Act – Sections 57 to 73)
- Offences and penalties (Chapters XIV and XVI of the Customs Act – Sections 111 to 127 and 132 to 140A)
- Confiscation (Chapter XIV of the Customs Act – Sections 111 to 127)
- Offences and Appeals (Chapter XV and Chapter XVI of the Customs Act)

The above list shows that the following chapters are not borrowed.

(A) Chapter I – Preliminary provisions relating to title, extent, commencement and definitions.
(B) Chapter II – Officers of customs.
(C) Chapter III – Appointment of Customs ports, airports, warehousing stations etc.
(D) Chapter IV – Prohibition on importation and exportation of goods.
(E) Chapter IV (A) – Detection of illegally imported goods and prevention of the disposal thereof.
(F) Chapter IV(B) – Prevention or detection of illegal export of goods.
(G) Chapter IV(C) – Power to exempt from the provisions of Chapter IV(A) and IV(B).
(H) Chapter V(A) – Indicating amount of duty in the price of goods.
(I) Chapter V(B) – Advance rulings
(J) Chapter VI – Provision relating to conveyances, carrying imported or exported goods.
(K) Chapter VII – Clearance of imported goods and exported goods.
(L) Chapter VIII – Goods in transit.
(M) Chapter XI – Special provisions relating to baggage, stores etc.
(N) Chapter XII – Provisions relating to coastal goods etc.
(O) Chapter XIII – Provisions relating to such seizure and arrest.
(P) Chapter XIV-A – Settlement of cases
(Q) Chapter XVII – Miscellaneous provisions

Section 142 of the Customs Act – the Executive Long Arm

The Chapter XVII covering miscellaneous provisions many of which are important contains Section 142 carrying the title *"Recovery of sums due to the Government"*. This Section 142 is a very important provision in the Customs Act enabling the Government to go after tax defaulters by adopting the methods for recovery specified in the Section. The Section bestows the following powers of recovery on the Government:

The proper officer of the Customs may adjust against the arrears any sum due to be paid to the defaulter by the department. This can be done by the proper officer by himself or he can require any other officer of customs to do so when the other officer has the money payable to the defaulter under his control.

The Assistant Commissioner/ Deputy Commissioner of Customs may effect the recovery of arrears by detaining and selling any goods belonging to the tax defaulter if such goods are under the control of the Customs AC/DC or he may require any other officer of Customs to do so if any goods belonging to the defaulter is under his control.

If the department cannot recover tax arrears by the above methods, the Customs Assistant Commissioner/Deputy Commissioner can prepare a certificate of such dues and send it to the jurisdictional district collector of the Tax defaulter to recover the specified dues as if it were an arrear of land revenue.

The proper officer may, after obtaining permission from the Commissioner of Customs and in accordance with the rules made under this Section, take action to distrain any movable or immovable property belonging to or under the control of such person and detain the same for effecting recovery. If the tax defaulter does not pay up the detained property, it can be sold to recover the tax dues.

The proviso to Section 142 has a draconian post-script by which it is stated that if the tax defaulter transfers or disposes of his business or trade in whole or in part or effects any change in the ownership of the business, the proper officer of customs can attach and sell all the goods, materials, preparations, plants, machineries, vessels, utensils, implements and articles in the custody or possession of the transferee. The sub-section (2) of Section 142 even goes to the extent of recovering the tax arrears by enforcing any bond or other instrument executed by the defaulter provided the terms of such instrument provide for such recovery as contemplated under this Section.

Sneaked into Central Excise law

A study of this Section 142 reveals the absolute draconian nature of the power to extract tax dues from the defaulters. The discussion of such sweeping powers is not the subject of this article. But, in this context, it is obvious that the Central Board of Excise and Customs was attracted by the sweeping enforcement provisions contained in Section 142 and desired to borrow the provision from the Customs Act and incorporate it in the Central Excise Act. Section 12, being the instrumental provision in the Central Excise Act for this purpose, the provision in the Customs Act relating to recovery of dues to the Government could be expected to have been so covered. However, as we have seen in the proceeding paragraphs above, this Section 142 of the Customs Act is conspicuous by its absence in Section 12 of the Central Excise Act. We have seen what has been included in Section 12 and what is not. Provision relating to recovery of sums due to the Government contained in Section 142 which is a dramatic, draconian and comprehensive code for revenue arrears recovery has not been incorporated in Section 12 at all. It is a principle of jurisprudence that in borrowing the provisions of one Act into another, the terms have to be express and clear cut. Nothing should be left to inference. The Section 142 of the Customs Act has not been incorporated Section 12 of the Central Excise Act and it cannot be read into it by analogy at all.

Exceeding the limits of borrowing

Despite the obvious failure to incorporate the provisions in the Customs Act relating to the recovery of Government dues detailed commodiously in Section 142 of the Customs Act, the department has nevertheless proceeded to issue gazette notification No.68/63 dated 4.5.63 as amended, by virtue of the power granted under section 12 of the Central Excise Act. In this notification, the department borrows several sections of the Customs Act including *Section 142*. It can be argued that the notification issued under Section 12 incorporating inter alia Sections 142 and 150 of the Customs Act are ultra vires of Section 12 which omits to incorporate any provisions under Chapter XVII containing inter alia Sections 142 and 150 of the Customs Act. The use of Section 142 in Central Excise arrears recovery thus appears questionable.

Judicial trends

The improper importation of section 142 of the Customs Act into Central excise law via a subordinate executive notification as compared to primary empowerment through Section 12 of the Central excise Act was before the High Courts twice. In the earlier case of KRISHNAKANT SAKHARAM GHAG Vs UOI – 2006 (206) ELT 1117 (Bombay), the Bombay High Court was of the view that the levy of duty included power to realize non-paid dues and hence section 142 was held to apply by necessary implication despite the absence thereof in Section 12 of the Central Excise Act. However, recently, the High Court of Andhra Pradesh in the case of IDBI LTD vs DEPUTY COMMISSIONER OF CUSTOMS & CENTRAL EXCISE (ARREARS RECOVERY CELL), HYDERABAD – 2012 (288) ELT 188 (A.P) disagreed with the reasoning of the Bombay High Court in this regard and admitted that the *vires* of applying section 142 of the Customs Act via a notification under section 12 when section 12 did not cover section 142 of the Customs Act expressly, was indeed doubtful.

Now let us turn our attention from Section 142 of the Customs Act to another interesting provision in the Service tax law empowering executive action for recovery of arrears.

Section 87 of the Finance Act, 1994 relating to recovery of arrears in Service Tax Law- A more dramatic power than even Section 142 of the Customs Act

Section 87 of the Finance Act, 1994 deals with recovery of service tax arrears due to the Government. The section broadly provides for the following methods of recovery of tax arrears from the defaulters:

The central excise officer may deduct or may require any other central excise officer *or even an* officer of customs to deduct any money payable to the defaulter which is under the control of such officer in adjustment against the tax dues.

The central excise officer may by a notice in writing require any other person from whom any money is due or may *become due* to the tax defaulter or who holds or may subsequently hold money for or on account of such defaulter to instead pay the tax dues, that is, pay an amount equal to the dues to the credit of the Central Government forthwith or when such sum becomes due to be paid. The section enables such notices to be issued to even a post office, a banking company or an insurer and there is no necessity for the department to produce any pass book, deposit receipt or insurance policy and notwithstanding any practice or requirement or rule to the contrary. The draconian provision goes on to state that if the notified person fails to make payment, he will be deemed to be a tax defaulter and will face recovery action from the department.

The Central excise officer after obtaining an authorization by the Commissioner of Central Excise and in accordance with the rules made in this behalf may distrain any movable or immovable property belonging to or under the control of such defaulter and detain the same for payment of arrears by the defaulter. If such payment is not forthcoming, the attached property can be sold for recovery.

The Central excise officer can prepare a certificate of tax dues owed by a defaulter and send it up to the jurisdictional district collector to recover it as a arrear of land revenue.

Raiding the Third party Money-holdings

It does not need any special intelligence to understand as to which of the four modes in the section 87 has caught the fancy of the service tax department. The Department has gone after third parties such as Banks, Post offices PSUs and Big corporates to get at the money flow to the defaulters and coerce the hapless third parties to pay up the dues to the government owed by the defaulters and to do this by deducting the tax dues of the defaulter from the accounts of such third parties, often across the table.

The issue here is that there is no guarantee that the understanding of "tax dues" and the concept of "first charge" by the taxmen will be legally sustainable. The Section 87 offers no protection against arbitrary executive action. For example, the Service tax law itself now states that the Service tax dues are secondary to the first charge of Banks & Financial Institutions under certain legislations. The Supreme Court has held that workmen's dues have priority over any other claim. In such circumstances, the Section 87 action against third party money holdings may have the potential of denying the admitted first charge of these institutions and also lose the potential for meeting the dues to workmen etc. The third parties who succumbed to the service tax department could face legal action by the defaulters or their administrators for their acquiescence with the department if the tax dues or the violation of the first charge to statutory secured creditors could be established to be legally unsustainable.

Conclusion

The current law in the indirect taxation regarding recovery of tax arrears is a confusing mix of draconian, unguided and unrealistic powers. The Department seems to have shot itself in the foot by statutorily recognizing in its own tax laws that the statutory dues under some provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, SARFAESI Act and the Companies Act have precedence over excise, customs and service tax dues. Therefore, before taking action under such drastic recovery powers the department should ensure that the recovery does not affect the ability of Banks and Financial Institutions and the Workmen to realize some of their dues. Coordination between the Department of Revenue and the Banks and Financial Institutions is needed. The arrears recovery law in Union Indirect taxation should be clear and fair to all stakeholders in the game. Citizens will welcome a benign and easy-to-understand tax law that minimizes disputes which aid the creation of arrears. The current state of the tax law and the way it is enforced is guaranteed to generate tax arrears. An atmosphere of fair and stable tax rates and a benign, honest, tax-payer-friendly administration will go a long way in stemming the flow of tax arrears.

Corrigendum

The name **Shri Dilip Kumar Karak**, co-author of the article titled "Revised schedule VI: A Milestone of Indian Corporate Reporting System", published on page no. 418 of April 2013 issue of the journal, has been inadvertently printed as **Dr. Dilip Kumar Karak**. The editor deeply regrets this unintentional error.

Leadership Paradigm In Banks

J D SHARMA
M.Com, CAIIB, DIM, MBA, LL.B, MIMA
Research Scholar, Department of Commerce, University of Madra.

Background

Leadership is considered as one of the important factors impacting the results of the organisation. The Leaders must therefore be effective and conscious of this fact. Who should then, be the Leader? It requires a very exhaustive and detailed answer but to briefly introduce the leader at this stage would be appropriate. A person who can demonstratively inspire people to give their best performance outcomes and deliver value on a sustainable basis can be described as a leader. Before getting into various aspects relating to effective and contemporary leadership, it would be pertinent to understand the operating environment from the perspective of the business of banking in India. While the banks continued to manage growth during the year 2010-11 with ample reserves of capital and liquidity, improved performance and better asset quality, the year 2011-12 exhibited some signs of incipient deterioration in the asset quality. This trend is well reflected in the increased level of Non Performing Assets as on 31st December 2012. But still there is no denying the fact that given the favourable demographic dividend, India continues to offer high growth potential and immense opportunities for business expansion not only in the traditional segments of our economy but also in hitherto untapped segments through financial inclusion. We need to leverage technology to develop sustainable business models and reduce the operating costs. There is an urgent need to be cost-effective and attaining competitive edge in banking space. It is also important to critically analyse the role of commercial banks getting transformed into institutions financing large value long moratorium core infrastructure projects which are capital intensive in private sector. It involves not only the large volumes of amount to be committed for long term but also carry out the extra risk of interest rate sensitively and asset-liability mismatches. As per the observations made by RBI, it will be challenging for banks to raise additional capital and liquidity to support higher asset expansion and also to comply with Basel-III requirements. Owing to the constraints caused by fiscal considerations, the Government will find it difficult to infuse further capital to sustain the business growth. It will leave the banks to look for alternative channels to raise funds through innovative and attractive market based funding channels in a cost-effective manner. A sustained pursuit of forward looking strategies aimed at mitigating risks, diversifying revenue sources, guarding against asset-liability mismatches, evolving proper and effective response to changing domestic and global market environment and improving customer relationships are considered important to strengthen the overall growth of our banking sector.

While we are fairly placed to implement Basel-III norms, the other challenges need to be faced effectively. It calls for the strong and visionary leadership for our banking institutions. Inter-connectedness of our banking system with global financial system also puts us on caution in view of various financial and debt crises that several countries had experienced in recent times of the globalisation era. Corporate governance is another challenge which has not yet fully caught up and it would call for transparency of higher order which has been made more challenging by the Right to Information Act. It is well nigh impossible for a single leader to effectively cope up with such diverse challenges. It would therefore necessitate the need for multiple leadership positions within the bank.

There are three important blocks in Banks–

1. Strategic Level
2. Operational Level
3. Financial Level

We need to develop leadership for effective management of these blocks with multiplicity of leadership position in each of these blocks at different levels of hierarchy. The process of leadership development should start at the entry level by identifying, capturing, training, coaching, mentoring, grooming and documenting succession trajectory in each of these blocks. A serious but seldom talked about constraint, the banks are facing today is, the virtual absence of those who can effectively undertake the responsibility of strategizing and implementing such an intervention to create sustainable leadership pipelines in a complex environment of our banking institutions. The basic requirement therefore is to identify a team of such people who have the potential of understanding the business dynamics and the appropriate HR interventions needed to be implemented at various hierarchy levels and various evolving stage of the above 3 critical functional blocks.

Team Building

The need for building strong and cohesive teams assumes greater significance in large and diversified business organizations like banks Team Building exercise can be powerful way to forge unity in a group. The need for effective team can be emphasized by the simple narrative statement–

"It is better to have one person working with you than having three persons working for you".

In a bank, team building needs to encompass the following spheres:

1. Strategic and Planning functions
2. Process coordination and Business Development functions
3. Compliance, Control and Monitoring functions
4. Trainings and Human Resources Development functions
5. Performance outcomes and Value Delivery Measurement functions

The components of a team are very vital for its effective functioning. The responsibility for the success of the team must be collective where the team leader should take a larger share. There should be objectivity in measuring the performance outcomes so as to determine the appropriate reward & recognition to the team and each of its members. The basic components of team building must include the following variables—

1. Goal setting
2. Role clarity
3. Problem solving
4. Review and course correction
5. Inter-personal dependence
6. Emotional intelligence
7. Communication skills
8. Performance measurements
9. Sense of ownership and partnership

The effective functioning of the teams has positive impact on team's performance outcomes. A cohesive team should be seen as an attractive work arrangement. There is fair degree of inter-dependence across various functions and it calls for cross-functional awareness and a sense of mutual appreciation. A major advantage of team-like work arrangement is the scope for sharing of collective intelligence and wisdom which makes the team members experience a sense of empowerment. Good teams will invariably ensure the integration of individual goals of the team members with the team objectives to help achieve their individual aspirations too. Team leaders must assume the responsibility of conflict resolution, complexity management, executive coaching and training. Members of the team should be encouraged to learn to think out of the box. The synergy of forging unity in the group in the form of a **team has the potential of making the 'whole' greater than the sum of its 'parts'**. High energy levels and passion to achieve will make the team tick. This underscores the importance of the art of getting along with the people at workplace. As said by Honry Firestone—**"You get the best out of others, when you give the best of yourself"**. The team under should therefore lead by example to inspire his team members.

To put it differently—The success is not about what we receive; success is all about what we return. It is true of each of the members of the team. The prudent managements would know and remember that the happy people do happy business and make happy team leaders; and happy leaders not only do better work but they are lot more fun to be around for the other members of the team. This brings to focus the need for rationality of vigilance action in the banks where slipping of loans into Non Performing Assets is as integral to their business as risk taking. It calls for a sense of proportion on the part of both, the decision takers and the vigilance administrators.

Until the banking institutions in India attain a level of intense organisational learning to convert every employee into a leader without a title, there would continue to be a need for each team at different levels of hierarchy and functions to be led by a leader. Hence alongside the team building, the leadership development assumes greater significance in the banks.

Leadership Development

No man will make a great leader, who wants to do it all by himself or wishes to get all the credit for doing it. In a complex & diverse organization like a bank, it is quite a challenge to spot and identify a talent to be groomed and developed into a leader. To get so spotted and identified, an employee must not only possess the leadership traits but he must also exhibit the same at the early stages of his carrier. Some of the pre-requisites of leadership role would include the following characteristics:

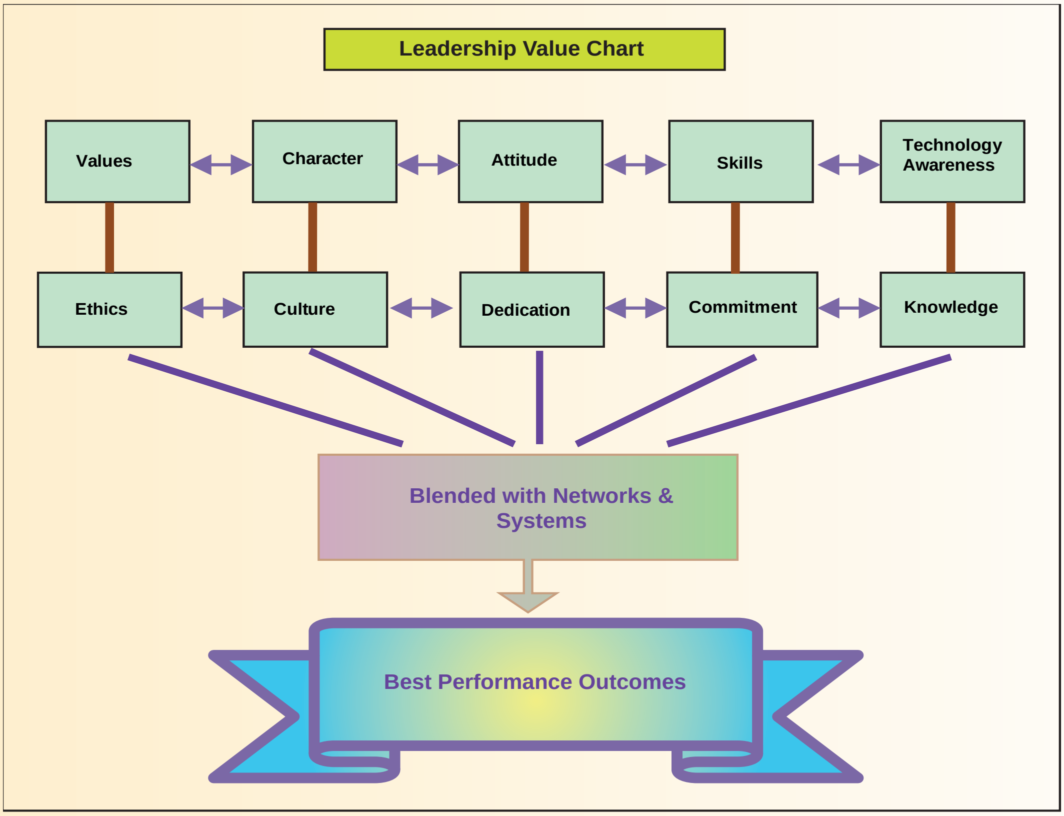
- ✓ Personal values like integrity, honesty, diligence and ability to recognize others' worth.
- ✓ Ability to operate in the environment of uncertainty and engage colleagues in evolving and providing solutions.
- ✓ Ability to understand the levels of change and corresponding need for up-skilling and re-skilling the available resources.
- ✓ Identifying good & bad aspects of organisation's culture & climate and realigning the same in challenging and changing environment.
- ✓ Understanding competing values and forging synergies.
- ✓ Integrated thinking to identify the complexities and resolve the conflicts and problems.
- ✓ Ability to think positive and effectively lead the team.
- ✓ Ability to create and deliver value to organisation, its clients and other stake-holders.

In banks too, one of the important factors which impacts the working results of the Banks is its leadership. Hence it would be imperative to optimally integrate institutional capacity building and leadership development programmes. A careful crafting, designing and delivering these programmes need to be followed by objective evaluation and effective reinforcement programmes at different stages. The risk taking is an inseparable aspect of money lending. Hence taking a calculated risk is a pre-requisite for success of banking institutions. **Those who dare to fail greatly, can ever achieve greatly ["जिनि ढूँढा तिनि पाईया गहरे पानी पैठ"].**

Some of the special features of good and effective leadership are as follows:

- ➢ Innovation, strategic thinking, mutual trust, sharing vision, effective collaboration and synergic partnership are reflections of good team leadership.
- ➢ Leaders must offer lessons & insight worth learning in administering ethical governance.
- ➢ Institutionalizing and documenting capacity building and development for future leadership.
- ➢ Leadership does not mean having all solutions and giving directions but it is about facilitating the team to pool its strength and evolve appropriate solutions.
- ➢ The more one has to demonstrate his powers, the less of a leader he is. Hence he should inspire his team-mates instead of showing his powers.
- ➢ Good leaders know that it is not possible to capture the following and the loyalty of others in the organisation until he has made himself truly worthy of it.
- ➢ Leadership should be demonstrative. It should emanate from his actions and not from the words; from the responsibility and not from the position; from the role play and not from the lip service.
- ➢ Ultimately the self-leadership would make the organisation innovative, vibrant and resilient to help deliver excellence consistently and on a sustainable basis.

The following diagram depicts that how the good attributes of a leader, can be converted into the best performance outcomes:



The performance outcomes will depend on the richness and synergy levels of these variables of institutional leadership.

Since the quality of leadership has a significant impact on the performance outcomes of the banks, it must be integrated into the governance agenda of the CEO. There must be a system in place to plan, programme, prioritize, implement and evaluate the success of this programme objectively and consistently. A major area of concern in this respect is that the leadership development is a continuous process on a long term basis whereas the CEOs are posted from outside the banks for a short term of about 2-3 years. It gives them little time to effectively shape the people into leadership roles. It will therefore not be a bad idea to have CEOs for longer terms of 5 years or so. Alternatively the Government should consider appointing Executive Directors and Chairmen & Managing Directors from within the Bank. Such measures would also help in building a strong institutional culture and philosophy on a sustainable basis, especially in Public Sector Banks, which are invariably subjected to *'cultural invasion'* as new CEOs are posted from some other Banks. Same is the case with the posting of Executive Directors.

Areas of Leadership Development

The leadership development programme should aim at enhancing the knowledge levels of the current and future leaders, more particularly in the field of Corporate Governance, leadership roles, strategic planning for growth, value delivery and sustainable profitability. It is also important that banking leaders of today should be able to operate in the context of globalization of business and economy. The new business opportunity in the form of poverty alleviation programmes and increasing the outreach through Financial Inclusion leading to inclusive growth also must form part of the leadership development agenda. The members of the team must have such an orientation that it synchronizes with the goals and objectives of the team. Anticipating a conflict and evolving appropriate response to resolve the conflict is an important aspect of leadership roles and hence it must be developed in the context of the fast changing global banking environment. There should be well placed institutionalized systems to enable the leader to recognize the legitimacy of Government programmes in an objective and transparent manner. The leadership agenda should factor the increasing level of mutual dependence and utility in an arena of large scale transformation.

At the lower level of hierarchy, the leadership development should focus on the following areas:

1. Managing contradictions and paradox
2. Leadership succession endeavors through appropriate level of empowerment
3. Skill building, up-skilling and re-skilling
4. Experience sharing
5. Grooming through mentoring & coaching
6. Functional and cross-functional training
7. People management
8. Vision building & sharing
9. Collaboration and synergy
10. Relationship building & trust
11. Performance evaluation & management
12. Effective communication and cultural integration
13. Innovation to enhance competitive edge
14. Customer care and Value delivery

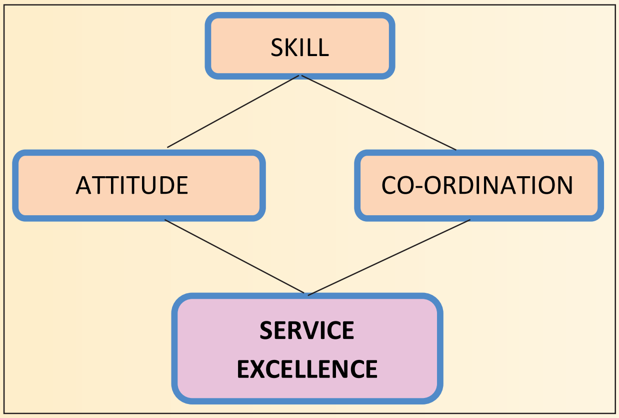
It must be acknowledged that the sense of ownership is ignited by an emotional engagement and effective integration with the organization. Every leadership role should aim at its early accomplishment.

Simple Strategy For Leadership Development

To develop future leaders, the employees must be encouraged to do what they are deeply passionate about at their workplace. There should be **an effective trade off between what one can be the best at in the bank and what can he not do better than others** in the bank. Everything he is assigned to do must be objectively evaluated and measured in the terms of economic value addition to the bank. Functional leaders must be guarded against any distractions which would result in feeding their ego. Shri Abdul Kalam, the Former President of India, has once stated that **"Ego creates turmoil and it isolates us from everyone including the God".** This statement aptly underscores the urgency to prevent any distraction which feeds the ego of the leaders or his team-mates. They should be trained to acquire and practice the highest ethical standards relating to intellectual, financial and moral principles. Such leaders should develop their capabilities for sustainable value creation by use of capital, people, process and technology where the outcomes meet the global bench marks, of course, after factoring the social agenda of the Public Sector Banks. The focus of every leader should be on how to create and add value by building economic stream and attaining profound insights into the profit earning capacity of the Bank. If the history of **'banking business collapses'** has to be traced in this context, we will be reminded of the case of Barings Bank, Singapore, which collapsed due to reckless trading by a Rogue–Dealer (employee in the Bank's Treasury Department) who later confessed that he could cause the collapse of the Bank since his superiors had no insight into what he did. It brings us to the point that the leader must know and have deep insight into the role function of his team mates and subordinate employees.

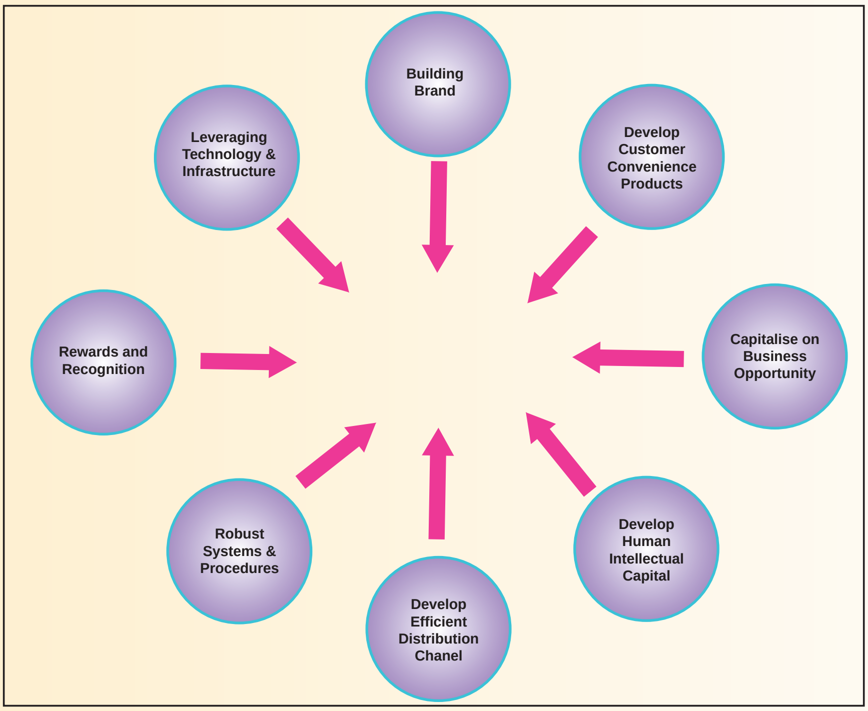
Another simple way to the success of a leader is explained by the fact that nobody succeeds beyond his expectation unless he begins with some wild expectation. When a team or a group of people achieves unexpectedly high results of their collective efforts, it is regarded as one of the greatest gifts by and to each one of them. Learning can transform the performance outcomes of a well informed team into creating and delivering values to the clients–both internal and external. Leader's inspiration, focus and conviction can really unchain the inner leader in his team-mates to enhance their performance and help them experience a deep sense of accomplishment and pride. Each leader must be able to distinguish between pride, self-respect, self-confidence and ego. The leaders are regarded as the role models by the employees and teammates. They should therefore stand apart as an outstanding example of possibility and excellence. The leader should leave no stone unturned in the pursuit of his endeavours to attain excellence. The popular leaders should also pursue ethics, courage and goodness to craft a better model of business. Let us acknowledge a serious limitation that **all in the organisation cannot be leaders at the same time otherwise there would be nobody left to be led**. It is therefore absolutely normal for a small number of employees to be the leaders having conviction and confidence to realise the dreams of the organisation with available resources.

We know that the globalisation is about sourcing capital from where it is cheapest, producing goods & services at a place where it is most cost-effective and selling those goods and services in the markets which offer the best profit without being constrained by the contours of geographical boundaries. Allowing induction of fresh talents in the form of intellectual capital at different levels and stages of the organisation helps in creating thought leaders and the same is true in the case of Public Sector Banks too. Other things being equal, service excellence is a function of Attitude and hence we must persist with positive attitude until we succeed in our endeavours.



The art of transforming business acumen and insight into tangible results is what distinguishes an extra-ordinary leader from an ordinary leader. An extra-ordinary leader creates the interest of his team-mates into the work to create value and get the best performance outcomes by leveraging technology and efficient distribution channels as is illustrated by the following diagram:-

Leader's Leveraging Chart for Best Performance



The above sub-components of best performance outcomes operate in a highly dynamic and rapidly changing environment of the business of banking. It poses a serious challenge to the Business Leaders not only in their endeavours to post a sustainable growth but also to stay afloat. The continuous training as a part of developing human intellectual capital plays an important role to maintain the competitive advantage. Use of role plays and games act as a catalyst in encouraging people to know each other better and to foster cooperation between different verticals and different job classifications. Strong bondage amongst the employees leads to and facilitates a harmonious co-existence and makes the task of a leader simple and easy. Such bondages act as exit-barriers and help the employees to stick on to the organisation for longer terms.

Shared responsibility under a common leader lends transparency in the functioning and thus reduces the accountability from disciplinary action point of view. Eventually it leads to sustained performance advantage. Disciplinary actions have a significantly high negative association with level of motivation but good leaders can make a great deal of difference.

Good leaders also understand the value of motivation which in itself is a process and not a task. Keeping the employees interested in their work is a perennial task of the leaders. If it is performed effectively, it helps the leader to keep the morale of his team high.

Fundamentals of Leadership

The leadership is about developing high levels of self awareness and thinking regularly about the accuracy and relevance of such thinking. The leader should have the capacity to inspire people in the organization to think brilliantly and see through the eyes of possibility and hope rather than the eyes of fear. A good leader should create such congeniality. Real leadership involves breaking through the units of one's mind to enable breaking through the highest spirit. The mind should begin to think like a champion. It is my profound belief that the thinking drives the behaviour and behaviour is responsible for the outcomes. It is therefore true that the world class performance is invariably the result of world class thinking. To become a world class leader, we need to systematically and consistently train like an athlete in a disciplined manner in the following areas:

1. Positive thinking
2. Personal development
3. Strategic thinking
4. Innovation
5. Creativity
6. Excellence
7. Value delivery
8. Motivation
9. Greatness
10. Determination to win
11. Work-Life balance

A winner is a winner before he becomes a winner. Such thought inspires a leader to win. There are seven fundamentals of Personal Leadership and these are equally relevant to the Banking Leadership.

1. Continuous learning to remain ahead
2. Affirmation in all that a leader does
3. Visualization – Looking beyond the normal
4. Journaling—writing brings clarify in communication
5. Clear thinking
6. Goal setting
7. Inner self development

For a leader to be successful, he should SHINE.

S	See Clearly
H	Healthy Personality Development
I	Inspiration Matters
N	Neglect Not Your Family
E	Elevate your thinking & Spirit

Leadership Approaches

The leaders are credited to drive the organization but who drives the leaders? This is quite an interesting aspect of leadership. Some leaders claim that they are self-driven. To be pushy and driven, the leaders must have motivation. The motivation could either be manifested or acquired from the environment in which an organization functions. Important personal attributes which drive a leader internally to feel self motivated have been shown in the leadership value chart in the earlier part of this paper. However, it would be appropriate to discuss the environment-driven approaches of the Banking Leadership in last two decades of Globalization.

(1) Regulated Regime Approach:

India was following a highly regulated environment in the banking space until the emergence of Liberalisation, Privatisation and Globalisation during 1992-93. In pre-liberalisation era, the interest rates on deposits and advances were regulated by Reserve Bank of India with no discretion to the Public Sector Banks. The cost of various services in all the banks was the same. Under such circumstances, an important factor which distinguished a sought-after bank from others was the quality of their customer service. The bank which ensured efficient customer service was the leader. Hence the focus of the leaders was on training the employees to render good customer service–courteous, fast, efficient and with smile. A personalized service was considered a customer delight as it provided a competitive advantage to the Bankers.

(2) Deregulated Regime Approach:

Implementation of Narasimhan Committee Recommendations in the form of Prudential Accounting Norms was a turning point in the history of banking in India. Reserve Bank of India gradually started empowering the Commercial Banks by allowing freedom to launch new products, undertake more para-banking services and determine interest on various deposits and loans. Government also granted managerial autonomy to those banks which fulfilled the laid down performance bench marks. It was followed by greater autonomy to all the banks in Public Sector as they fulfilled all the stipulated bench marks. To handle such new-born freedom, the Banks needed to re-orient themselves. Re-orientation was to be driven by the leaders. The large scale mechanization and introduction of new channels of delivery added to the skill gaps then faced by the banks on account of liberalization of economy and deregulation of interest rates. The banks started putting more focus on costing aspects of their services and liability products, so also the applicability of interests on various loan products. The customer service which provided a major competitive edge in regulated regime was joined by new costs and return related dimensions of various products & services. It necessitated the leaders to retrain themselves and also to identify new skill gaps in their manpower pool and find out ways & means to bridge these gaps by re-skilling / up-skilling, outsourcing or lateral induction of Specialists from the market. Price differential on various products & services made the competition more fierce at the market place. The customers who dealt in large volumes found it easy to negotiate tough to get the best price advantage. It posed a tough challenge to the leaders in banks to manage such complexities and contradictions on pricing front. It is no longer a question of pricing alone as the quantum also plays a crucial role. The leaders have to do a very fine balancing act to survive and navigate through the competitive market place.

(3) Exploring Uncharted Path Approach:

Head to Head competition with each other for the known customers is quite tough in today's banking space. The necessity is the mother of inventions. Accordingly the bankers started looking for newer avenues of supplemental income to sustain their growth and profit momentum. Those who took lead in new areas of business maintained temporary monopoly until others caught up with them. This approach is called Blue Ocean Strategy or a Reconstuctionist's Approach to leadership. Some banks were able to generate high growth and profit by creating new demands in an uncontested market place and also facilitating cross-selling to their existing and new client. Such leaders are also known as 'Path Breakers' and 'Out of Box Thinkers'.

Such leaders believe in aligning innovation, technology etc., with utility, prices and cost to achieve sustained high performance. The leaders have also to analyse new business models from the view point of profitability to enhance its networth, stakeholders' value, brand building etc., and respect the rules of Corporate Governance.

A simultaneous pursuit of differentiation of products and low cost of services might be necessary for a bank to achieve a sustainable competitive advantage. The job of a leader in banks has become more challenging in the face of growing expectations of the customers, employees, shareholders, Government, Regulator, other stakeholders and so on. Under this approach, **the leaders understand that the success is another name of the progressive elimination of failure.** It assumes great significance because the leaders have embarked on a hitherto uncharted trajectory. **They need to practice superior Corporate Governance and pursue the purpose beyond profit.**

(4) Institutional Leadership Appraoch:

The Government of India has asked seven large Public Sector Banks to hand-hold smaller counterparts to improve the functioning of smaller banks. The Government is reported to have issued letters to this effect. The sole criterion to decide as to which banks should be the hand-holder was the size of the banks in terms of business mix. The seven large banks have been appointed as coordinators for their respective groups with a view to helping the smaller banks improve their internal policies and procedures by continuously interacting and collectively working on issues such as Human Resources, e-Governance, Internal Audit, Fraud Detection & Protection, Recovery, Asset-Liability mismatch and Business Process Re-engineering. The government while so acting appears to have pre-supposed that the seven bigger banks posses all these virtuous qualities which is a fallacious impression. There is a saying that "**small is beautiful"** but in Government's perception "**big is beautiful"**. In the given context, both the prepositions are a serious subject matter of debate and analysis.

The results for the second quarter of the current financial year reveal that State Bank of India has got gross non-performing assets of 5.15% of their total advances. This is the worst ratio among all the Public Sector Banks. State Bank's level of provisioning for bad loans has sharply declined to help it post an increase of 30% in net profit. This in itself is a misleading ratio. Similar is the case with other large banks like Punjab National Bank, Bank of Baroda and Canara Bank. Punjab National Bank and Bank of Baroda have raised their provisioning to show lower ratio of net NPA while Canara Bank has lowered its provisioning to show higher profit. With their growing NPAs, how effectively the hand-holders would be able to help the smaller banks in transformation, is nobody's guess.

The Government has attempted to allay the apprehensions in some quarters that the move was not to be construed as a prelude to merger of Public Sector Banks. Is it thus an honest attempt on the part of Government to create institutional leadership.

If it is so, it is fraught with the risk of failure at the nascent stage itself except in the case of State Bank Group where these banks are already having the leadership of their hand-holders who happen to be their Group Chairman and the other Top Functionaries in the Associate Banks also belong to the State Bank Group placed on a lateral movement. When it comes to other Nationalised Banks, it would be important to understand that they are the fierce competitors of each other and are not likely to share their good strategy in an honest manner with their competitors. The proposed standardization of practices, processes, products and other strategies is an anti-thesis to the very spirit of competition. The intended Institutional Leadership, unless aimed at ultimate merger of Public Sector Banks would be a non-starter. If it is aimed at merger and consolidation of Public Sector Banks, it is in breach of the Governance agenda of UPA and contrary to the solemn assurance given by the Honorable Finance Minister on the floor of Parliament under UPA-I. It will draw stiff opposition and protest from the unions and also the States and several political parties alike leading to avoidable wastage of resources.

The Government would do better by allowing the banks to emerge as **'Industry Leaders'** and not **'the Institutional Leaders of smaller banks'**. It would be fitness of things, if relatively smaller but efficiently run banks are encouraged to aspire for Leadership positions through ethical and transparent corporate Governance, strategic planning, operational efficiency, good customer service, better HR practices and value creation and delivery.

Challenges:

The important challenges before the bankers in their pursuit of leadership development are summed up hereunder:

1. Identifying the leadership gap
2. Bridging the leadership gap
3. Creating leadership pipelines
4. Creating value & organisational culture
5. Courage of candour to cultivate honest dissent & dialogue
6. Resource constraints to implement new strategy
7. Managing age, gender & other social issues pertaining to manpower
8. Overcoming vested interests from blocking the change

These challenges if not managed effectively and timely have the potential to prevent even the best business and organisational strategies from being successfully implemented. We, therefore need to put an effective leadership infrastructure in place to manage the challenges and making banking an attractive and desired destination not only for the customers and shareholders but also for the employees who have to involve whole-heartedly for the betterment of the Banks and also theirown.

Role of Business Correspondent Model in Penetrating The Financial Inclusion With Special Reference to Bank of Baroda in Bulsar District of Gujarat

Dr. D. Maheswara Reddy
Associate Professor,
I T M Business School.

P. Mohan
Hyderabad Business School,
GITAM University.

Introduction

Despite the adequate academic literature has been discussed the close relation between financial development and economic growth. However, much academic discussion has been missing on whether the financial development implies financial inclusion or not. It cannot be generalized that a well developed financial system includes every individual and still certain segments of the population remain outside the formal financial systems. That is the reason why the importance of an inclusive financial system is widely recognized in the policy circle and financial inclusion is seen as a policy priority in many countries. An inclusive financial system is desirable for many reasons like efficient allocation of productive resources, access to appropriate financial services to improve day to day management of finance, all-inclusive financial system can reduce the growth of informal sources of credit (such as moneylenders) which often tend to be exploitative and all-inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services.

"Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

Review of Literature

Several persons and committees were given their own meanings and definitions in several ways as they perceive it. Their views on the concept are revealed in the following paragraphs:

Financial inclusion (or, alternatively, financial exclusion) has been defined in the literature in the context of a larger issue of social inclusion (or exclusion) in a society. One of the early attempts by Leyshon and Thrift (1995) defined financial exclusion as referring to those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system. According to Sinclair (2001), financial exclusion means the inability to access necessary financial services in an appropriate form.

Exclusion can come about as a result of problems with access, conditions, prices, marketing or self-exclusion in response to negative experiences or perceptions. Carbo et al. (2005) have defined financial exclusion as broadly the inability of some societal groups to access the financial system. The Government of India's "Committee on Financial Inclusion in India" begins its report by defining financial inclusion "as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost" (Rangarajan Committee 2008).

Aviral Pandey et al. (2012) have touched upon the cross state study on factors associated with financial inclusion. Their empirical analysis confirms that education level, assets of household and awareness are significant determinants of financial inclusion.

Thus, most definitions indicate that financial exclusion is manifestation of a much broader issue of social exclusion of certain societal groups such as the poor and the disadvantaged. For the purpose of this paper, we define financial inclusion as a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy. This definition emphasizes several dimensions of financial inclusion, viz., accessibility, availability and usage of the financial system. These dimensions together build an inclusive financial system. As banks are the gateway to the most basic forms of financial services, banking inclusion/exclusion is often used as analogous to financial inclusion/exclusion.

Need for the Study

Before focusing on the chosen problem it is mandatory to categorize the states and union territories under five categories of index financial inclusion. The following Table A & B will provide a snap shot about the Index of Financial Inclusion where the actual problem lies to undertake a research programme:

Table : A

Sl. No	Range IFI	IFI Interpretation
1	0.75<IFI>1.00	High financial inclusion
2	0.50<IFI>0.75	High medium financial inclusion
3	0.25<IFI>0.50	Medium financial inclusion
4	0.10<IFI>0.25	Lower medium financial inclusion
5	0.00<IFI>0.10	Low financial inclusion

Source: Data compiled by authors by using IFI formula

Table: B

Range IFI	No of States/ UT	States/UTs
0.75<IFI>1.00	2	Chandigarh and Goa
0.50<IFI>0.75	1	Delhi
0.25<IFI>0.50	3	Lakshadweep, Punjab, Pondicherry
0.10<IFI>0.25	16	Kerala, Daman &Diu, Himachal Pradesh, Maharashtra, Uttarakhand, Sikkim, Andaman,Karnataka, Tamilnadu,Dadar & Ngar Haveli, Andhra Pradesh,Haryana,Gujarat, Jammu & Kashmir, Mijoram, West Bengal
0.00<IFI>0.10	13	Meghalaya, Odisha, Tripura, Arunachal Pradesh, Rajasthan, Uttar Pradesh, Jharkhand, Madya Pradesh,Chhattisgarh, Assam,Bihar, Ngaland and Manipur.

Source: Data compiled from"Basic Statistical Returns of Scheduled Commercial Banks in India, 2009", RBI, Mumbai.

In the group of 35 states and Union Territories, majority of them belong to the category of low financial inclusion group. Gujarat is one among them. Here, one has to focus invariably on the Gujarat as it renowned as Vibrant Gujarat. In this juncture, the performance of BoB with respect to financial inclusion is needs to be investigated.

Objectives of Study

1. The objective of the present paper is to highlight the importance of ensuring greater financial inclusion and increases the outreach of the banking sector to use the services of Non-Governmental Organisations, Self Help Groups, Micro Finance Institutions etc as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent model.
2. To study the contribution of Bank of Baroda in the policy circle and financial inclusion.

Research Methodolog y

The selection of the problem has been made on the need of research area and the samples are Bank of Baroda and Bulsar District of Gujarat. The period of study is 2011 to 2012. The tools for the study are percentages and graphs. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. It is becoming increasingly apparent that addressing financial exclusion will require a holistic approach on the part of the bank in creating awareness about financial products, education, and advice on money management, debt counseling, savings and affordable credit. Technology can be a very valuable tool in providing access to banking products in remote areas. The bank has evolved specific strategies to expand the outreach of services in order to promote financial inclusion. The bank has planned to render financial services in 20,000 un-banked villages through Smart Card based business correspondent module during next three years. Villages having population 2000 or more are to be covered during current financial year. Accordingly 6000 villages are to be covered during current financial years and 7000 villages per year shall be covered during subsequent two years.

Business Correspondents

BCs are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM. Banks are required to take full responsibility for the acts of omission & commission of the BCs that they engage & have, therefore, to ensure thorough due diligence & additional safeguards for minimizing the agency risk. Basically, BCs enable a bank to expand its outreach & offer limited range of banking services at low cost, as setting up a brick & mortar branch may not be viable in all cases. BCs, thus, are an integral part of a business strategy for achieving greater financial inclusion.

Banks are Permitted to Appoint Following Entities as BCs

1. Section 25 companies in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have holdings in excess of 10%
2. NGOs/ MFIs set up under societies/trust acts, Individuals
2. Societies registered under Mutually Aided Cooperative Societies Act or the Cooperative Societies act of states.
2. Locally settled retired Government employees like banks, post masters, school teachers, ex-serviceman's, etc.
2. Individual Public Call Office (PCO) Operators
2. Agents of small savings schemes of Government of India/Insurance Companies
2. Individuals who own petrol pumps
2. Authorized functionaries of well run Self Help Groups (SHGs) linked to the banks.
3. Companies registered under the Indian companies Act, 1956 with large and widespread retail outlets, excluding Non Banking Financial Companies (NBFCs).

BCs are permitted to perform variety of activities which include identification of borrowers, collection & preliminary processing of loan applications including verification of primary information/ data, creating awareness about savings & other products, education & advice on managing money & debt counseling, processing & submission of applications to banks, promoting, monitoring, follow-up of recovery. They can also attend to collection of small value deposit, disbursal of small value credit, recovery of principal/collection of interest, sale of micro insurance/ mutual fund products/ pension products/ other third party products and receipt & delivery of small value remittances/other payment instruments.

Technology for Financial Inclusion

At present bank has decided to implement smart card based financial inclusion solution across the country. End-to-end FI solution in which hardware, software, smart card, handheld devices, connectivity, support/maintenance of hardware & software and. The service provider will install the server at the data centre to maintain historical and transaction data. Data related to Accounts like KYC details, financial & non-financial Transactions etc., should be accessed/updated online/offline from/to Bank's CBS (Finacle) server. All customer transactions take place in CBS (Finacle) directly through online & offline mode.

Smart Card

A plastic card containing a microprocessor that enables the holder to perform operations requiring data that is stored in the microprocessor; typically used to perform financial transactions. The physical features of card can be seen from the following figure 1.

Figure 1: Smart Card

Hand Held Devices

Handheld device is a small portable machine through which Business Correspondent (BC) can perform banking transactions for financial inclusion customers. The machine is voice enabled and capable to capture/authenticate biometric data. After completion of successful transaction machine prints a receipt for customer indicating transaction details as valid transaction proof. To perform any transaction through POS device physical presence of the customer along with smart card is required. The physical features of device can be seen from the following figure 2.

Figure 2: Hand Held Devices

Account Opening Form

We have designed a simplified one page (Printed on both side of a page) Savings Bank Account opening form exclusively for opening of financial inclusion savings account which should be used at the time of enrolment. *The form is enclosed as annexure–I.*

Enrolment Process

Link branch has to plan enrolment process in the designated village/cluster of villages along with BC and service provider. BC should be introduced to the residents and inform the public that BC will provide banking services in the village on behalf of the bank through hand held device, carry out demonstration of few transactions so that common man should understand the process, develop confidence and encourage others for enrolment. Therefore, applicant needs to be present at the time of enrolment process. The BC will also collect KYC documents as per simplified procedure for opening of no-frills account. The simplified KYC procedure for opening of no frills account is as under.

KYC Identification Documents/Papers to be Submitted by Applicant(s)

(Any one document from each of the following two lists subject to Bank's satisfaction)	
LIST–I (Latest/recent documents showing identity proof)	LIST–II (Latest/recent documents showing address proof)
1. Driving license with photograph	1. Driving license with address, Voters' Identity Card,
2. NREGA job card	2. Telephone Bill, Electricity Bill, Ration Card
3. Voter's identity Card	3. Bank account statement (with address), NREGA Job Card
4. PAN Card, Government ID Card	4. Any documentary evidence in support of residential address acceptable to the Bank.
5. Any other document with photograph evidencing identity of the applicant/s acceptable to the bank.	5. In case of married women address proof of the groom is acceptable.

In case beneficiary do not hold any such document then, branch can take the individual's introduction from an existing account holder on whom the full KYC procedure has been completed and has had satisfactory transactions with the bank for at least six months. The BC will enter all account details in to the enrolment system for opening of Bank account and submit account opening forms along with KYC documents available with the applicant to the respective link branch for verification of KYC norms and checking of details entered in to the enrolment system. The service provider will process the data and handover the file to the bank for uploading in to our CBS system. After uploading of the file in to CBS, branch has to verify the accounts through menu options HCUMM and HOAACVSB preferably on the same day.

Issue of Smart Card

After successful completion of enrollment, service provider will submit all account opening forms to the link branch for KYC verification and authorization of account in the CBS. Branches have to authorize all accounts through HCUMM & HOAACVSB menu options. The smart card shall be issued to the customer within 10 days from date of verification of account details by the branch.

Transaction Process

All cash transactions are to be carried out on hand held device. To perform any successful transaction presence of the account holder along with smart card is required. Customer need not fill in any deposit/withdrawal slip or sign any document to perform the transaction. The smart card will be inserted in to card reader device of the hand held machine and machine will prompt the customer in local language to place a finger on biometric device for authenticity of the genuine customer. After successful completion of customer authentication BC can perform financial/non-financial transaction for the customer (Financial Transactions: Deposit/Withdrawal, Non-financial Transactions: Balance enquiry, mini statement). For performing financial transactions BC will enter the amount of transaction requested by the customer in to hand held device. Device will confirm the amount with voice prompt in local language for better understanding and transparency. Hand held device will process the transaction after biometric authentication. After completion of successful transaction hand held device will print transaction receipt indicating transaction details. BC will collect/pay the cash from/to the customer. This printed receipt generated by the device is only valid transaction receipt for customer record. Simultaneously balance available in the account will be updated on the smart card automatically. Similarly customer can inquire balance in the account and request for mini statement through BC. Mini statement will contain latest 10 transactions of the account.

Accounting Process

System will work online and offline mode as per availability of network. In case of online transactions the CBS will be upgraded on real time basis. However, in case of offline transactions, at the end of the day BC will upload daily transactions on aggregation server for consolidation and maintenance of individual account.

Cash Management

Good cash management means when, where and how your cash needs will occur. Business correspondents are empowered to carry out financial transactions on behalf of the bank and will be in need of cash to perform transactions. Cash management system need to be put in place for monitoring of receipts and payments made by the business correspondents at field level. At present various banks have adopted centralized and decentralized cash management for this purpose.

Advantages of The Model

The individual branch managers would monitor the cash held by the business correspondents and as the number of BCs handled by a branch would be finite, it would be easier for them.

1. The BCs can collect the cash from the link branch and also approach the link branch, in case there is a spurt in the withdrawal or if the amount of receipts is not sufficient to cover the withdrawals.
2. The link branch can monitor the transactions of the Business Correspondents closely as the settlement accounts are maintained in their branches.
2. The cash management for the BC is easier as it is distributed to different branches and the centralized position can be obtained in view of the core banking facility.
2. Clients who were dormant earlier, can now easily conduct several transactions with the growth of the agent channel.
3. The inspecting officers who audit the link branch can also carry out surprise audit of the cash held by the Business Correspondents as the data is available at the branch which they are auditing.

Reconciliation Statement

It is the process of comparing and matching figures from the accounting records against those shown in the statement of account. Therefore branches are advised to reconcile general ledger account with overdraft/current account of the BC on daily basis. Similarly balance outstanding in general ledger account should match with the total of balance outstanding in the individual accounts of customers as on particular date (Balancing of books). The transactions report should be system generated and be provided to the respective branches, in secured/protected soft copy, on branch e-mail ID on a daily basis.

Grievances Handling

1. The Complaints and Grievances would be dealt with by the DRM of the Region under whose area, the BCs are operating.
2. The procedure for termination of arrangement has been laid down under the head, "Code of Conduct".

Dispute Resolution Procedure

The engagement of a Business Correspondent (BC), and the outsourcing of banking services to them and their agents at Customer Service Points (CSPs) or other outlets is fraught with operational and reputation risks. The possibility of disputes is very real. The disputes could be due to any one or more of the following: (a) Short credit of actual amount deposited, e.g. Customer claims depositing Rs.100/– but the actual amount credited to the account is Rs.60/–. In such a situation the disputed amount (or claim) will be Rs.40/– (ii) Deposited amount not credited (missing credit) (iii) Extraneous debits (the chances of such an event, however are remote as withdrawals cannot be made without matching of finger prints), (iv) Excess debits, e.g. Customer claims withdrawing Rs.100/– only but the actual debit to the account is Rs.150/–. The claim amount in this case will be Rs.50/–. (v) Impersonation while opening Account/Obtaining loan by customer with or without connivance of the BC. (vi) Misbehavior of the BC.

Procedure For Settlement of Disputes

This can be done at the Link Branch through Branch Manager. The procedure includes the following sequential steps; (i) If the complainant is illiterate, he/she should be assisted in filling up the form and his/her thumb impression obtained on the form, duly witnessed. (ii) The complaint/claim should be entered in the complaints/dispute settlement register as per the bank's complaint redressal process. (iii) An acknowledgement should be handed over to the customer and (iv) after retaining a copy at the branch, the complaint/claim will be forwarded to the identified grievance redressal officer in the regional office on the same day.

Risk Factors and Its Mitigation

Evaluation of Risks: The key risks in outsourcing that need to be evaluated and mitigated are:

1. **Strategic risk**: The service provider may conduct business on his own behalf, which is inconsistent with the overall strategic goal of the Bank.
   Mitigation: Due diligence to be exercised at the time of selection and the activities to be monitored at prescribed intervals.
2. **Reputation risk:** Poor service from the service provider
   Mitigation: Due diligence to be exercised at the time of selection process and the activities to be monitored.
2. **Compliance risk:** Privacy, consumer and prudential laws not adequately complied with.
   Mitigation: All BC/BF to be trained adequately in the relevant areas.
2. **Operational risk:** Arising due to technology failure, fraud, error, inadequate financial capacity, discontinuation of business, to fulfill obligation and/or provide remedies.
   Mitigation: Back up data should be maintained at a DR server. Selection process will ensure that only reputed organizations are enrolled.
   Legal risk: Includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions,
   Mitigation: The agreements with the BC/ service provider should contain suitable clauses to cover this aspect.

Profile of The Sample Bank

Sir Sayajirao Gaekwad III has founded the bank on 20th July 1908 in the princely state of Baroda in Gujarat. This has been nationalized along with 13 other major commercial banks on 19th July 1969 by the Government of India. Bank of Baroda (BoB) is the highest profit-making PSU bank in India and the third largest in terms of number of total business in India. BoB is ranked 763 in Forbes Global 2000 list. BoB has total assets in excess of Rs.3.58 lakh crores. Or Rs.3583 billion, a network of 3991 branches (out of which 3904 branches are in India) and offices and about 1657 ATMs. It plans to open 400 new branches in the coming year. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, credit cards and asset management. Its total business was Rs.5452 billion as on June 30th 2012.

Data analysis: The data pertaining to branches, villages covered, smart cards, operationality and others are collected from the Bank of Baroda in Bulsar District of Gujarat. Afterwards the data has been edited systematically and tabulated in the Annexure I.

Table 1: Branch Wise Financial Inclusion of Bank of Baroda as on 15th June 2012.

Sl. No	Name of the link Branch	No of villages covered	No of enrollment	% of total financial inclusion
1	Bulsar (main)	3	306	3.6
2	Dandi Bulsar	2	148	1.74
3	Dharampur	8	4626	54.38
4	Kaparda	5	1499	17.62
5	Motavaghchipa	4	659	7.75
6	Palikarambeli	1	25	0.29
7	Pardi	3	75	0.88
8	Parnera	1	18	0.21
9	Phansa	2	14	0.16
10	Sarigoan	3	75	0.88
11	Udwada	5	296	3.48
12	Unti	2	479	5.63
13	Valvada	4	122	1.43
14	Vapi	4	125	1.47
15	Zaroli	1	40	0.47
	Total	**48**	**8507**	**100**

Source: Data compiled from Annexure I

From the table 1, it is observed that all 15 branches have covered 48 villages and reached-out to the door steps of 8507 customers in unreached areas under the RBI new initiatives towards financial inclusion. Of which Dharmpur has been stood first in terms of covering large number of villages (i.e., 8 villages with 54.38 per cent of total of reached customers) and bringing banking and financial services with technology to the unreached ones and making then to be a part of inclusive growth of the economy. Kaparda, Motavaghchipa are settled with second and third place in terms of covering more villages coupled with more number of unreached ones. The same can be depicted in the Figure 3.

From the table 2, it has been observed that out of 15 branches, 9 have started the 100 per cent core transactions in the covered villages. The rest of the 4 branches 3 were started core transactions partially and Phansa branch has not been done anything to operate the transaction from both ends even though it has enrollment on their customer base.

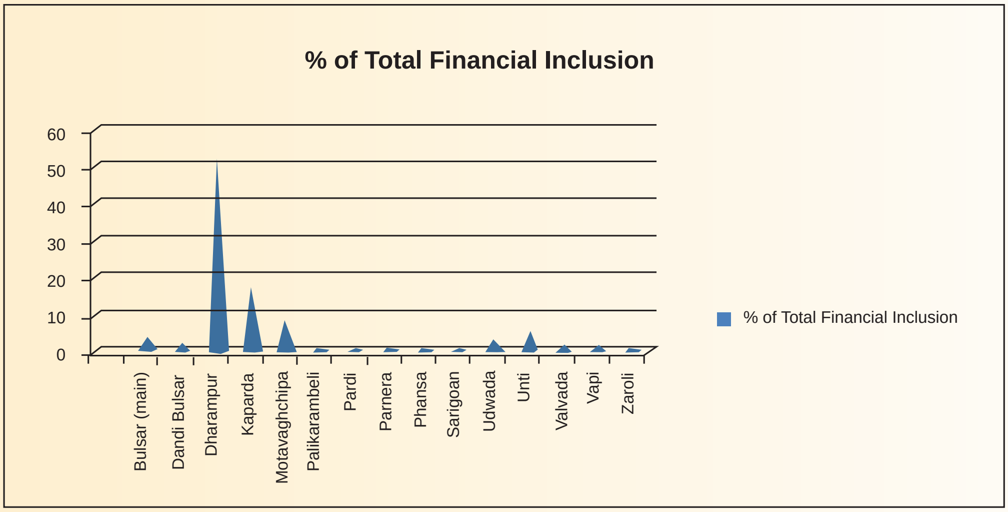


Figure 3: **Financial Inclusion of Bank of Baroda**

Table 2: Branch Wise Operationality of Bank of Baroda as on 15th June 2012.

Name of the link Branch	No of villages covered	Transaction started	Not Started
Bulsar (main)	3	All	
Dandi Bulsar	2	All	
Dharampur	8	6	2
Kaparda	5	All	
Motavaghchipa	4	All	
Palikarambeli	1	All	
Pardi	3	2	1
Parnera	1	All	
Phansa	2	Nil	2
Sarigoan	3	All	
Udwada	5	All	
Unti	2	All	
Valvada	4	All	
Vapi	4	3	1
Zaroli	1	All	
Total	48	42	6

Source: Data compiled from Annexure I

Table 3: Showing the Awareness About the Usage of Smart Cards in Bulsar District of Gujarat.

Name of the link Branch	No of villages covered	No of enroll-ment	No of smart cards received	% of total smart cards
Bulsar (main)	3	306	167	3.35
Dandi Bulsar	2	148	48	0.96
Dharampur	8	4626	3617	72.66
Kaparda	5	1499	512	10.29
Motavaghchipa	4	659	41	0.82
Palikarambeli	1	25	2	0.04
Pardi	3	75	17	0.34
Parnera	1	18	13	0.26
Phansa	2	14	0	0
Sarigoan	3	75	24	0.48
Udwada	5	296	153	3.07
Unti	2	479	314	6.31
Valvada	4	122	24	0.48
Vapi	4	125	26	0.52
Zaroli	1	40	20	0.4
Total	48	8507	4978	100

Source: Data compiled from Annexure I

From the table 3, it has been observed that 73, 10.29 and 6.31 per cent of the total smart cards issued are in Dharampur, Kaparda and Unti branches respectively. Bulsar and Udwada branches are competing each other in issuing the smart cards. And rest of the branches (i.e., 9 branches) were compromised with less than one per cent of the total smart cards issued in all the 15 branches in Balsar District of Gujarat. In other words, the Dharampur branch has excelled outstanding performance over other branches in creating awareness about the smart cards and its usage. Thus, it has issued 3617 smart cards out of 4978 smart cards. Followed by Kaparda (i.e., 512 smart cards out of 4978) and Unti (i.e., 314 smart cards out of 4978). The same can be depicted in the following figure 4.

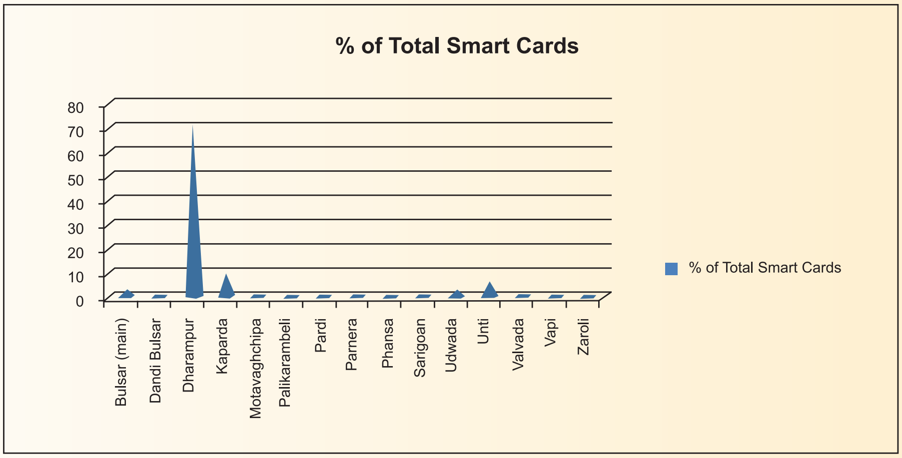


Figure 4: **Awareness About the Usage of Smart Cards**

Table 4: Showing the Branch Wise Reach-Out of Bank of Baroda in Bulsar District of Gujarat.

Name of the link Branch	No of villages covered	% of total villages
Bulsar (main)	3	6.25
Dandi Bulsar	2	4.17
Dharampur	8	16.67
Kaparda	5	10.41
Motavaghchipa	4	8.33
Palikarambeli	1	2.08
Pardi	3	6.25
Parnera	1	2.08
Phansa	2	4.17
Sarigoan	3	6.25
Udwada	5	10.41
Unti	2	4.17
Valvada	4	8.34
Vapi	4	8.34
Zaroli	1	2.08
Total	48	100

Source: Data compiled from Annexure I

From the table 4, it has been observed that out of 15 branches 6 branches have done extraordinary performance in reaching the un-reached villages. The numbers of villages covered by Dharampur, Kaparda, Udwada, Motavaghchipa, Valvada and Vapi are 8, 5, 5, 4, 4and 4 respectively. Rests of the branches are covered less than 3 out of 48 villages. The same can be depicted in the following figure 5.

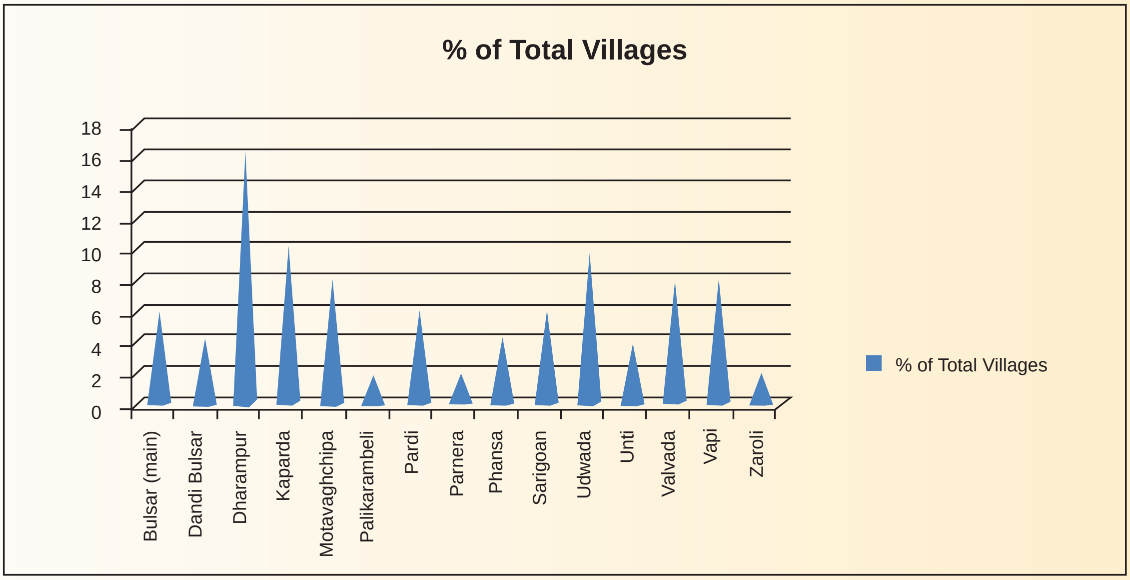


Figure 5: **Branch-wise Reachout**

Findings

Having had direct interaction with the BoB executives, the following ground realities have been crop-up during the interaction apart from the findings of the empirical analysis:

1. Less salary demotivate the employees thus, there is high chances of losing those potential agents.
2. It is observed that the most of the BCs are uploading the account without completion of KYC norms and that result into wasting the business hours of the bank.
2. The BCs and Nodal Officers are not having adequate knowledge about their job role like importance of obtaining documents for ID proof and residents proof & importance of maintaining registers.
2. Dharampur, Kaparda and Motavaghchipa have better performed in covering large number of villages as well as reaching more number of customers with enabled technology. Despite Dharampur branch performed better but has a bit of lagging behind in achieving cent per cent operations.
3. Dharampur, Kaparda and Unti branches are better ones in creating the awareness about the usage of smart cards.

Suggestions

Based on the above findings, invariably the following suggestions are required to incorporate in their manuals to achieve the targeted rate of financial inclusion in the Bulsar district of Gujarat.

1. Ensure Sustainable BCs growth.
2. Allow performance based bonuses for employees of BCs.
2. Bank of Baroda should increase the salary of BCA (Business Correspondence Agents) up to Rs 6000 so that they can seriously work on financial inclusion.
2. The BoB has to focus on those (i.e., Pardi, Parnera, Phansa, Sarigoan and Zaroli) branches where the financial inclusion fallen less than one per cent. So that its penetration rate has been increased and result in to reaching-out with enabled-technology to the un-reached ones.
2. Other than performed branches, the rest the branches have to plan to educate their customers to apply for and use the smart cards.
3. The branches which are lagging behind in reaching the unreached villages have to focus much to cover more number of villages to comply with the RBI initiatives.

Conclusion

The Business Correspondent (BC) Model will have a great impact when promoting the financial inclusion and penetrating it in the unreached areas. However the implementation of the same should aim to be not for profit by being an alternate channel to manage the capital and operating costs but to be an opportunity to enhance business in large unbanked and under-banked consumer base making universal financial access becoming a reality. And thereby, some extent the fruits of financial system can be reached to the every citizen of India.

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Annexure I: Progress Report of Financial Inclusion of Bank of Baroda as on 15th June 2012.

Branch Id Number	Name of the link Branch	Name of the village	No of enrollment	No of smart cards received	Transaction started
3044	Kaparda	Khadakval	257	0	Yes
		Sildha	500	85	Yes
		Ozerda	235	325	Yes
		Mendha	193	113	Yes
		Veribhavada	314	85	Yes
1518	Palikarambeli	Kalai	25	2	Yes
1868	Zaroli	Anklash	40	20	Yes
863	Valvada	Borlai	30	9	Yes
		Borigam	39	2	Yes
		Kachigam	18	12	Yes
		Karambela	35	1	Yes
236	Pardi	Sonwada	34	1	Yes
		Nanavagchipa	10	0	No
		Sondhalwada	31	16	Yes
1599	Motavaghchipa	Delhi	193	0	Yes
		Chivali	94	25	Yes
		Parvasa	199	0	Yes
		Panchali	173	16	Yes
237	Vapi	Karamkhal	21	1	Yes
		Salvav	40	7	Yes
		Kunta	33	1	No
		Vatar	31	17	Yes
251	Udwada	Rehentlav	63	35	Yes
		Orwad	140	37	Yes
		Tighra	18	25	Yes
		Motiwada	63	46	Yes
		Palsana	12	20	Yes
233	Bulsar (main)	Tithal	27	10	Yes
		Kanjanhari	221	120	Yes
		Jujwa	58	37	Yes
1594	Dandi Bulsar	Kakwadidanti	66	25	Yes
		Bhagal	82	23	Yes
256	Unti	Malvan	86	84	Yes
		Dharsana	393	230	Yes
1166	Parnera	Pardi Parnera	18	13	Yes
625	Sarigoan	Manda	60	11	Yes
		Punat	10	9	Yes
		Angam	5	4	Yes

1005	Phansa	Kalgam	5	0	No
		Karanjgam	9	0	No
1349	Dharampur	Kangvi	616	728	Yes
		Karanjveri	500	423	No
		Khatana	571	512	Yes
		Bilpudi	914	622	Yes
		Barumal	540	312	Yes
		Sidumber	815	491	Yes
		Aavdha	410	513	Yes
		Barsol	260	327	No
Total			**8507**	**5395**	

Source: From the manuals of Bank of Baroda, Bulsar District of Gujarat.

Dividend Payout Trends in Select Indian Companies: An Empirical Analysis

Dr. Debasish Sur
M.Com, MPhil, PHD
Professor, University of Burdwan, Burdwan

Ayan Majumdar
M.Com, FCA
Asst. Professor, St. Xavier's College, Kolkata

Abstract

The effect of liberalisation has led to the entry of foreign companies in the Indian market which in turn has widened the opportunity of making more choice to the investors. In this complex business situation, the companies may intend to retain its earnings for keeping their working capital intact to face downtrend in the market conditions. Alternatively, the companies may adopt aggressive dividend policy in order to attract investors having a wide choice of making investment. So, it is not an easy task for a company of designing its appropriate dividend policy. In this backdrop, the present study seeks to analyse the dividend payout trends in fifty selected companies in Indian corporate sector during the post liberalisation period of 1998-99 to 2007-08.

Keywords: dividend payout ratio, dividend policy, dividend payout trend.

1. Introduction

One of the major decision areas of financial management in which the shareholders are also actively interested is the formulation of dividend policy. Dividend decision involves the choice between distributing the earnings belonging to the shareholders and their retention by the company. Dividend is recognized as a significant indicator of the financial health of the company. Moreover, the dividend policy adopted by the company influences its capital structure.

Normally, the dividend policy adopted by a firm is influenced by its earning as well as liquidity. But apart from these, there are several complex factors which generally guide the financial managers of the companies in designing their dividend policy.

The effects of liberalisation in India have led to the companies to operate in a new economic environment altogether. Many foreign players have started moving in the domestic market. The entry of foreign companies has increased competition notably in the Indian corporate sector. It has also widened the opportunity of making more choice to the investors. Thus, the companies have been running their business operations in a complex situation. On the one hand, they have to be defensive in the payment of dividend payment for keeping their working capital intact to face downtrend in the market conditions. On the other hand, the companies have to follow aggressive dividend policy to attract investors who have a wide choice of making investment in the post liberalisation period. So, in the present-day competitive environment it is very difficult for a company to design its appropriate dividend policy. In this backdrop, the present study seeks to analyse the dividend payout trends in fifty selected companies in Indian industry during the post liberalisation period of 1998-99 to 2007-08.

2. Review of existing literature

With the objective of identifying the fundamental reason for undertaking the present study, an endeavour has been made to survey the various studies carried out in the area of dividend policy. The following paragraphs outline some of the major studies in this area, carried out both in India and abroad.

Lintner (1956) conducted an empirical research on the dividend pattern of 28 companies covering a period of 7 years (1947-53). He held discussions with the CEO & CFO of the companies. However, the management felt that stable dividend reduces negative investor reactions. The important findings of Lintner's study are: (a) In most of the financial policy making situations, dividend is the primary variable for decision making. (2) The important determinants of change in dividend payout ratio are 'past dividend' and 'current earnings'. (3) For paying current dividend by the management, the dividend paid in the last year (existing dividend rate) is considered as the benchmark. (4) Based on the current earnings, the management decides whether to change dividend rates in any year. A change in the rate of dividend will be made by the management, if it feels that the new level of dividend rate can be maintained. (5) There is a natural tendency for most of the companies to move towards some 'target payout ratios'. The companies are generally averse to change the rates of dividend which are likely to be reversed within a few years. Thus Lintner's hypothesis in stability of dividend behaviour is the outcome of various factors of management and the preference of the shareholders. Based on his study he developed a mathematical model indicative to the dividend policy.

Bhatia and Singh (1978) carried out a study of dividend policy of Indian companies taking into consideration a sample of 50 companies during the period 1966-68. The study concluded that the companies should aim at regular dividends and maintain a stable dividend rate over the years. It was observed that there was no relationship between factors like dividends, profit and market price of shares.

Jain and Kumar (1997) in their study analysed the dividend policy of 96 companies listed in Bombay Stock Exchange for a 12-year period (1948-85). They attempted to make an industry-wise analysis of the change in dividend payment pattern. The study revealed that stable dividend policy was followed by most of the companies under the study which were in line with Lintner's model. The dividend payout ratio (DPR) was less than 50 % during the period of study, while it was about 40 % during the post-liberalisation period (1991-95). It was observed that in the post-liberalisation period Electronics, Electrical equipment and cables, Food products and General engineering industries followed a stable dividend policy. The study also revealed that Electrical Power Industry maintained the lowest DPR during the period under study.

Pandey (2001) studied the dividend behaviour of the companies listed in Kuala Lumpur stock exchange (KLSE). The objective of the study was to empirically examine whether the companies follow a stable dividend policy as the companies generally follow in the developed markets. The study specifically seeks answers to the following questions:

i. Does the Dividend Payout Ratio (DPR) differ from industry to industry?
ii. What change in action relating to dividend takes place with the change in earnings?
iii. Are stable dividend policy followed by the Malaysian firms?

The result of the study showed significant change in DPR from one industry to another. Plantation and Consumer industries which have fewer opportunities of growth and surplus cash balance might be able to pay the highest dividend. On the other hand, Construction industry pays lower dividend, as they have ample growth opportunities resulting in lower cash availability. Due to lower profitability, the Trading and Services industry normally pays low dividend. It was also observed in the study that the DPR varies over the time period. The study also revealed that a large number of Malaysian companies increase their dividend payment with the rise in earnings. There are companies which curtail dividend when the earnings are lower. There are companies which try to maintain stable dividend even when the earnings fall.

Many of the above mentioned studies can be criticised due to consideration of inadequate number of years under study and insufficient size of sample and also due to absence of appropriate methodology applied. The present study that has been undertaken in this context for analysing the dividend payout trend in case of the selected Indian companies during the period of 1998-99 to 2007-08 is based on some fifty companies which have been selected by taking ten companies from each of the selected five industries.

3. Objectives

The main objective of the present study is to evaluate the dividend payout trend in the Indian corporate sector during the post-liberalisation period. Specifically, the study seeks to analyse the dividend policy adopted by the selected companies in the Indian corporate sector during the post-liberalisation era.

4. Methodology of the study

The study is based on five industries selected from the manufacturing sector of the Indian industry following purposive sampling procedure. Fifty companies have been selected taking top ten companies (based on net sales revenue) from each of the five selected industries. The selection has been made considering **'BW Real 500'** published by **Business World**, October 2008. The list of the selected companies is shown in Appendix 1. The data used in the present study for the period 1998-99 to 2007-08 have been taken from secondary source i.e. Capitaline Corporate Database of Capital Market Publishers (I) Ltd. Mumbai. While analysing the dividend policy of the selected companies, the dividend payout ratio (DPR) has been used as the indicator of the dividend policy adopted by the companies under study.

5. Findings of the study

A) An attempt has been made in Table 1 to measure the average payment of dividend of the selected companies during the study period. It may be noted that the average dividend payment has been measured by arithmetic mean of DPR. The average DPR of each company has been compared with the average DPR of the industry to which the company belongs. The average DPR of an industry has been obtained by the arithmetic mean of the average of DPR of all the selected companies belonging to the industry. A company having higher average DPR as compared to the average DPR of the concerned industry signifies that the company is adopting a liberal dividend policy. In contrast, a company having lower average DPR than the average DPR of the industry to which it belongs implies that the company is following a conservative dividend policy.

Table 1 exhibits that four companies out of the ten selected companies belonging to the Apparel & Textiles industry, viz., Bombay Dyeing & Manufacturing Company Ltd., Century Enka Ltd., Garden Silk Mills Ltd. and Indo Rama Synthetics (India) Ltd. followed a more liberal dividend policy as compared to the general trend of the industry. This table depicts that out of the ten selected auto ancillaries companies three companies viz., Amtek Auto Ltd., Bosch Ltd. and MRF Ltd. adopted a conservative dividend policy as compared to the general trend followed by the industry to which it belongs.

Table 1 also shows that only two companies viz., BASF India Ltd. and Tamil Nadu Petro Products Ltd. out of the ten selected companies in the chemical industry were more liberal in paying dividend as compared to the industry average. This table reveals that in case of engineering industry four companies namely Cummins India Ltd., Kirloskar Brothers Ltd., SKF India Ltd. and Thermax Ltd. out of the ten selected companies were more liberal in paying dividend as compared to the general trend of the industry to which they belong.

Finally, the table also discloses that the two companies, viz., Castrol India Ltd. and Oil & Natural Gas Corpn Ltd. out of the ten selected oil & gas companies were more liberal in paying dividend as compared to the general trend followed by this industry.

B) In table 1, it has also been attempted to obtain the grand average of the average values of DPR of all the selected industries. The grand average has been arrived at by computing the simple arithmetic mean of the average values of DPR of all the industries under study. An industry having average DPR higher than the grand average of DPR implies that the said industry is following a more liberal dividend policy as compared to the general trend of the Indian industry. This table shows that Apparel & Textiles industry and Oil & Gas industry adopted a more liberal dividend policy as compared to the general trend revealed in the Indian industries while a more conservative dividend policy as compared to the general trend of the Indian industries was followed by Auto Ancillaries, Chemicals and Engineering industries.

C) In table 1, the consistency of the selected companies in respect of paying dividends during the period under study has been assessed. While doing so, the coefficient of variation (CV) of DPR has been found out. The CV of DPR of each company has been compared with that of the industry to which the company belongs. The CV of DPR of an industry has been obtained by the mean of the CVs of DPR of all the selected companies in the concerned industry. A company having lower CV of DPR as compared to the CV of DPR of the industry to which it belongs implies that the company maintains higher consistency in respect of paying dividend. The lower the industry CV of DPR, the higher is the degree of consistency in the pattern of dividend. Similar methodology has been applied in each of the selected companies in the industries (as shown in Appendix 1).

Table 1 shows that in case of Apparel & Textiles industry seven companies out of the ten selected companies, viz., Century Enka Ltd., KSL and Industries Ltd., Nahar Spinning Mills Ltd., Raymond Ltd., Rajasthan Spinning and Weaving Mills Ltd., SRF Ltd. and Vardhman Spinning and General Mills Ltd. were more consistent in paying dividend as compared to the general trend reflected in the concerned industry. This table depicts that out of the ten selected auto ancillaries companies three companies viz., Apollo Tyres Ltd., Ceat Ltd. and MRF Ltd. were less consistent in paying dividend as compared to the general trend followed by the industry to which they belong. Four companies, viz., Godrej Industries Ltd., India Glycols Ltd., Jubilant Organosys Ltd. and Tamil Nadu Petro Products Ltd. out of the ten selected companies in chemical industry, were less consistent in paying dividend as compared to the industry average. In case of engineering industry five companies namely Bharat Heavy Electricals Ltd., Emco Ltd., Lakshmi Machine Works Ltd., Siemens Ltd. and SKF India Ltd. out of the ten selected ones were more consistent in paying dividend as compared to the general trend shown in the concerned industry. Finally, Castrol India Ltd., GAIL (India) Ltd., Gujarat Gas Company Ltd., Oil & Natural Gas Corpn Ltd. and Reliance Industries Ltd. representing fifty per cent of the oil & gas companies selected for the study were more consistent in paying dividend as compared to the general trend followed by the concerned industry.

D) In Table 1, an attempt has also been made to obtain the grand average of CV of DPR of all the industries by applying the arithmetic mean of the values of CV of DPR of all the industries under study. An industry having CV of DPR higher than the grand average of CV of DPR implies that the said industry is more inconsistent in paying dividend as compared to the dividend payout practices in the Indian corporate sector. This table shows that out of the selected industries Chemicals, Engineering and Oil & Gas industries were more consistent with regard to paying dividend as compared to the general trend revealed in the Indian corporate sector. On the other hand, industries like Apparel & Textiles and Auto Ancillaries could not attain the average consistency level followed by the Indian industries with regard to paying dividend. This table also reveals that three out of five industries under study proved itself as a more consistent player in respect of paying dividend as compared to the general dividend payout practices reflected in the Indian corporate sector.

E) In Tables 2.1 to 2.5 an attempt has been made to examine the dividend payout trend of the selected companies more precisely by taking into consideration both the average payment of dividend and the consistency of such payment during the period under study. Table 2.1 portrays the average-consistency status of the selected companies in Apparel & Textiles industry which has been measured with reference to DPR. This table discloses that Bombay Dyeing & Manufacturing Company Ltd., Century Enka Ltd., Indo Rama Synthetics (India) Ltd. and Garden Silk Mills Ltd. proved themselves more liberal in paying dividend but were not consistent in maintaining such practice during the study period. SRF Ltd. was neither conservative nor aggressive in paying dividend. Moreover, it lacked consistency in following such dividend policies. Rajasthan Spinning and Weaving Mills Ltd. were found to be moderately consistent and Nahar Spinning Mills Ltd. was fairly consistent in adopting the moderate dividend policy. Again, Raymond Ltd. and Vardhman Spinning and General Mills Ltd. were reasonably consistent in following a conservative dividend policy. On the other hand, KSL and Industries Ltd. consistently followed a conservative dividend policy.

In Table 2.2, average consistency in respect of DPR of the selected companies in Auto Ancillaries industry has been measured. The table discloses that MRF Ltd. was the only company among the selected ones which was placed in the most undesirable category i.e. 'low average- low consistency' class. In contrast, Balkrishna Industries Ltd. and Exide Industries Ltd. maintained a balance between average and consistency by occupying moderate 'mean- moderate CV' cell whereas Bharat Forge Ltd. was in the high 'average- moderate consistency' class. Motherson Sumi Systems Ltd. was placed in the best category i.e. 'high average – high consistency' class.

In Table 2.3, Tamil Nadu Petro Products Ltd. was placed in 'high average low consistency' category indicating that the company followed a liberal dividend policy but it failed to maintain consistency while following it. Godrej Industries Ltd. though followed a moderate dividend policy but failed to maintain consistency in pursuing such policy. India Glycols Ltd. and Jubilant Organosys Ltd. adopted a conservative dividend policy but failed to prove themselves consistent in following such policy. Aarti Industries Ltd., however, followed a conservative dividend policy with reasonable consistency. Meghmani Organics Ltd. and Gujarat Flourochemicals Ltd. consistently followed a conservative dividend policy. However, Deepak Fertilizers & Petrochemicals Corp Ltd. and Pidilite Industries Ltd. consistently pursued a moderate dividend policy. It is interesting to note that BASF India Ltd. is the only company in the Chemicals industry which consistently pursued a liberal dividend policy.

In Table 2.4, 'average-consistency' status of the selected companies of Engineering industry has been measured with reference to DPR. It is observed from the table that ABB Ltd. was placed in the worst category i.e. 'low return low consistency' category. Kirloskar Brothers Ltd. maintained a balance in respect of its dividend payout trend by making a combination of moderate average and moderate consistency. SKF India Ltd. was placed in the best category i.e. 'high average-high consistency' category.

Table 2.5 shows that out of the selected companies in Indian Oil & Gas industry, Bongaigaon

Refinery and Petrochemicals Ltd., Bharat Petroleum Corporation Ltd., Chennai Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., Indian Oil Corporation Ltd. and GAIL (India) Ltd. followed a moderate dividend policy. Of these Bongaigaon Refinery and Petrochemicals Ltd. failed to show consistency while pursuing such moderate dividend policy. On the other hand, it may be noted that although Bharat Petroleum Corporation Ltd., Chennai Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd. and Indian Oil Corporation Ltd. adopted moderate dividend policy, their consistency level while maintaining such policy were moderate. GAIL (India) Ltd. proved itself consistent in following its dividend policy. Gujarat Gas Company Ltd. and Reliance Industries Ltd. consistently followed a conservative dividend policy. Castrol India Ltd. and Oil & Natural Gas Corpn Ltd. adopted liberal dividend policy. But it is observed that Castrol India Ltd. followed it with a reasonable consistent manner while Oil & Natural Gas Corpn Ltd. proved itself consistent enough in following the same policy.

6. Concluding Remarks

a. Based on the study of the selected companies in respect of their dividend policy, it may be noted that seventy per cent of the companies belonging to the Auto Ancillaries industry, forty per cent of the companies in the Apparel & Textiles and Engineering industries, twenty per cent of the companies in the Oil & gas and Chemical industry proved themselves more liberal in paying dividend as compared to the general dividend payout trend revealed in their concerned sectors during the study period.

b. Of the five selected industries, most conservative policy in regard to payment of dividend was followed by Auto Ancillaries, Chemicals and Engineering industries as compared to the general dividend payout practices reflected in the Indian corporate sector during the period under study. On the contrary, industries like Apparel & Textiles and Oil & Gas were more liberal in designing their dividend payout ratio as compared to the general shown in the Indian corporate sector during the same period.

c. Another notable outcome of the study is that seventy per cent of the companies belonging to the Apparel & Textiles and Auto Ancillaries industries, sixty per cent of the companies in the Chemicals industry and fifty per cent of the selected Engineering and Oil & gas companies were more consistent in paying dividend in comparison with their respective general industry practices.

d. Of the five selected industries, Chemicals, Engineering and Oil & Gas industries proved themselves more consistent in regard to payment of dividend as compared to the general trend revealed in Indian corporate sector during the study period. In contrast, industries like Apparel & Textiles and Auto Ancillaries could not attain the average consistency level in respect of payment of dividend reflected in the Indian corporate sector during the same period.

e. Considering the combination of average and consistency of dividend payout trend, it is inferred that none in the Apparel & Textile industry was placed in the 'high mean high consistency' category during the period under study. Four companies namely Bombay Dyeing & Manufacturing Company Ltd., Century Enka Ltd., Indo Rama Synthetics (India) Ltd. and Garden Silk Mills Ltd. followed a liberal dividend policy but failed to establish themselves as a consistent player in adopting such policy.

f. Based on the dividend payout trend, among the selected companies in Indian Auto Ancillaries industry MRF Ltd. was the only company which was placed in the worst category i.e. 'low average-low consistency' class where as Motherson Sumi Systems Ltd. was the lone company to find place in the best category i.e. 'high average- high consistency'.

g. In case of Chemical industry, India Glycols Ltd. and Jubilant Organosys Ltd. proved themselves the worst performers in respect of adopting their conservative dividend payout policy as they found place in the 'low average- low consistency' cell while BASF India Ltd. was considered as the best performer in respect of its liberal dividend payout strategy as it was placed in 'high average- high consistency' category during the period under study.

h. ABB Ltd., the only company among the selected ones in Engineering industry was placed in the worst cell i.e. 'low average – low consistency' category while SKF India Ltd. was the only one which was able to enter into the best cell i.e. 'high average- high consistency' category in respect of dividend payout trend during the study period.

i. ONGC Ltd., the only company among the selected ones, was able to prove itself as the best performer by maintaining the best blend of Mean and CV in respect of adopting dividend payout policy during the study period. GAIL (India) Ltd. proved itself as a good performer by capturing 'moderate average- high consistency' cell while the performance of Castrol India Ltd. was quiet satisfactory in respect of adopting liberal dividend payout strategy as it found place in 'high average-moderate consistency' during the period under study.

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Table 1: Company wise Mean and Coefficient of Variation of DPR

Industry	Company	Mean	CV
APPAREL & TEXTILES	Bombay Dyeing & Manufacturing Company Ltd.	0.3965	0.7277
	Century Enka Ltd.	0.4200	0.5273
	Garden Silk Mills Ltd.	0.3514	0.6330
	Indo Rama Synthetics (India) Ltd.	0.8129	1.8578
	KSL and Industries Ltd.	0.1020	0.1966
	Nahar Spinning Mills Ltd.	0.3197	0.1113
	Raymond Ltd.	0.2384	0.3752
	Rajasthan Spinning and Weaving Mills Ltd.	0.2549	0.4472
	SRF Ltd.	0.2818	0.5082
	Vardhman Spinning and General Mills Ltd.	0.2037	0.4283
	Industry	0.3381	0.5813
AUTO ANCILLARIES	Amtek Auto Ltd.	0.1151	0.4057
	Apollo Tyres Ltd.	0.2807	0.5221
	Balkrishna Industries Ltd.	0.2716	0.3638
	Bharat Forge Ltd.	0.3596	0.2762
	Bosch Ltd.	0.1086	0.1654
	Ceat Ltd.	0.2722	1.6995
	Exide Industries Ltd.	0.2728	0.3254
	Motherson Sumi Systems Ltd.	0.3578	0.1559
	MRF Ltd.	0.1286	0.6196
	Sundram Fasteners Ltd.	0.2687	0.1115
	Industry	0.2436	0.4645
CHEMICALS	Aarti Industries Ltd.	0.2330	0.2745
	BASF India Ltd.	0.4417	0.1452
	Deepak Fertilizers & Petrochemicals Corp Ltd.	0.2893	0.1086

	Godrej Industries Ltd.	0.2691	0.4830
	Gujarat Flourochemicals Ltd.	0.1094	0.2043
	India Glycols Ltd.	0.2293	0.6350
	Jubilant Organosys Ltd.	0.1576	0.5200
	Meghmani Organics Ltd.	0.2097	0.0387
	Pidilite Industries Ltd.	0.2918	0.1925
	Tamil Nadu Petro Products Ltd.	0.7702	1.6896
	Industry	0.3001	0.4291
ENGINEERING	ABB Ltd.	0.2375	0.6218
	Bharat Heavy Electricals Ltd.	0.2049	0.2410
	Cummins India Ltd.	0.4249	0.5194
	Emco Ltd.	0.2446	0.2185
	Kirloskar Brothers Ltd.	0.2903	0.4117
	Kirloskar Oil Engines Ltd.	0.2412	0.4370
	Lakshmi Machine Works Ltd.	0.2461	0.3256
	Siemens Ltd.	0.1718	0.4011
	SKF India Ltd.	0.3536	0.2308
	Thermax Ltd.	0.3461	0.6411
	Industry	0.2761	0.4048
OIL & GAS	Bharat Petroleum Corporation Ltd.	0.2972	0.2887
	Bongaigaon Refinery and Petrochemicals Ltd.	0.2936	0.5904
	Chennai Petroleum Corporation Ltd.	0.2901	0.3037
	Castrol India Ltd.	0.8545	0.2667
	GAIL (India) Ltd.	0.3310	0.0953
	Gujarat Gas Company Ltd.	0.2422	0.1712
	Hindustan Petroleum Corporation Ltd.	0.3249	0.3329
	Indian Oil Corporation Ltd.	0.2794	0.2853
	Oil & Natural Gas Corpn Ltd.	0.3681	0.1908
	Reliance Industries Ltd.	0.1548	0.2376
	Industry	0.3436	0.2763
	Grand Average	0.3003	0.4312

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai

Table 2.1: Average – Consistency Status of DPR of Selected Companies in Apparel & Textiles Industry

Mean CV	Low (≤ 0.25)	Moderate (> 0.25 but ≤ 0.35)	High (> 0.35)
High (> 0.45)		Century Enka Ltd., SRF Ltd.	Bombay Dyeing & Manufacturing Company Ltd., Indo Rama Synthetics (India) Ltd., Garden Silk Mills Ltd.
Moderate (> 0.25 but ≤ 0.45)	Raymond Ltd., Vardhman Spinning and General Mills Ltd.	Rajasthan Spinning and Weaving Mills Ltd.	
Low (≤ 0.25)	KSL and Industries Ltd.	Nahar Spinning Mills Ltd.	

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.

Table 2.2: Average – Consistency Status of DPR of Selected Companies in Auto Ancillaries Industry

Mean CV	Low (≤ 0.25)	Moderate (> 0.25 but ≤ 0.35)	High (> 0.35)
High (> 0.45)	MRF Ltd.	Apollo Tyres Ltd., Ceat Ltd.	
Moderate **(> 0.25 but ≤ 0.45)**	Amtek Auto Ltd.	Balkrishna Industries Ltd., Exide Industries Ltd.	Bharat Forge Ltd.
Low (≤ 0.25)	Bosch Ltd.	Sundram Fasteners Ltd.	Motherson Sumi Systems Ltd.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.

Table 2.3: Average – Consistency Status of DPR of Selected Companies in Chemicals Industry

Mean CV	Low (≤ 0.25)	Moderate (> 0.25 but ≤ 0.35)	High (> 0.35)
High (> 0.45)	India Glycols Ltd., Jubilant Organosys Ltd.	Godrej Industries Ltd.	Tamil Nadu Petro Products Ltd.
Moderate **(> 0.25 but ≤ 0.45)**	Aarti Industries Ltd.		
Low (≤ 0.25)	Meghmani Organics Ltd. , Gujarat Flourochemicals Ltd.	Deepak Fertilizers & Petrochemicals Corp Ltd., Pidilite Industries Ltd.	BASF India Ltd.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.

Table 2.4: Average – Consistency Status of DPR of Selected Companies in Engineering Industry

Mean CV	Low (≤ 0.25)	Moderate (> 0.25 but ≤ 0.35)	High (> 0.35)
High (> 0.45)	ABB Ltd.	Thermax Ltd.	Cummins India Ltd.
Moderate **(> 0.25 but ≤ 0.45)**	Kirloskar Oil Engines Ltd., Siemens Ltd., Lakshmi Machine Works Ltd.	Kirloskar Brothers Ltd.	

Low (≤ 0.25)	Bharat Heavy Electricals Ltd., Emco Ltd.		SKF India Ltd.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.

Table 2.5: Average – Consistency Status of DPR of Selected Companies in Oil & Gas Industry

Mean CV	Low (≤ 0.25)	Moderate (> 0.25 but ≤ 0.35)	High (> 0.35)
High (> 0.45)		Bongaigaon Refinery and Petrochemicals Ltd.	
Moderate (> 0.25 but ≤ 0.45)		Bharat Petroleum Corporation Ltd., Chennai Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., Indian Oil Corporation Ltd.	Castrol India Ltd.
Low (≤ 0.25)	Gujarat Gas Company Ltd., Reliance Industries Ltd.	GAIL (India) Ltd.	Oil & Natural Gas Corpn Ltd.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai

Appendix 1 List of Industries and Companies under study

Industry		Company
APPAREL & TEXTILES	1	Bombay Dyeing & Manufacturing Company Ltd.
	2	Century Enka Ltd.
	3	Garden Silk Mills Ltd.
	4	Indo Rama Synthetics (India) Ltd.
	5	KSL and Industries Ltd.
	6	Nahar Spinning Mills Ltd.
	7	Raymond Ltd.
	8	Rajasthan Spinning and Weaving Mills Ltd.
	9	SRF Ltd.
	10	Vardhman Spinning and General Mills Ltd.
AUTO ANCILLARIES	11	Amtek Auto Ltd.
	12	Apollo Tyres Ltd.
	13	Balkrishna Industries Ltd.
	14	Bharat Forge Ltd.
	15	Bosch Ltd.
	16	Ceat Ltd.
	17	Exide Industries Ltd.

	18	Motherson Sumi Systems Ltd.
	19	MRF Ltd.
	20	Sundram Fasteners Ltd.
CHEMICALS	21	Aarti Industries Ltd.
	22	BASF India Ltd.
	23	Deepak Fertilizers & Petrochemicals Corp Ltd.
	24	Godrej Industries Ltd.
	25	Gujarat Flourochemicals Ltd.
	26	India Glycols Ltd.
	27	Jubilant Organosys Ltd.
	28	Meghmani Organics Ltd.
	29	Pidilite Industries Ltd.
	30	Tamil Nadu Petro Products Ltd.
ENGINEERING	31	ABB Ltd.
	32	Bharat Heavy Electricals Ltd.
	33	Cummins India Ltd.
	34	Emco Ltd.
	35	Kirloskar Brothers Ltd.
	36	Kirloskar Oil Engines Ltd.
	37	Lakshmi Machine Works Ltd.
	38	Siemens Ltd.
	39	SKF India Ltd.
	40	Thermax Ltd.
OIL & GAS	41	Bharat Petroleum Corporation Ltd.
	42	Bongaigaon Refinery and Petrochemicals Ltd.
	43	Chennai Petroleum Corporation Ltd.
	44	Castrol India Ltd.
	45	GAIL (India) Ltd.
	46	Gujarat Gas Company Ltd.
	47	Hindustan Petroleum Corporation Ltd.
	48	Indian Oil Corporation Ltd.
	49	Oil & Natural Gas Corpn Ltd.
	50	Reliance Industries Ltd.

Effect of Exchange Rate on Sales Price Variance

Nikunj Kumar Kantilal Mistry
M.Com., ACMA, PGDFM,
Ex-Faculty, M. S. University, Vadodara

Introduction

International Trade among different countries is not a new concept. With the globalization of world economy, there has been increase in the volume of international trade. Further international trade has offered many benefits to different countries and different organizations *per se* across the globe.

International trade invites transactions in foreign currency, which is different from local or domestic currency of the country in which an organization is established. While recording these foreign currency transactions in the books of accounts, these transactions are translated in to local (Reporting) currency through the exchange rate applicable as the case may be.

Organization which are doing business cross the border and need to settle financial transactions in foreign currency normally do hedging to reduce the currency fluctuation risk. These hedging are in such a nature that it will make the surety of rate for the period of hedge. It may be a day or a week or a month or three months depending upon the hedging contracts.

Sales Variance

Sales Variance or Sales Value Variance: Sales Variance is the difference between the Actual sales value and Budgeted (Standard) sales value. Sales value derived from Selling Quantity and Selling Price, so sales variance can further be divided in to (A)Sales Volume (Quantity) Variance and (B)Sales Price Variance.

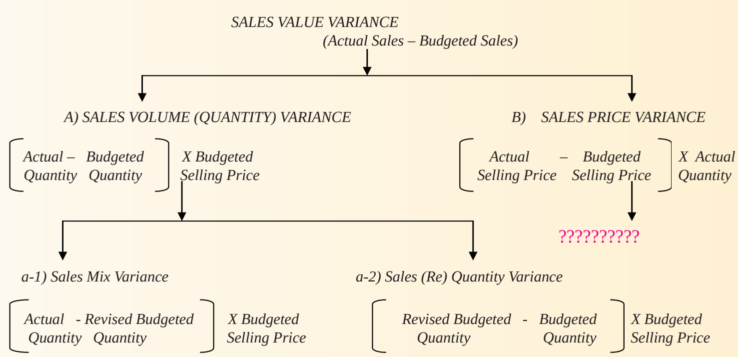
a. Sales Volume (Quantity) Variance: Sales Volume (Quantity) Variance is the difference between the Actual Quantity Sold and Budgeted (Standard) Quantity multiplied by Budgeted selling Price.

   In case when Budgeted Quantity is revised the this Sales Quantity Variance can further be divided in to a) Sales Mix Variance and b) Sales (Re) Quantity Variance

   i. Sales Mix Variance is that portion of the Sales Volume Variance which is due to difference between the Budgeted and Actual inter relation ship of the Quantities of each product or product group of which sales are composed.
   ii. Sales (Re) Quantity Variance: This variance is the difference between Budgeted sales and Revised Budgeted (Standard) Sales.

b. Sales Price Variance: Sales Price Variance is the difference between Actual Selling Price and Budgeted Selling price multiplied by Actual Sales Quantity.

These can be presented as under:



When the sale is made in to domestic market and transaction currency (say INR) is the same as reporting currency (say INR) the above method of calculating the Sales price Variances will fully serve the purpose of analysis. But When an organization deals in international market, where transaction currency (say USD, Euro…. Etc) varies from the reporting currency (say INR) the above method of calculating sales price variance will not serve its full purpose due to effect of exchange rate on reporting currency.

Pure Price Variance

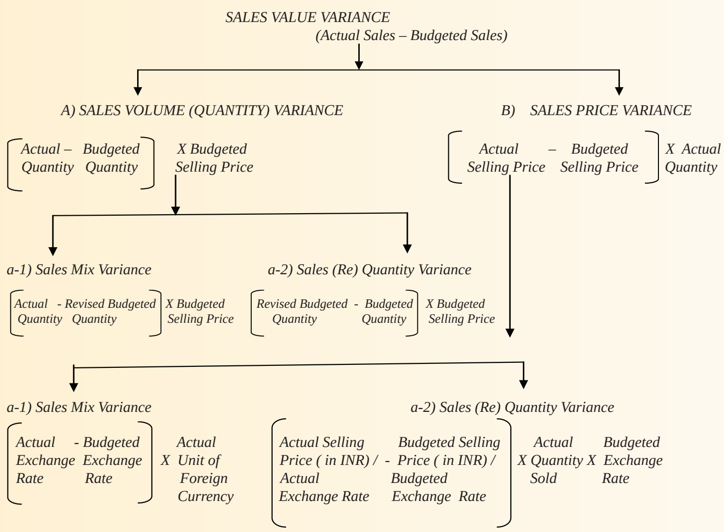
Budget is a type of plan which is prepared by an organization for specific period of time. Budget is effectively used for control purpose by an organization. Normally budget exercise starts with the sales budget. The two domain part of the sales budget are the volume(Quantity) and price (Rate) which will be anticipated for budgeted period. With an organization having international business and sales in foreign currency, will prepare its budget at certain specific exchange rate for foreign currency involve in sales (e.g. For USD @48.5.EURO @65.9……etc). These exchange rates remain static for the budgeted period.

When actual sales transaction start occurring specially sales in foreign currency. These foreign currency transactions are recorded at actual/ hedge exchange rate which might be different from the rate at which budget is prepared. For some transactions actual and budgeted rate may be same but in majority of cases it varies (as exchange rate varies according to different circumstances and condition).So their has been a gap between the budgeted exchange rate and actual exchange rate. In foreign currency transaction actual price which is recorded in books of account inclusive of effect of exchange rate whether favorable or adverse but actual price has its effect.

For Foreign currency transaction when the price variance is computed specifically sales price variance, it contains the effect of exchange rate in price. When one analyze/compute the price variance, it need to identify/quantify the amount of foreign exchange involve in the transaction. After eliminating the effect of exchange rate in price variance, we are able to find the price variance which is called as "Pure Price Variance" specifically pure sales price variance here.

The effect of exchange rate can be quantified by the difference between actual exchange rate and budgeted exchange rate multiplied with amount off foreign currency involved.

Below chart summaries how Sales price variance can be further divided in to exchange rate effect and pure sales price variance.



Let's take hypothetical examples for better understanding of formula

- ❖ Example -1 – Where actual exchange rate is lower than budgeted.

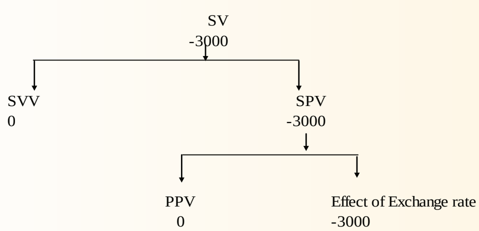
Budgeted Exchange rate 1$ = Rs.50
Actual Exchange rate 1$ = Rs.47

Product	A					
	Budgeted			Actual		
Scenario	Quantity Kg.	Rate (Rs.) per Kg.	Rate ($) per Kg.	Quantity Kg.	Rate ($) per Kg.	Rate (Rs.) per Kg.
1	200	250	5	200	5	235
2	200	250	5	200	7	329
3	200	250	5	200	4	188

Abbreviations used
SV => Sales Variance BP => Budgeted Price
SPV => Sales Price Variance AP => Actual Price
SVV => Sales Volume Variance BER => Budgeted Exchange Rate
PPV => Pre Price Variance AER => Actual Exchange Rate
BQ => Budgeted Quantity
AQ => Actual Quantity

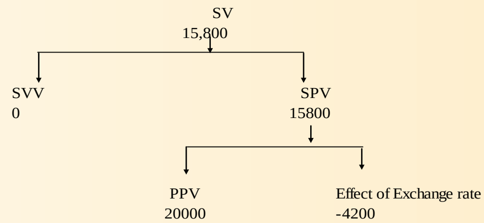
Scenario-1
Budgeted Sales 50,000 (200 X 250)
Actual Sales 47,000 (200 X 235)
(3,000)

a. Sales Variance = –3000
b. Sales Volume Variance = (AQ-BQ) X BP
= (200–200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (235-250) X 200
=–3000
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (47–50) X (200X5)
=–3000
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((235/47)–(250/50)) X 200 X 50
= {5 - 5} X 200 X 50
= 0



Scenario-2
Budgeted Sales 50,000 (200 X 250)
Actual Sales 65,800 (200 X 329)
15,800

a. Sales Variance = 15800
b. Sales Volume Variance = (AQ-BQ) X BP
= (200-200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (329-250) X 200
=15800
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (47-50) X (200X7)
=–4200
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((329/47)-(250/50)) X 200 X 50
= (7–5) X 200 X 50
= 20000

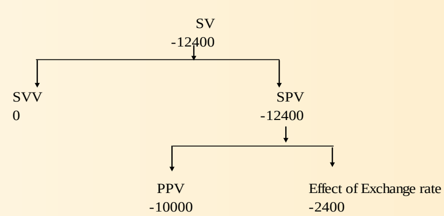


Conclusion

1. The Actual sales is more by Rs.20000 but due to lower actual exchange rate the sales was reduced by Rs.4200 leads to net increase in sales by Rs.15800 only.

Scenario–3
Budgeted Sales 50,000 (200 X 250)
Actual Sales 37,600 (200 X 188)
–12,400

a. Sales Variance =–12400
b. Sales Volume Variance = (AQ-BQ) X BP
= (200-200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (188–250) X 200
=–12400
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (47–50) X (200X4)
=–2400
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((188/47)-(250/50)) X 200 X 50
= (4–5) X 200 X 50
=–10000



Conclusion

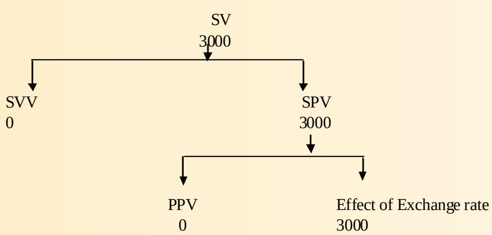
1. The Actual sales is reduced by Rs.10000 and due to lower actual exchange rate the sales was further reduced by Rs.2400 leads to total reduction in sales by Rs.12400 only.

❖ Example 2 Where actual exchange rate is higher than budgeted.
Budgeted Exchange rate 1$ = Rs.50
Actual Exchange rate 1$ = Rs.53

Product	A					
	Budgeted			Actual		
Scenario	Quantity Kg.	Rate (Rs.) per Kg.	Rate ($) per Kg.	Quantity Kg.	Rate ($) per Kg.	Rate (Rs.) per Kg.
4	200	250	5	200	5	265
5	200	250	5	200	7	371
6	200	250	5	200	4	212

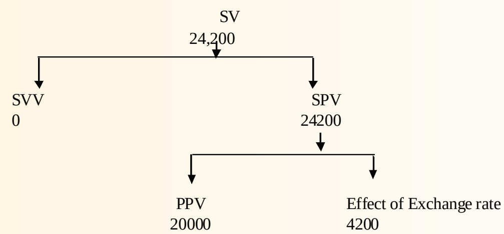
Scenario–4
Budgeted Sales 50,000 (200 X 250)
Actual Sales 53,000 (200 X 265)
3,000

a. Sales Variance = 3000
b. Sales Volume Variance = (AQ–BQ) X BP
= (200-200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (265–250) X 200
= 3000
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (53–50) X (200X5)
= 3000
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((265/53)-(250/50)) X 200 X 50
= {5–5} X 200 X 50
= 0



Scenario–5
Budgeted Sales 50,000 (200 X 250)
Actual Sales 74,200 (200 X 371)
24,200

a. Sales Variance = 24,200
b. Sales Volume Variance = (AQ-BQ) X BP
= (200–200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (371–250) X 200
= 24200
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (53–50) X (200X7)
= 4200
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((371/53)–(250/50)) X 200 X 50
= (7–5) X 200 X 50
= 20000

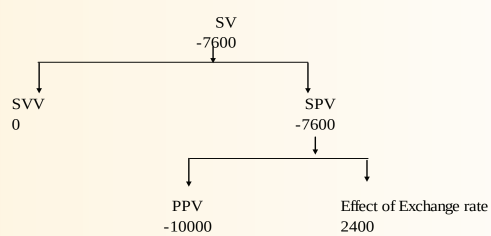


Conclusion

1. The Actual sales is more by Rs.20000 but due to higher actual exchange rate the sales was increased by Rs.4200 leads to total increase in sales by Rs.24200.

Scenario–6
Budgeted Sales 50,000 (200 X 250)
Actual Sales 42,400 (200 X 212)
–7,600

a. Sales Variance =–7,600
b. Sales Volume Variance = (AQ-BQ) X BP
= (200–200) X250
= 0
c. Sales Price Variance = (AP-BP) X AQ
= (212–250) X 200
=–7600
c–1. Effect of Exchange Rate = (AER-BER) X Actual No of unit of Foreign Currency
= (53–50) X (200X4)
= 2400
c–2. Pure Price Variance = ((AP/AER)-(BP/BER)) X AQ X BER
= ((212/53)–(250/50)) X 200 X 50
= (4–5) X 200 X 50
=–10000



The Actual sales is reduced by Rs.10000 but due to higher actual exchange rate the sales reduction off sated by Rs.2400 leads to net reduction in sales by Rs.7600 only.

Conclusion

When actual exchange rate is less than budgeted, the exchange rate has negative effect on sales price variance and when actual exchange rate is more than budgeted, the exchange rate has positive effect on sales price variance. To derive at more meaningful conclusion this effect of exchange rate need to be eliminated to compute pure sales price Variance, for which above mentioned formula can be useful to the user/ analyst.

At the Helm

Shri M. A. Bhaskarachar

Our heartiest congratulations to Shri M. A. Bhaskarachar, a Fellow member of the Institute of Cost Accountants of India for taking over the charge of Chairman cum Managing Director of Ennore Port Limited. Before joining Ennore Port Ltd., he was working as Deputy Chairman, Kandla Port Trust for more than four years. Prior to this, he also served as Deputy Chairman of New Mangalore Port Trust. He had also worked as Chief Vigilance Officer for about 5 years in two Major Ports.

We wish Shri M. A. Bhaskarachar the very best in all his future endeavours.

NOTIFICATION

It is hereby notified vide Notification Nos.18-CWR (1870 - 1908)/2013 dated 1st April 2013, 18-CWR (1909 - 1952)/2013 dated 19th April 2013, 18-CWR (1953 - 2010) dated 22nd April 2013, 18-CWR (2011-2043)/2013 dated 23rd April 2013 and 18-CWR (2044 - 2096)/2013 dated 29th April 2013 in pursuance of Regulation 18 of the Cost and Works Accountants Regulations, 1959 that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of members, details of which are uploaded on the Institute's website www.icmai.in

Regions & Chapters News

EIRC

Eastern India Regional Council of The Institute of Cost Accountants of India organised 34th Cost Conference 2013 at The Park, Kolkata on 13th & 14th April 2013.

The Conference was inaugurated by Swami Suparnananda, Secretary, Ram Krishna Mission Institute of Culture in presence of Prof Sugata Marjit, Chairman, West Bengal Council of Higher Secondary Education and Shri Susanta Majumdar, IAS, Secretary IT & Electronics, Govt. of West Bengal. Shri N. Saini Regional Director, Ministry of Corporate Affairs, and CMA S.C. Mohanty, Vice President, of the Institute were also present.

There were four technical session on the 1st Day consisting of Energy, Banking, Insurance and Companies Bill. The Technical Session I on "Energy : Power, Coal & Oil : Convergence of New Synergies" were taken by Shri T.K.Nag, Director (Technical), Central Coalfields Ltd, Shri Goutam Bandopadhyay, GM, Coal India Ltd, Shri A.K. Sharma, Executive Director, Indian Oil Ltd. The session on "Banking : vision of the emerging role through the Global window" was taken by Shri Debashish Chatterjee, Ex Head Banking Operator HSBC, Shri S.K. Basu, EX CMD, Bank of Maharastra, Shri Bhaskar Som, Director, Financial Institutions, India Ratings & Research, Shri Amit K Motayed, BOI, Shri U.K.Mishra, General Manager, UCO Bank. The session was chaired by Shri Biplab Chakraborty, General Manager in-charge, Reserve Bank of India. The session on Insurance was taken by Shri Girija Kumar, Director & General Manager, National Insurance Company Limited and Shri Udit Sen Regional Manager – Employee Benefits & Group Insurance, Reliance Life Insurance Company Limited. Shri U.S.Roy, Ex CMD, SBI Life & EX DMD, SBI was the session Chairman. The Technical Session III on "Companies Bill – Emerging New Paradigm prospects & challenges for CMAs" was taken by Shri A.K.Sen, CMD, East India Pharmaceuticals, Shri N.P.Sashi Dharan, DG – CA & AG, Shri Milan Sadhukhan, CFO, British Oxygen, Shri P.S.Basu, CEO, & Wholetime Director, Akzo Nobel India Ltd and Shri Shri Asim Mukhopadyay, Head – Business Planning, Tata Motors Limited.

On the 2nd day eminent dignitaries like Dr Partha Sarathi Some, Advisor to Finance Minister, Govt. of India and Mr G. Haldea, Advisor to Dy. Chairman, Planning Commission addressed the delegates. The technical sessions were on "Direct Tax Code" & "Indirect Taxation & GST" and were taken by Dr. Partha Sarathi Some, Advisor to Finance Minister, Govt. of India, Shri R. Sekhar, Chief Commissioner, Central Excise, Shri Mritunjay Acharjee, VP (Taxation & Audit), Balmer Lawrie, Shri Debasis Ghosh, Director, Deloitte Touche Tohmatsu India Private Limited, CMA Somnath Mukherjee, CMA Sanjay Bhargav, Council Member, CMA Dr Sanjiban Bandopadhyaya, Council Member of the Institute. There were two concurrent sessions on Media: "The emerging new order" and "Infrastructural Finance: The road ahead". In the Media Session deliberations were made by Shri Dipak Pramanik, Director, AIDIAS, Shri Sebabrata Banerjee, Journalist, Data Bazar, Shri Suparna Pathak, Business Editor, ABP, Shri Rajat Ray, Journalist, Business Standard and Shri Jayanta Sarkar, Editorial Director, ABP. Shri Ayush Poddar, Manager, Credit Analysis & Research Ltd and Shri Sukumar Dutta, Director Finance, Simplex Infrastructure Ltd addressed the technical session on Infrastructural Finance. The session was chaired by Shri P.K. Chowdhury, Chairman & Group CEO, ICRA Ltd.

Eminent speakers including CMDs of various organisations spoke at the Conference and it was attended by more than 300 delegates. On 14th April 2013, the Past Presidents of ICAI were felicitated, and the Conference concluded on 14th April 2013 in presence of Shri Adhir Ranjan Chowdhury, Minister of State, Railways, Govt. of India and Shri R.N. Sen, Chairman, DVC. In his welcome address CMA Ashok Kr Mukherjee, Chairman, EIRC requested the Minister to extend support for every professional service relating to education & advisory for Indian Railways. The Hon'ble Minister responded & insisted the Institute to offer its curriculum in the districts of West Bengal. Shri Chowdhury also assured the Institute of every possible help & support that can be extended by Govt. of India.

Asansol Chapter of Cost Accountants

The Chapter organized its Annual Seminar-2013 in March at "Diponi", Bharti Bhawan, Burnpur. The President of the Institute, CMA Rakesh Singh was the chief guest. CMA Suresh Chandra Mohanty, Vice President of the Institute, Sri S.K. Srivastava, Director (Personnel), ECL, Sri Chandan Kumar Dey, Director (Finance), ECL, Sri Amitava Saha, Director (Finance), BCCL, Sri Sudhir Kumar, Executive Director (F&A), SAIL-ISP and CMA Ashok Mukherjee, Chairman, EIRC graced the occasion. Members of Central & Regional Councils, Past Presidents of the Institute and Past Chairman of the Regions and Chapters were also present. The topic for the seminar was "Role of CMAs in Corporate Sector- Vision 2020". For the technical session the speakers were Shri B. Banerjee and Shri D. Dandapat. The programme was attended by around 250 delegates from Coal Industry, Steel Industry, Practitioners and Students.

Cuttack-Bhubaneswar Chapter of Cost Accountants

The chapter organized a practitioners meet on 27th March, 2013 at its Conference hall on the topic "Panel Discussion on Performance Appraisal Reporting under Cost Audit & filing of Cost Audit Report in XBRL". Around thirty seven Practicing Cost and Management Accountants of Bhubaneswar and members of the Managing Committee participated in the said panel discussion. CMA M.R. Lenka, Chairman, PD Committee of the Chapter coordinated the same and also deliberated the welcome address. CMA S.K. Sahu, Chairman of the Chapter had also addressed the participants and assured all supports required by the Practitioners from time to time. CMA S.S Sonthalia, Past Chairman, EIRC of the Institute, CMA S.P.Padhi, Chairman PD Research and Seminar Committee, CMA N. Mishra, Past Chairman, CBC of the Institute shared their rich experience in various practical aspects. The discussions were specifically regarding the Cost Audit Report in XBRL & Performance Appraisal Reporting under Cost Audit. All the members and practitioners shared their valuable suggestions/views/comments. CMA B.K. Das, Member, PD Committee extended the vote of thanks.

The chapter also organized one modular training programme on CAR, CARR and CAS for updating the final pass out students on the topic Cost Accounting Record Rules and provision of Cost Accounting Standards. CMA S.C. Mohanty, Vice president of the Institute deliberated in detail the various notifications issued by the Ministry of Corporate Affairs, Govt. of India in this regard. He shared his practical experience to the students by giving lot of analytical data and examples. Around 30 pass out students of December, 2012 term participated actively.

Howrah Chapter of Cost Accountants

The Howrah Chapter organized a seminar on 3rd March, 2013 at the chapter premises and the theme of the seminar was "Union Budget 2013-14". CMA Manas Kumar Thakur and CMA Sanjay Gupta, Central Council Members were the Chief Guests of the seminar. CMA Mrityunjay Acharjee was the main speaker of the technical session and CMA Sripati Das, Ex-Chairman of the EIRC honored the chair of the session.

The Chapter organized another Seminar on 9th March, 2013 at the Chapter premise. The theme of the seminar was "Cost Audit & Cost Compliance (Record rules 2011), and New Company Bill 2012". The speakers of the seminar were CMA Kunal Banerjee, Past President of the Institute and Dr. Tanupa Chakraborty, Assistant Professor of the University of Calcutta. Many Members and students from Howrah and Kolkata region were present in both the seminars.

South Odisha Chapter of Cost Accountants

A two-day seminar was held by the chapter in Berhampur on the theme "Corporate Challenges and Role of Brand CMA" on 8th and 9th March 2013. CMA Rakesh Singh, President, CMA Suresh Chandra Mohanty, Vice President, and CMA T.C.A. Srinivasa Prasad, Central Council member of the Institute were present together with Dr. Pradeep Kumar Panigrahy, M.L.A Gopalpur as the Chief Guest of the occasion. The programme was also attended by CMA Biranchi Narayan Mallick, GM (Finance) of Southco Ltd. Berhampur among other delegates. Four technical sessions on the topics; CARR, New Dimension of Direct Taxes, Indirect Taxes and Performance Appraisal & Reporting attended by various delegates among which Shri Antarjyami Acharjya G.M. (Finance) NALCO and Shri D.N. Panda member CESTAT, were also present. Around one hundred fifty persons attended the seminar including people from different corporate houses, independent practicing Cost Accountants and members of different Chapters of the Institute.

SIRC

Cochin Chapter of Cost Accountants

CMA Dr. Jagan Mohan Rao, Chairman of Corporate Laws Committee visited Cochin for the 7th Corporate Laws Committee Meeting which was held on 6th April, 2013. It was attended by the Central Council Members, CMA Hari Krishan Goel and CMA Aruna Vilas Soman. After the conclusion of the meeting the chapter organized an Elocution Context for the students about "Climate change and the role of Cost Accountants". The programme was attended by the final year students and was successful and was participated passionately by the students. After the elocution programme the Chapter organized a Seminar on Corporate Governance and Companies Bill 2012. The key note speaker was CMA Dr. P.V.S. Jagan Mohan Rao who deliberated about the Corporate Governance and Bhagavad Gita. The session was fervently followed and cheerfully appreciated by the members and students. The other speakers addressed the gathering on Companies Bill 2012 and the role of Cost Accountants.

On the next day, an elocution contest about 'Climate Change and the role of Cost Accountants ' was arranged at St. Joseph College Devagiri by the centre and the students participated joyously at the function. Later, CMA Dr. Jagan Mohan Rao addressed all about the Companies Bill, Bhagavad Gita and the Climate Change. The session was very interactive and the students participated actively for the entire session.

The Cochin Chamber of Commerce and Industry in association with the Cochin Chapters of the Institute of Cost Accountants of India, the Institute of Company Secretaries of India, Indo-American Chamber of Commerce and Geojit BNP Paribas, conducted a one-day seminar on Indirect Taxes Budgetary Changes 2013, Current Issues & Challenges on Saturday, 23rd March, 2013, at the Mercy Hotel, M.G. Road, Ernakulam. There were two sessions, held in the program. The first session was led by Mr. Shivadass G., Executive Partner and Country Head, Lakshmikumaran & Sridharan Attorneys followed by afternoon session was led by Mr. Prabhakaran P.M., Joint Partner and Service Tax Head, Lakshmikumaran & Sridharan Attorneys.

Hyderabad Chapter of Cost Accountants

Hyderabad Chapter of Cost Accountants and Hyderabad Chapter of Company Secretaries jointly conducted a meeting on "New Avenues for Professionals – Competition Law" followed by interactive session on 6th April, 2013 at Vasavi Auditorium, Hyderabad. The speakers were Ms. Sundari Pisupati, Advocate and Sri Yogender Chaudhary, Adviser (Law), Competition Commission of India, New Delhi gave detailed explanation about new avenues for Professionals. The programme was well attended by other members of ICAI and ICSI.

The chapters of the Institutes, together with the Hyderabad Management Association and the

Federation of A.P. Chambers of Commerce & Industry had organized a Professional Development programme on "Companies Bill – 2012, Corporate Governance Management and Bhagavad Gita" on 10th April, 2013 at FAPCCI, Hyderabad. Sri Narendra Kumar Bhola, Regional Director, South East Region, MCA was invited as Chief Guest. He emphasized on the role of Cost & Management Accountants in the changed scenario of New Companies Bill, 2012. Ms. Hema Jain, President-HMA, Sri Devendra Surana, President-FAPCCI and Sri M.V. Rajeswara Rao, Secretary General, FAPCCI also attended the programme. Around 200 members and students were present for the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Continuing Education Programme Directorate)

April 3, 2013

NOTICE FOR MEMBERS

Capacity Building of CMA Professionals

The Continuing Education Programme Directorate is engaged in the capacity building and professional development of the members of the Institute through the various targeted objectives in its portfolio. The directorate wants to provide a platform where CMAs would get opportunity to share their experiences with fellow members by acting as **Discussion leader, Speaker or Faculty in the CEP programmes** which would also act as a motivational force and build team spirit.

In order to foster and develop professional fellowship and exchange professional knowledge amongst the members, interested CMAs may please come forward to contribute to the profession by supporting the CEP activities of the Institute.

Please submit your brief profile in the attached format, preferably by sending email to the CEP Directorate at **cep.nisha@icmai.in**

CMA Nisha Dewan
Joint Director, Continuing Education Programme &
Secretary, Committee for Members in Industry

Phones: +91-11-24624460 (D) ; +91-11-24622156/57/58

Behind Every Successful Business Decision, There is always a CMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

GUIDELINES FOR MANDATORY TRAINING FOR ALL MEMBERS OF THE INSTITUTE

UNDER CONTINUING EDUCATION PROGRAMME (with effect from 1st April,2013)

1. INTRODUCTION

1.1 The Institute of Cost Accountants of India was set up under the Cost and Works Accountants Act, 1959, as amended to educate, impart training and develop the profession of Cost Accountancy. In the current changing dynamic economic scenario it is essential for Cost Accountants in practice and in employment to continuously update and equip themselves with the new skills and concepts to meet the challenges and render efficient service to trade, commerce, industry and the society at large. A profession cannot maintain the cutting edge unless its members regularly update their knowledge.

1.2 With the introduction of the changed framework of Cost Accounting Records and Cost Audit extended to the class of companies engaged in production, processing, manufacturing and mining and with the Companies Bill having proposed inclusion of the Services Sector within its ambit, the members in practice as well as employment are required to keep abreast of the developments not only within the country but also with practices across the globe. The professional scope has extended to many other areas like Direct Taxes, Indirect Taxes, Stock Audits, Audit of Stock Brokers, certification under Import/Export Procedure etc. including services being rendered by the professionals to the Regulatory Bodies.

1.3 In line with the recommendations of the International Federation of Accountants and feeling the need to have compulsory and continued training of the members of the Institute, the Council has made training mandatory for all members to ensure constant updating of knowledge and skills of members. The Council has framed the following guidelines covering the requirement of eligible training, awarding and recording of credit hours as well as features for considering programmes eligible to award credit hours.

1.4 The objective of Continuing Education Programme is to assist the members in widening their knowledge base and in improving their skills to be at the cutting edge of technology by providing training and expertise in critical areas.

2. KEY DEFINITIONS

2.1 **"Institute"** means the Institute of Cost Accountants of India.

GUIDELINES FOR CEP STUDY CIRCLES FOR THE MEMBERS OF THE INSTITUTE

Specific Norms for members in Industry on the formation and functioning of CEP Study Circles within India

1.0 Context

1.1 These Guidelines are issued for the formation of Study Circles, which will carry out functions as specified in this document in order to further the objectives of the Continuing Education Programme Committee of the Institute.

1.2 In view of the mandatory CEP credit hours requirements for members of the Institute as laid down by the Council of the Institute of Cost Accountants of India, it has been thought prudent to create another level of Programme Organising Units (POUs) to facilitate the members in complying with the said requirements.

2.0 Definition of a CEP Study Circle

2.1 A Study Circle is a forum of members of the Institute of Cost Accountants of India who reside/serve in a particular geographical locality and who constitute themselves as such for the purpose of carrying out the objectives which are given hereinafter.

(i) Study circle within the group of same organization.

(ii) Study circle comprise of participants of same location.

2.2 The constitution, formation and functioning of a CEP Study Circle are subject to the rules as given in these Norms.

3.0 Objectives of a CEP Study Circle

3.1 To provide CEP learning activities to the members of the Institute

3.2 To foster and develop professional fellowship, and exchange professional knowledge amongst the members of the Institute of Cost Accountants of India residing/ serving in a particular locality

4.0 Rules governing Constitution and Formation

4.1 The CEP COMMITTEE of the ICAI is empowered to approve, supervise, support and regulate the functioning of these CEP Study Circles

4.2 Subject to the provisos under Para 2.0 above, CEP Study Circles for members may be formed by minimum 10 and maximum 150 members.

4.3 CEP COMMITTEE is empowered to reduce the minimum number of members required to form thesestudy circles.

4.4 Application for the formation of CEP Study Circles for members is to be made to the CEP Committee of ICAI following the rules given below:

(i) In prescribed format as laid down in the **Annexure** 'A' to these Norms through the concerned Regional Office/Chapter of the ICAI within whose geographical jurisdiction the proposed CEP Study Circle falls.

(ii) If CEP COMMITTEE wishes to reject the application, may deny permission for the formation of a CEP Study Circle Study Circle for members. Such refusal of application will have to be recorded within 30 days of the receipt of the application and intimated to the applicants.

5.0 Rules for naming the CEP Study Circles

(i) The Study Circle so formed shall be called (name of the locality/industry etc.)
CEP Study Circle for Members of The Institute of Cost Accountants of India (as the case may be).

(ii) The name of a CEP Study Circle should not be the same or similar to that of an existing CEP Study Circle. Name of a CEP Study Circle proposed should reflect its location/Industry only. The CEP Committee has the right to accept or to reject any name that has been proposed by the applicants of a CEP Study Circle.

(iii) The name of the Study Circle so formed should not be on the name of any Company/Organization
and also should not reflect the names of the same.

6.0 Registration of CEP Study Circles in the CEP Database

6.1 The CEP COMMITTEE on approving the formation of the proposed CEP Study Circle, would update its records and register the newly formed CEP Study Circle on the CEP Portal.

6.2 Once the CEP Study Circle is registered on the CEP Portal, the study circle may seek approval for its programmes through the CEP portal. The approval of the programmes of the CEP Study Circles would be given on the CEP Portal by CEP Committee and a copy of the said approval would also be forwarded to CEP COMMITTEE.

7.0 Rules for Functioning of CEP Study Circles

7.1 The CEP Study Circles shall not have their own rules and bye-laws and should not be registered under any other Act.

7.2 The CEP Study Circles shall not acquire any capital assets except one computer, one printer and related accessories.

7.3 Study Circles shall work under the guidance, supervision and control of the CEP COMMITTEE or any other organ of the Institute which it may develop for this purpose.

7.4 Study Circles are - allowed to hold a-maximum of 12 CEP hours of programmes during a month. Within this limitation, they may conduct their learning activities subject to a maximum of 4 CEP credit hours per day.

7.5 CEP Study Circles should only invite academicians and subject experts as dignitaries for the inauguration / valedictory functions, if any for their CEP programmes.

7.6 The date, topic, venue and faculty for CEP Study Circle programmes have to be routinely informed to the CEP COMMITTEE.

7.7 CEP Study Circles shall not use the logo of the Institute on their letterhead or on any of their official stationery. Furthermore the official stationery of the CEP Study Circles should only contain the name of the Convener/Dy. Convener along with their postal address & other contact details like e-mail id, phone nos. etc. for correspondence without mentioning the names of organisations in which they serve. The names of the Past Conveners and other office bearers should not be mentioned on the official stationery of the CEP Study Circles.

7.9 CEP Study Circles are not permitted to publish any newsletters of their own.

7.10 **Administration**

7.10.1 CEP Study Circles are recommended to elect every year a Convener and a Deputy Convener to look after the day-to-day affairs/activities of the CEP Study Circles as well as, maintaining proper accounts of the CEP Study Circle. A person can serve as Convener/ Dy. Convener of a CEP Study Circle for a maximum of three terms of one year each.

7.10.2 Conveners and Deputy Conveners are not permitted to get their visiting cards printed, which contain the details of their association with their CEP Study Circle.

7.10.3 One member can become the Convener or Deputy Convener of only one CEP Study Circle at a time.

7.10.4 The Conveners are responsible for conducting at least one programme per month for the members of the CEP Study Circles to discuss various matters of topical interest, at such predetermined place as may be convenient to members.

7.10.5 It is suggested that the conveners send copies of the notices convening the programmes and report of such CEP learning programmes including the membership number and names of the members who had attended such programmes to the CEP COMMITTEE within. ten days of organizing such programmes. The Convener is also required to upload the programme details before organizing any programme and thereafter uploading the attendance thereof on the CEP Portal within 10 days of organizing a programme

7.11 Accounts

7.11.1 CEP Study Circles are authorized to open Bank Accounts in the names of the respective Study Circles and Conveners and Deputy Conveners are authorized to operate the accounts jointly.

7.11.2 It is suggested that every CEP Study Circle submit an annual statement of receipts and payments, income and expenditure and Balance Sheet to the CEP COMMITTEE. The annual statement is to be furnished within one month from the end of the fiscal year.

7.11.3 Conveners of CEP Study Circles are authorized to collect a reasonable amount per member as annual membership fee to defray the cost of holding learning activities and other incidental charges.

7.11.4 The cost of learning activities would include rent for the venue for organizing CEP programmes, refreshments/lunch/dinner for the participants, traveling cost of faculties, memento to the faculties, printing and postage for circulating the invitation for the programme to the members and printing of the background material only.

7.11.5 The responsibility for ensuring financial propriety in the financial management of the Study Circle, for production of proper audited accounts, whenever required by the CEP COMMITTEE or any other authorized organ of the Institute shall be that of the Convener and Deputy Convener.

7.11.6 The CEP study Circles are not entitled for any grant or financial assistance from the Institute of Cost Accountants of India.

7.11.7 It should be the endeavor of the conveners to conduct the CEP Programmes on cost competitive and self-financing basis.

7.11.8 Surplus funds of CEP Study Circles at the end of every financial year should be immediately committed for subsidizing future programmes to be conducted by CEP Study Circle. The surplus funds at the end of each financial year must be utilized within one year from the end of that financial year for the benefit of the members. A report and the plan by the CEP Study Circle should be submitted to the CEP COMMITTEE In case the amount remains unspent, the same shall be transferred to the Cost Accountant Benevolent Fund of the ICAI through CEP COMMITTEE.

7.12 Joint Programmes

Two or more Study Circles may jointly organize a programme or a Study Circle may organize together.

7.13 Monitoring of Programmes conducted by CEP Study Circles

CEP COMMITTEE or any other organ designated/developed by the CEP COMMITTEE for this purpose has the power of monitoring the programmes conducted by CEP Study Circles. Such monitoring is to be done in terms of the Advisory issued by the CEP COMMITTEE from time to time in these regards.

7.14 Incidental and Related Matters

7.14.1 There should be no restriction whatsoever placed by the Study Circles on any member of the Institute intending to become a member of a particular Study Circle.

7.14.2 CEP COMMITTEE has the responsibility of publicizing the programmes intended to be conducted by the Study Circles.

7.14.3 For the purpose of information to the general membership, the Continuing Education Committee will maintain a Billboard in the CEP Portal of the Institute where Study Circles may host such information, which they deem to be of general and professional interest.

The Committee shall monitor the content of the billboard.

7.14.4 Enrolment to the programmes, organized by a particular Study Circle where CEP credit is desired should be open to the members of that Study Circles as well as other members of the Institute including those who are not members of that study circle. Reasonable fees for such enrolment may be charged for enrolling such non-Study Circle members for such a programme.

8.0 Dissolution of CEP Study Circles

8.1 The CEP COMMITTEE has the powers to derecognize a CEP Study Circle in the following cases:

8.1.1 **If** the CEP Study Circle is not functioning in accordance with the norms and other decision(s) of the CEP COMMITTEE or the Central Council of the Institute.

8.1.2 **If** the CEP Study Circle is found to be working against the interest/policies of the Institute

9.0 Residual Matters

9.1 In the event of lack of clarity in any matter in the formation of Study Circles or their administration,
application should be made to the CEP COMMITTEE, which is entrusted with the responsibility for providing such clarification.

9.2 The Chairman of CEP COMMITTEE acting in consultation with the President of the Institute shall have absolute discretion to decide and intervene in matters concerning Programmes organized by a Study Circle, whether conducted by itself or jointly with any other body as permitted under these Guidelines, and also to

9.2.1 Prescribe such additional conditions in regard to the conduct, monitoring, content, faculty etc. for any such programme and to grant CEP credit hours to such program conditional upon compliance with any such conditions as may be prescribed, and

9.2.2 Refuse CEP Credit Hours to any such programme if in their view the grant of such CEP Credit hours is not in the overall interest of the Institute, its Programme Organizing Units, the members or for some other reason not in consonance with the policy or objectives of the CEP Committee as laid down from time to time.

9.3 The CEP COMMITTEE, through its administrative arm, is authorized by the Council of the Institute to intervene in any matter so as to either remove hardship or to ensure compliance with the above norms.

Annexure A

Format of Application for seeking approval of the CEP COMMITTEE for forming a Study Circle by Members of ICAI

Date :

THE CHAIRMAN
CONTINUING EDUCATION PROGRAMME COMMITTEE
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
[Statutory body under an Act of Parliament]
'CMA Bhawan',
3 Institutional Area,
Lodi Road, New Delhi.

Through the Chairman of the Regions/Chapter office of the ICAI under which the location of the proposed StudyCircle falls

Dear Sir/Madam,

Sub: Formation of Study Circle for Members

We, on behalf of the members of the Institute of Cost Accountants of India from ....(name of the locality), whose details are given below, desire to form a Study Circle for Members otherwise than in practice under the name .... We have read the Norms framed in this respect by the Institute and we shall abide by the same. Mr./Mrs. .... and Mr./Mrs. .... have expressed their consent to be the first convener and first deputy convener of the Study Circle.

We shall be pleased if the approval is granted at the earliest.

Thanking you,

Yours Faithfully,

(Convener)
(Deputy Convener)
Signatures with Name and Membership Number (Name* of *the*
Organisation, Designation, Address of *Organisation for the members in Industry)*
Email id, Mobile No. and Landline No.
Not less than ten five members of *the proposed Study Circle*

**Signatures* of *the members to be verified by the concerned Regional office/Chapter office* of *the Institute.*

Note: The details of each signatory members, *(With Name, Membership Number, COP Status (whether holding or not), Name* of *the Organization, Designation, Address* of *Organization, Professional Address, Residential address, EmailD,* & *Mobile No.) may be given in Columnar Sheet for all Members.*

Annexure B

Suggested format of Letterhead of the CEP Study Circle for the Members :

--------------------CEP Study Circle for the Members of the ICAI

Approval reference no. of CEP COMMITTEE of ICAI

The name of the Convener and Dy. Convener

Postal address
e-mail id,
Phone nos.
Fax nos

NOTIFICATION

The examination Committee of the council of the Institute decided to open New Examination Centers at from June 2013 Examination:

a. Siliguri–(Centre Code–324)
b. Sambalpur–(Center Code–325)
c. Srinagar–(Center Code–431)

A. Das
Director

(Examination)

Capacity Building of CMA Professionals

Response Form

I. **Name:** ______________________________

II. **Membership No.:** ______________________________

III. **Present Address:** ______________________________

____

City: ________________ **State:** ________________

IV. **Mobile No.:** ________________ **Email address:** ________________

V. **Professional Qualifications:**

____

VI. **Area of Expertise (**May select the interested topic(s) from the attached sample lis

____

____

____

If any other, please specify

____

VII. **Attach a detailed profile.**

Date: ________________

Place: ________________

(*Submit by sending e-mail at cep.nisha@icmai.in*)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2013

FOUNDATION COURSE EXAMINATION
(Multiple Choice Question Mode)

Day & Date	Time & Session	Foundation Course Examination
Sunday, 23rd June 2013	10.00 A. M. to 12.00 P. M. (Morning Session)	**Paper – 1 & 2 (100 Marks)** **Paper 1** : Organisation and Management Fundamentals (50 Marks) **Paper 2** : Accounting (50 Marks)
Sunday, 23rd June 2013	02.00 P.M. to 04.00 P.M. (Afternoon Session)	**Paper – 3 & 4 (100 Marks)** **Paper 3** : Economics and Business Fundamentals (50 Marks) **Paper 4** : Business Mathematics and Statistics Fundamentals (50 Marks)

Examination Fees

Foundation Course Examination	**Inland Centres**	**₹ 1000/-**
	Overseas Centres	**US $ 60**

1. **The Foundation Examination will be conducted in Multiple Choice Question Mode**.
2. Total Questions : 100 (Multiple Choice Questions), Maximum Marks : 100 (Each Question will carry 1 Mark). There will be no negative marking for wrong answers.
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US **$** 10 per form.
   (c) Students can also download the Examination Form from ICAI Website at www.icmai.in.
4. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2013 and with late fees of ₹300/- is 10th April, 2013. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th April, 2013.**
5. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of "**The Institute of Cost Accountants of India**" and payable at Kolkata.
6. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
7. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, 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.
8. **A candidate who is completing all conditions will only be allowed to appear for examination.**
9. **Probable date of publication of result : Foundation – 16th July 2013.**

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2013

Day, Date & Time	Intermediate 09.30 A.M. to 12.30 P.M.	Final 02.00 P.M. to 05.00 P.M.
Tuesday 11th June, 2013	Financial Accounting	Capital Market Analysis & Corporate Laws
Wednesday 12th June, 2013	———	Financial Management & International Finance
Thursday 13th June, 2013	Commercial and Industrial Laws & Auditing	Management Accounting-Strategic Management
Friday 14th June, 2013	Applied Direct Taxation	Indirect & Direct – Tax Management
Saturday 15th June, 2013	Cost & Management Accounting	Management Accounting – Enterprise Performance Management
Sunday 16th June, 2013	———	Advanced Financial Accounting & Reporting
Monday 17th June, 2013	Operation Management and Information Systems	Cost Audit & Operational Audit
Tuesday 18th June, 2013	Applied Indirect Taxation	Business Valuation Management

Examination Fees

Group (s)	Final Examination	Intermediate Examination
One Group (Inland Centres) (Overseas Centres)	₹1250/- US $ 100	₹1000/- US $ 90
Two Groups (Inland Centres) (Overseas Centres)	₹2250/- US $ 100	₹1600/- US $ 90

1. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹ 50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US **$** 10 per form.
   (c) Students can also download the Examination Form from ICAI Website at www.icmai.in.
2. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2013 and with late fees of ₹300/- is 10th April, 2013. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th April, 2013.**
3. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of "**The Institute of Cost Accountants of India**" and payable at Kolkata.
4. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
5. **Finance Act 2012, involving Assessment Year 2013-2014 will be applicable for the subjects Applied Direct Taxation (Intermediate), Applied Indirect Taxation (Intermediate) and Indirect & Direct – Tax Management (Final) for the purpose of June 2013 term of Examination under Revised Syllabus 2008.**
6. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, 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 will only be allowed to appear for examination.**
8. **Probable date of publication of result : Inter & Final – 23rd August 2013.**

A. Das
Director (Examination)

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28 JULY - 09 AUGUST, 2013

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- Airports Authority of India.
- Bharat Sanchar Nigam Ltd.
- Central Warehousing Corporation.
- Chennai Petroleum Corporation Ltd
- Coal India Ltd.
- Delhi Jal Board.
- Delhi Development Authority.
- HSCC (I) Ltd.
- HUDCO Ltd.
- ICRA Ltd.
- IFFCO-Tokio General Insurance Co. Ltd.
- Indian Farmers Fertilizers Coop. Ltd.
- Indian Oil Corporation Ltd.
- Inland Waterways Authority of India
- Indian Council of Social Science Research (ICSSR)
- KRIBHCO Ltd.
- KRIBHCO Shyam Fertilizers Ltd.
- LIC Housing Finance Ltd.
- Life Insurance Corporation of India Ltd.
- Mahanagar Telephones Nigam Ltd.
- Ministry of Chemicals & Fertilizers, Govt. of India.
- Ministry of Commerce & Textiles, Govt. of India
- Ministry of Rural Development, Govt. of India.
- MMTC Limited.
- National Institute of Urban Affairs.
- Nepal Electricity Authority, Nepal.
- Neyveli Lignite Corporation Ltd.
- NHPC Limited.
- NMDC Limited.
- Numaligarh Refinery Ltd.
- Oil and Natural Gas Corpn. Ltd.
- Oil India Limited.
- Oriental Insurance Company Ltd.
- Orissa Hydro Power Corporation Limited.
- Petronet LNG Limited.
- Power Finance Corporation Limited.
- RITES Ltd.
- Syndicate Bank.
- Tamil Nadu Newsprint and Papers Ltd.
- Tata Refractories Ltd.
- The Andhra Pradesh Paper Mills Limited.
- United India Insurance Co. Ltd.
- Zuari Industries. Ltd.

The Training Programmes

The ICWAI MARF efforts are directed towards quality training and introducing new programmes to meet emerging challenges of the corporate world.

Broadly the programmes are classified as :

- Training programmes for practicing managers of both public and private sectors, Banks, Financial Institutions, Multinationals Insurance Companies and Government Departments.
- Tailor-made in-house training programmes for the Industry, Government Departments and Public Services. It also offers specific programmes for Defence, Railways, Telecom and Public Utility Services.

Chairman
CMA Rakesh Singh

ICWAI MARF

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ICWAI MANAGEMENT ACCOUNTING RESEARCH FOUNDATION

Promoted by

The Institute of Cost Accountants of India

Management Development Programmes

2013-2014

LIST OF ORGANIZATIONS BENEFITED FROM EXCLUSIVE IN-HOUSE PROGRAMMES

- Airports Authority of India
- Bhakra Beas Management Board (BBMB)
- Bharat Aluminium Company Ltd.
- Bharat Heavy Electricals Ltd.
- Bharat Sanchar Nigham Limited
- Central Electricity Regulatory Commission
- Council of Scientific & Industrial Research (CSIR)
- CAG Office, New Delhi
- DCM Limited
- Delhi Jal Board
- Delhi Tourism & Transportation Development Corp. Ltd.
- Delhi Transco Ltd.
- Department of Personnel and Training, Govt. of India
- Department of Posts, Govt. of India
- Directorate General of Quality Assurance (DGQA), Ministry of Defence, Govt. of India
- Engineers India Ltd.
- GAIL (India) Ltd.
- Hindustan Copper Limited
- HUDCO Ltd.
- IBP Company Limited
- Indian Air Force
- Indian Navy
- Indian Farmers Fertiliser Cooperative Ltd.
- Indian Oil Corporation Limited
- Indian Railway Catering and Tourism Corp. Ltd. (IRCTC)
- Indian Railways
- Indian Renewable Energy Development Agency Ltd.
- Inland Waterways Authority of India (IWAI)
- IRCON International Ltd.
- KRIBHCO Ltd.
- Lanco Group of Companies
- Mahanadi Coalfields Ltd.
- Mahanagar Telephone Nigam Ltd.
- Maruti Udyog Ltd.
- MMTC Ltd.
- Ministry of Tourism, Govt. of India
- National Academy of Customs, Excise and Narcotics
- National Academy of Defence Accounts
- National Aluminium Co. Ltd.
- National Highways Authority of India Ltd.
- National Seeds Corporation Ltd.
- Nepal Electricity Authority, Kathmandu, Nepal
- Nepal Telecom Co., Kathmandu, Nepal
- Nuclear Power Corporation of India Ltd. (RAPS)
- North Eastern Electric Power Co. Ltd.
- O.N.G.C. Ltd.
- Ordnance Factory Board
- Oil Industry Development Board
- Power Finance Corporation Ltd.
- Power Grid Corp. of India Ltd.
- Power Transmission Corp. of Uttrakhand Ltd.
- Punjab State Power Corporation Ltd
- Raitel Corp. of India Ltd.
- RITES Limited
- Rural Electrification Corp. Ltd.
- SJVN Limited
- Tata Power Co. Ltd.
- THDC India Ltd.
- West Bengal State Electricity Distribution Co. Ltd.

FOR FURTHER DETAILS AND REGISTRATION PLEASE CONTACT:

CMA D. Chandru
Director (CEP)
(M) 9818601200
cep.chandru@icmai.in

CMA Sanjeev Goel
Joint Director (CEP)
(M) 9810965145
cep.sanjeev@icmai.in

ICWAI MANAGEMENT ACCOUNTING RESEARCH FOUNDATION
3rd Floor, CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110 003.
Phones: 011-24622156/57/58, 24618645, (D) 011-24643273
Tele-fax: 011-24622156/24618645, 43583642, 24643273
E-mail: mdp@icwaimarf.org; Website: www.icwaimarf.org

Chairman
CMA Rakesh Singh

ICWAI Management Accounting Research Foundation (ICWAI MARF)
(Promoted by the Institute of Cost Accountants of India)

&

Indian Institute of Corporate Affairs (IICA)

Jointly Present

Two Day Residential Programme on 'Risk Management & Internal Audit'

June 13-15th 2013, Manesar

For Whom: Professionals involved in the field of Internal Auditing, Risk Management, or, any professional who aspires to explore the knowledge on Risk Management and Internal Audit will find the programme useful.

Purpose: With the ever growing complexity of the business environment globally, the business risks have grown exponentially. The situation calls for establishing 'risk appetite' and establishing an adequate and efficient enterprise risk management system. A vibrant Internal Auditing Department in each organization is essential for providing assurance to the Board that the risk management system is adequate and operating effectively. The Board expects the Internal Auditing function to work as a internal consultant while protecting its independence from the executive management. This challenges the conventional perception about the Internal Audit function. The Workshop will provide an understanding of the Enterprise Risk Management system and the concept of Risk Based Internal Audit.

Course Director: Prof. Asish K. Bhattacharyya, Advisor(Advanced Studies) & Head- School of Corporate Governance &
Public Policy (IICA)

Faculty: Sessions will be taken by eminent and senior faculty members, and Industry experts in the field of Risk Management and Internal Audit.

Venue: Indian Institute of Corporate Affairs Campus, Plot no:- P 6,7,8 Sec 5, IMT Manesar, Distt., Gurgaon (Haryana)
Pin Code- 122050

Fees: Rs. 7500/- per participant for members of The Institute of Cost Accountants of India Rs. 15000/- (plus 12.36% service tax) per participant for others.
Note:

- The fee includes course fee, course material, course kit & charges for accommodation for two nights (June 13 and 14th 2013) on single occupancy basis (in BHK apartment at IICA Manesar Campus)
- The participants will have to report at the IICA Manesar campus on 13th June 2013 at 6.30pm and occupy their rooms in the campus

Request for a Brochure from:

Ms. Kimi Thareja Assistant Director The Institute of Cost Accountants of India Contact No. (011)24622167/57(Ext.141) e-Mail ID- advstudies.kimi@icmai.in	Ms. Amrin Sultana Indian Institute of Corporate Affairs Contact No. 9999978401 e-Mail ID- amrin_s@rediffmail.com

e-Brochure Link: http://icmai.in/upload/Institute/Updates/Brochure_Risk_Management_Internal_Audit.pdf

The Institute of Cost Accountants of India
Announces

Two Day Residential 'Refresher Course' for Young CMAs

June 28-29th 2013, Manesar

For Whom: The Programme is targeted at Young CMAs for capability building in state of the art areas of Management Accounting.

Purpose: The Institute of Cost Accountants of India is organizing a two day residential 'Refresher Course' for young CMAs in order to train them on recent topics in the field of cost and management accountancy with adequate practical exposure. The course will focus to impart hands-on training to the participants on practical aspects of the application of Management Accountancy principles in the real time business situations. This is an initiative of the Institute for capability building in state if the art areas of Management Accounting.

Course Director: Prof. Asish K. Bhattacharyya, Head- School of Corporate Governance & Public Policy (IICA), & Advisor (Advanced Studies), ICAI.

Faculty: Sessions will be taken by eminent and senior faculty members, and Industry experts in the field of Cost and Management Accountancy.

Venue: Indian Institute of Corporate Affairs Campus, Plot no:- P 6,7,8 Sec 5, IMT Manesar, Distt, Gurgaon (Haryana) Pin Code- 122050 (Buses will be provided for To & Fro journey from CMA Bhawan, Lodhi Road to IICA, Manesar Campus)

Fees:

Category	Applicable Fee (Rs)
Cost Accountants (Qualified in the year 2012 & after)	Rs. 1500/-
Cost Accountants (Qualified in the year 2011)	Rs. 3000/-
Cost Accountants (Qualified prior to the year 2011)	Rs. 5000/-
Company Sponsorship Participants	Rs. 7500/-

Note:
The fee includes course fee, course material, course kit & Charges for accommodation for one night (June 28th 2013) on twin sharing (in BHK apartment at IICA Manesar Campus)

Request for a Brochure from:

Ms. Kimi Thareja, Assistant Director (Advanced Studies)
The Institute of Cost Accountants of India
Contact No.
(011)24622167/57(Ext.141) e-mail ID: advstudies.kimi@icmai.in

e-Brochure Link: http://icmai.in/upload/Institute/Updates/Refresher_Course_Young_CMAs.pdf

(PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY PART III, SECTION 4)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

NOTIFICATION

Kolkata, the 4th April, 2013

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM THE SOUTHERN INDIA REGIONAL CONSTITUENCY

Fresh Election (By-Election) to the Council, 2013 against one vacant seat arising out of death, falling in the Southern India Regional Constituency will be held as per the following notifications:

NOTIFICATION

Kolkata, the 4th April, 2013

Dates of Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency

No. BY-EL- 2013/1: In pursuance of clause (a) of sub-section (2) of Section 9 and sub-section (3) of Section 13 of the Cost and Works Accountants Act, 1959 as amended (the Act) read with Rules 3 & 4 and other applicable Rules of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules) and Regulations 114 & 115 of the Cost and Works Accountants Regulations, 1959 as amended and other applicable Regulations of the Cost and Works Accountants Regulations, 1959 as amended (the Regulations), the Returning Officer of the Institute of Cost Accountants of India hereby notifies the following for the conduct of Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency:

1.	Date of issue of Notification for the purpose of Rule 4 of the Rules		Thursday, the 4th April, 2013
2.	In pursuance of Rule 4 read with Rules 9, 10, 11, 12, 14, 21, 28, 29, 30, 32 and 35 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and Regulations 114 & 115 of the Cost and Works Accountants Regulations, 1959 as amended and other applicable Rules & Regulations made under the Cost and Works Accountants Act, 1959 as amended, the Council has fixed the following dates for the conduct of Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency, viz.		
	a)	the last date and time for receipt of nominations [Rule 4 (2) (a) and 9]	Friday, the 26th April, 2013 up to 6:00 P.M.
	b)	the date and place of scrutiny of nominations [Rule 4 (2) (b) and 12]	Tuesday, the 30th April, 2013 at the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata – 700 016.
	c)	the last date and time for withdrawal of nominations [Rule 4 (2) (c) and 14]	Friday, the 10th May, 2013 up to 6:00 P.M.
	d)	the date and time of polling [Rule 4 (2) (d)]	Friday, the 5th July, 2013 (From 8:00 A.M. to 7:00 P.M.)
	e)	the last date and time for receipt of applications for permission to vote by post [Rule 4 (2) (e) and 28]	Thursday, the 2nd May, 2013 up to 6:00 P.M.
	f)	the last date and time for receipt by post of ballot papers back from voters [Rule 4 (2) (f)]	Friday, the 5th July, 2013 up to 6:00 P.M.
	g)	the date and time of commencement of counting of votes [Rule 4 (2) (g) and 32]	Wednesday, the 10th July, 2013 (from 10:00 A.M. onwards)
	h)	the date of declaration of results [Rule 4 (2) (h) and 35]	Thursday, the 11th July, 2013
3.	Fee for Fresh Election (By-Election) fixed by the Council (Rule 10)		Rs.10,000/- (Rupees Ten Thousand Only)

4.	Security Deposit payable by the candidate [Rule 11]	Rs.20,000/- (Rupees Twenty Thousand Only)
5.	Names of the members of the panel for scrutiny of nomination papers [Rule 12]	1. Shri K. Govindaraj Member of Legislative Council of Karnataka Government, No. 206, 2nd Main, Domlur 2nd Stage, Bangalore – 560 071. 2. Ms. Nandana Munshi Principal Director of Commercial Audit & Ex-officio Member, No. 1, Council House Street, Kolkata- 700 001. 3. Shri Kaushik Banerjee Returning Officer, The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata – 700 016.

NOTIFICATION

Kolkata, the 4th April, 2013

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM THE SOUTHERN INDIA REGIONAL CONSTITUENCY

No. BY-EL-2013/2: In pursuance of sub-rule (1) of Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency:

(a) Total number of members to be elected to the Council from Southern India Regional Constituency under clause (a) of sub-section (2) of Section 9 and sub-section (3) of Section 13 of the Cost and Works Accountants Act, 1959 as amended. 1 (one)

(b) Number of members to be elected from Southern India Regional Constituency as specified in Rule 8 read with Schedule 3 and Rule 3 read with Schedule 1 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended.

Name of the Constituency	Number of members to be elected
Southern India Regional Constituency	1 (One)

The Council invites nomination from candidates who desire to stand for Fresh Election (By-Election) scheduled to be held on 5th July, 2013. They should deliver their nominations in the manner specified in Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended to Shri Kaushik Banerjee, Returning Officer, The Institute of Cost Accountants of India (By Name) in a closed envelope superscribing on it "Nomination for Fresh Election (By-Election)" at the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata – 700 016 so as to reach him not later than 6:00 P.M. on Friday, the 26th April, 2013.

Candidates may visit the Institute's website www.icmai.in for familiarizing themselves with the Cost and Works Accountants (Election to the Council) Rules, 2006. The nomination shall be in the form approved by the Council of the Institute under sub-rule (3) and as specified in Rule 9 of the said Rules. Nomination forms can be downloaded from the website of the Institute.

Nominations shall be accompanied by a fee of Rs.10,000/- (Rupees Ten Thousand Only) by Demand Draft, payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India as provided in Rule 10. Candidates can submit maximum number of ten nominations as per sub-rule (2) of Rule 9.

Every candidate standing for election in addition to fee as provided in Rule 10, shall pay, irrespective of the number of nominations filed under Rule 9, an amount of Rs.20,000/- (Rupees Twenty Thousand Only) by Demand Draft payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India, as security deposit as provided in Rule 11.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

Constitution of Southern India Regional Council of the Institute of Cost Accountants of India

No. BY-EL-2013/3: In exercise of powers conferred by sub-section (1) of Section 23 of the Cost and Works Accountants Act, 1959 as amended, the Council of the Institute of Cost Accountants of India, hereby notifies the constitution of Southern India Regional Council as under in pursuance of Regulation 114 of the Cost and Works Accountants Regulations, 1959 as amended for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency notified by the Central Government vide Notification published in the Gazette of India Extraordinary, Part II, sub-section (ii) of Section 3 as S.O. 1331 (E) dated 20th November, 2003 under clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act 1959, namely:

Southern India Regional Constituency:
Comprising the States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu and the Union Territories of Lakshadweep and Pondicherry.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

Payment of fee for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency of the Institute of Cost Accountants of India

No. BY-EL-2013/4: In pursuance of sub-rule (1) of Rule 10 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended specified under the Cost and Works Accountants Act, 1959 as amended, it is hereby notified that a candidate shall pay a fee of Rs. 10,000/- (Rupees Ten Thousand Only) for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency, irrespective of the number of nominations that may be filed by him. The fee shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost Accountants of India payable at Kolkata.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

Payment of Security Deposit for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency of the Institute of Cost Accountants of India

No. BY-EL-2013/5: In pursuance of sub-rule (1) of Rule 11 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended specified under the Cost and Works Accountants Act, 1959 as amended, it is hereby notified that in respect of Fresh Election (By-Election) to the Council, 2013, a candidate for election, in addition to fee as provided above, shall pay irrespective of the number of nominations filed, an amount of Rs.20,000/- (Rupees Twenty Thousand Only) as security deposit, which shall be forfeited if he fails to secure not less than 2% of the original votes polled in the Southern India Regional Constituency. The security deposit shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost Accountants of India payable at Kolkata.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

Notification of Recognition of Qualifications for the purpose of Sub-rule (4) of Rule 9 read with Schedule 4

No. BY-EL-2013/6: In pursuance of sub-rule (4) of the Rule 9 read with Schedule 4 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, relating to nominations for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency, for the purpose of sub-clause (a) of clause (2) of Schedule 4, the following qualifications have been recognized by the Council:

i) Academic qualifications - All degrees awarded by the Universities recognized by Government.

ii) Membership of Professional Bodies - Associate/Fellow Membership of the Institute of Chartered Accountants of India, Associate/Fellow Membership of the Institute of Company Secretaries of India, Associate/Fellow Membership of the Chartered Institute of Management Accountants, U.K. CMA Certification of The Institute of Management Accountants, U.S.A. Full/Fellow Membership of the Institute of Public Accountants, Australia and Associate/Member level Membership of the Chartered Institute for Securities & Investment, U.K.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

No. BY-EL-2013/7: In pursuance of sub-rule (3) of Rule 6 of the Cost and Works Accountants of India (Election to the Council) Rules, 2006 as amended, it is hereby notified that the list of members eligible to vote (list of voters) from the Southern India Regional Constituency for Fresh Election (By-Election) to the Council, 2013 of the Institute of Cost Accountants of India is available for sale with effect from 4th April, 2013 on payment of the price mentioned below from the Headquarters of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata – 700 016:

Region	Price per printed book (Rs.)	Price per CD (Rs.)
Southern India Regional Constituency	250.00	100.00

The list of voters is also available for sale at the office of Southern India Regional Council, Chennai and the Chapter offices of the Southern Region of the Institute of Cost Accountants of India.

KAUSHIK BANERJEE, Returning Officer

NOTIFICATION

Kolkata, the 4th April, 2013

No. BY-EL-2013/8: The Council, in exercise of the powers vested under sub-rule (1) of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, has fixed the ceiling of expenditure to be incurred by a candidate for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency shall be as follows:

Election	Expense Limited to
Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency	Rs.5,00,000/-

In pursuance of sub-rule (2) of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, every candidate for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency shall file an account of expenses incurred for the Fresh Election (By-Election) in the format approved by the Council within fifteen days of notification issued under Rule 36. Format as approved by Council are printed in the journal of the Institute and also available on the Institute's website www.icmai.in .

In pursuance of sub-rule (3) of Rule 41, a member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Cost and Works Accountants Act, 1959 as amended if, in connection with Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency, he is found to have contravened the provisions of sub-rule (1) or sub-rule (2).

KAUSHIK BANERJEE, Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

Kolkata, the 4th April, 2013

NOTIFICATION

No. BY-EL-2013/9: In pursuance of Rule 6 read with Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the Returning Officer of the Institute of Cost Accountants of India is pleased to publish the following list of members of the Institute in Southern India Regional Constituency eligible to vote in the Fresh Election (By-Election) to the Council, 2013 of the Institute of Cost Accountants of India to be held on 5th July 2013 vide Notifications dated 4th April, 2013 published in the Gazette of India.

LIST OF VOTERS
Explanatory Notes

1) In the List of Voters, which is topographically arranged, the cities and towns in the region and the names of members in each city or town have been arranged alphabetically.

2) The letters 'FCMA' after a member's name denote that he is a Fellow member of the Institute and the letters 'ACMA' after a member's name denote that he is an Associate member of the Institute.

3) The figure in brackets given at the end of an entry is the Membership Number of the member.

4) Against the name of each city or town indication has been given whether the voting there would be by poll or by post.

5) In places where the voting is to be by poll, the number **B-1, B-2, B-3, B-4, B-5, B-6, B-7, B-8, B-9, B-10, B-11, B-12, B-13, B-14, B-15, B-16, B-17, B-18, B-19, B-20, B-21, B-22, B-23 and B-24** indicated against the serial number of the entry relating to a voter is the number of the polling booth at which he will be required to cast his vote.

The addresses of the polling booths in Southern India Regional Constituency are:

Polling Booth No.	Address
B-1	The Institute of Cost Accountants of India - Bangalore Chapter, CMA Bhawan, 81, Mallikarjuna Temple Street, Basavanagudi, Bangalore – 560 004.
B-2	Institution of Agricultural Technologists (IAT), No.15, Queen's Road, Bangalore – 560 052.
B-3	The Institute of Cost Accountants of India - Southern India Regional Council, CMA Bhawan, 4, Montieth Lane, Egmore, Chennai – 600 008.
B-4	Southern India Chamber of Commerce & Industry, 6, Indian Chamber Buildings, Esplanade, Chennai – 600 108.
B-5	South Indian National Association, Sastri Hall, No.40, Luz Church Road, Mylapore, Chennai- 600 004.
B-6	C. Kandaswamy Naidu College for Men, Anna Nagar East, Near Round Tana, Anna Nagar, Chennai – 600 040.
B-7	The Stenographers' Guild, 1, Guild Street, T. Nagar, Chennai – 600 017.

B-8	Chellammal Women's College, No.112, Anna Salai, Guindy, Chennai-600 032.
B-9	The Institute of Cost Accountants of India - Cochin Chapter, CMA Bhawan, Silver Jibilee Hall, CC/62/689, Judges' Avenue, Kaloor, Cochin- 682 017.
B-10	The Institute of Cost Accountants of India - Coimbatore Chapter, CMA Bhawan, 13/14, SFI Apts., Sathiamoorthy Road, Ramnagar, Coimbatore – 641 009.
B-11	The Institute of Cost Accountants of India - Hyderabad Chapter, CMA Bhawan, Ground Floor, 1-2-56/44A, Gaganmahal Road, 5th Street, Himayatnagar, Hyderabad – 500 029.
B-12	YMCA of Greater Hyderabad, Secunderabad Branch, S. P. Road, Secunderabad – 500 003.
B-13	Mathematics Building of the Baselius College, Baselius College, K.K. Road, Kottayam – 686 001.
B-14	The Institute of Cost Accountants of India - Madurai Chapter, CMA Bhawan, 6, North Vadambokki Street (Upstairs), Madurai – 625 001.
B-15	The Institute of Cost Accountants of India - Mangalore Chapter, CMA Bhawan, S.D.M. College Building, Mahatma Gandhi Road, Kodialbail, Mangalore – 575 003.
B-16	D. Banumaiah's College of Commerce & Arts, New Sayyaji Rao Road, Mysore – 570 024.
B-17	Sri Aurobindo Vidyalaya, Block 19, Neyveli – 607 803. (T.N.)
B-18	The Institute of Cost Accountants of India - Pondicherry Chapter, CMA Bhawan, 12, Third Street, Jeyanagar, Reddiarpalayam, Pondicherry – 605 010.
B-19	The Institute of Cost Accountants of India - Thrissur Chapter, CMA Bhawan, XX/577/3, Sourabhya, Dilkush Lane, Kottappuram, Thrissur – 680 004.
B-20	The Institute of Cost Accountants of India - Tiruchirappalli Chapter, CMA Bhawan, 48 (Old 34-A), Bharathidasan Salai, Cantonment, Tiruchirappalli – 620 001.
B-21	The Institute of Cost Accountants of India - Trivandrum Chapter, CMA Bhawan, T.C. 31/677/00, Jawahar Lane, Vellayambalam, Thiruvananthapuram – 695 010.
B-22	The Institute of Cost Accountants of India - Ranipet-Vellore Chapter, CMA Bhawan, 16, No.7A, R.G. Nagar, Bharathi Nagar, 3rd Main Road (Opp. Balaji Theatre), Katpadi, Vellore – 632 007.
B-23	The Institute of Cost Accountants of India - Vijayawada Chapter, CMA Bhawan, 58-6-14, Karanamgari Street, Patamata, Vijayawada – 520 010.
B-24	The Institute of Cost Accountants of India - Visakhapatnam Chapter, CMA Bhawan, Opp. Port Stadium, National Highway 5, Akkayyapalem, Visakhapatnam – 530 016.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Application for Permission to Vote by Post

No. BY-EL-2013/10: In pursuance of Rule 28 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the form for permission to vote by post for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency as approved by the Council is annexed herewith.

The duly filled in and signed form along with requisite evidence should be submitted to the undersigned latest within 2nd May, 2013 up to 6.00 P.M.

Kaushik Banerjee
Returning Officer

Encl: Form

FORM OF APPLICATION SEEKING PERMISSION TO VOTE BY POST

Shri Kaushik Banerjee,
Returning Officer,
The Institute of Cost Accountants of India,
CMA Bhawan,
12, Sudder Street,
Kolkata – 700 016.

Dear Sir,

Sub: Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency

I hereby apply for permission to vote by post under Rule 28 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, and give below the necessary particulars:

1. Full Name:
2. Membership No.:
3. Serial No. in the list of voters, if known:
4. Serial No. and address of the polling booth allotted:
5. Reason for seeking permission to vote by post:

(a) There has been a permanent change in my professional address duly* signed by an authorized personnel of the organization where the member is employed from the address published in the list of voters, to another place beyond a radius of fifty kilometers from the polling booth allotted to me as given below:

....

....

OR

(b) I am suffering from a permanent infirmity**, particulars of which are given below on account of which I shall not be able to exercise my vote on the date of election at the polling booth allotted to me.
Particulars of permanent infirmity:

....

....

6. Address to which the voting papers should be sent:

Date:
Place:

Signature of the Member

VERIFICATION

I declare that the particulars given above are correct to the best of my knowledge and belief.

Signature of the Member

Date:
Place:

*The applications must be supported by a certificate only signed by an authorized personnel of the organization where the member is employed.
**The application in this case must be supported by a certificate from a medical practitioner, not below the rank of a surgeon in any Government Hospital, confirming such permanent infirmity.

(DULY FILLED IN AND SIGNED HARD COPY OF THIS FORM IN ORIGINAL SHOULD BE SUBMITTED TO THE RETURNING OFFICER AT THE HEADQUARTERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, CMA BHAWAN, 12, SUDDER STREET, KOLKATA – 700 016 LATEST WITHIN 2ND MAY, 2013 UP TO 6.00 P.M.)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Application for Permission to Vote at a Polling Booth or for Change of Polling Booth

No. BY-EL-2013/11: In pursuance of Rule 39 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the form for permission to vote at a polling booth or change of polling booth as approved by the Council is annexed herewith.

The duly filled in and signed form should be submitted to the undersigned latest within 2nd May, 2013 up to 6.00 P.M.

Kaushik Banerjee
Returning Officer

Encl: Form

Form of Application for Permission to Vote at a Polling Booth or for Change of Polling Booth

(Note: Clear indication has been given in the List of Voters as to who are entitled to vote at a particular Booth. This Form is provided for use of only those who wish to apply for a change, for which valid grounds will have to be provided in this Form and submitted within the specified time limit.)

Shri Kaushik Banerjee,
Returning Officer,
The Institute of Cost Accountants of India,
CMA Bhawan,
12, Sudder Street,
Kolkata – 700 016.

Dear Sir,

Sub: Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency

My name appears under Serial No. …………..……….……….. of the List of Voters for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency. I hereby apply for permission to Vote —

At Polling Booth No.		Situated at —

I give below the necessary particulars:

1.	Full Name	

2.	Membership No.	
3.	Name of Regional Constituency	
4.	Serial No. in the List of Voters	

5.	(a)	Please state whether there has been a permanent change in your address from the one published in the Voters' List		
	(b)	If so, please state your present address in full		
6.	Distance from the allotted Polling Booth (if the address is beyond 50 Kilometers from the Polling Booth)			
7.	Reason for the Change requested			

Date			Signature of the Member	
Place			Membership No.	

***VERIFICATION**

I, …………………………………………………, hereby declare that the particulars given above are correct to the best of my knowledge and belief.

Date ………………………… Signature of the Member …………………………………..

Place……………………….. Membership No. ……………………………..

(DULY FILLED IN AND SIGNED HARD COPY OF THIS FORM IN ORIGINAL SHOULD BE SUBMITTED TO THE RETURNING OFFICER AT THE HEADQUARTERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, CMA BHAWAN, 12, SUDDER STREET, KOLKATA – 700 016 LATEST WITHIN 2ND MAY, 2013 UPTO 6.00 P.M.)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Election Code of Conduct for Observance by the Candidates and their Authorized Representatives during Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency

No. BY-EL-2013/12: With a view to maintain a healthy and peaceful atmosphere during the election process and for ensuring a free and fair election, the Election Code of Conduct as approved by the Council in exercise of the powers vested in the Council under sub-rule (1) of Rule 16 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules), is hereby notified.

The Election Code of Conduct contains instructions and norms to be followed by candidates and their authorized representatives appointed under these Rules and members during the entire election process including at the polling booths and counting centre(s).

The Election Code of Conduct shall be in addition to that prescribed by the Cost and Works Accountants Act, 1959 as amended (the Act) and the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and shall come into force from the date of issue of notification under sub-rule (2) of Rule 4 of the Rules.

The Election Code is deemed to be guidelines of the Council under clause (1) of Part II of the Second Schedule of the Act and it is obligatory for each candidate to comply with the Election Code of Conduct.

Election Code of Conduct

1. No candidate would indulge in any activity, which may aggravate differences or create hatred or cause tension between different castes and communities, religious or linguistic.
2. There should be no appeal to caste or communal feelings for securing votes. Mosques, Temples or other places of worship shall not be used as forum for election propaganda.
3. All candidates shall avoid scrupulously all activities, which are corrupt practices, such as providing incentive to voters, intimidation of voters, giving presentations to voters etc.
4. No member shall use any loud speaker near the polling booth for the purpose of transmitting information connected with the election.
5. All contesting candidates shall:
   (a) co-operate with the officers on election duty in complying with the restrictions to be imposed on the plying of vehicles on the polling day;
   (b) supply to their authorized representatives suitable badges or identity cards to be used in polling booths and counting center(s);
   (c) refrain from serving or distributing liquor to the members on polling day and during twenty four hours preceding the day of polling.
6. Excepting the voters, no one without a valid pass from the Returning Officer shall enter the polling booths.

7. If the candidates or their agents have any specific complaint or problems regarding the conduct of the elections, they may bring the same to the notice of the observer.

8. After the notification for the election is issued by the Council, the contesting members shall not announce any financial grant in any form or make promises therefor or announce any projects or schemes of any kind, which may be aimed at influencing the voters.

9. The contesting candidates for the election, shall not preside over or share dais, stage, platform and/or participate in the programmes and activities including Modular Training Programmes organized by the Institute, Regional Councils, Chapters and such other programmes as may be specified by the Returning Officer from time to time as speaker, paper writer, faculty member, presenter of bouquets, flowers, garlands, mementoes, gifts or in such other capacity as the Returning Officer might decide from time to time to ensure free and fair elections.

10. The contesting candidates and/or their authorized representatives shall not use any infrastructure, forum including programmes, by whatever name called, manpower, machinery, facilities or communication medium – electronic or otherwise of the Institute, its Regional Councils and Chapters in any manner whatsoever. While there is no bar for participation in any event/programme organized by the Institute and/or its Regional Councils/Chapters, as an ordinary participant, however, the event/ programme shall not be used for publicity/ electioneering in any form whatsoever. This restriction is equally applicable to any other meeting/ event/ programme by whatever name called.

11. No programme announcement shall include name(s) of the contesting candidates.

12. Proceedings of the programmes conducted by the Institute / Regional Councils / Chapters shall be published only after proper editing so that the name(s) of any contesting candidate(s) is/are not mentioned in the proceedings.

13. No photograph of a contesting candidate including as part of a group shall be published at any place in any journal, newsletter or its equivalents, website or otherwise. In case it is not possible to segregate the contesting candidate from the group photograph by way of his position in the photograph, publication of the photograph shall be dropped.

14. The names of contesting candidates shall not be published by way of congratulations for any achievement or by way of elevation, on the move, or in any other capacity.

15. No publicity of programme(s) and their coverage by the Institute/Regional Councils/Chapters, in a manner covering contesting candidates, will be given in any of the journals, newsletters or its equivalents, website or otherwise.

16. No article, write-up, report, column and the like by any contesting candidate will be allowed for publication / inclusion in the journal, newsletter or its equivalents, website or otherwise.

17. No brochure/any other material covering contesting candidates including written communication(s) of programme(s) organized by the Institute / Regional Councils and Chapters shall contain the name or reference of any contesting candidate in any manner whatsoever. This prohibition is not, however, applicable for the brochure / other material as aforesaid already printed for sending to the intended readership or audience, or name required to be given under any specific legal requirement.

18. No brochure/publicity material including written communications printed in respect of any programme held before or after issue of notification shall contain the photograph / reference to any of the contesting candidates in any manner whatsoever.

19. The contesting candidate(s) shall not raise any question at any programme organized by Regional Council and Chapters so as to attract the attention of the audience to gain visibility / publicity.

20. No interview other than given in a non-professional capacity to newspaper(s), electronic media and the like by contesting candidate(s) in any manner whatsoever is permissible.

21. In the event of any invitation being received by a candidate from any other outside agencies such as Industry Associations like CII, FICCI, ASSOCHAM, Chambers of Commerce etc., and Voluntary Bodies like Rotaries, Non-Government Organisations etc. for participation in any of their events/programmes etc., in any capacity – professional or otherwise, while there is no bar for participation in such an event/programme, as an ordinary participant, however, the said event/programme shall not be used for the purpose of publicity/ electioneering in any manner whatsoever. The restrictions shall be applicable not only for any event/ programme

held within a candidate's own constituency but outside his constituency including overseas events/ programmes as well. The contesting candidate shall not preside over or share dais, stage, platform likely to have members of the Institute as part of audience.

22. Organisation of parties or participation in any party or providing any form of entertainment, e.g., musical nights and the like, with the direct and/or indirect involvement of the candidate in any form/manner whatsoever is prohibited.

23. The contesting candidate(s) shall not maintain a separate website as a part of electioneering or for the purpose of election. The website maintained by a Firm/member in practice, in accordance with the relevant Council Guidelines is outside the purview of the Code.

24. The journal / newsletters published in any form including electronic mode shall not use the column "Council Member/Chairman Page/Writes"; and in replacement thereof, the nomenclature "Committee Writes", "Council / Regional Council Writes" / "Managing Committee Writes" as the case may be, shall be used. Alternatively, it may be a column in the name of the "Editor". The name(s) of the editor/publisher of the newsletters etc. can, however, be printed, wherever the same is legally required to be mentioned.

Disciplinary Action

Attention of the members is also invited to the provisions of Rule 41 and 42 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended which provides for disciplinary action against members contravening the election norms set out in the said rules. For the convenience and ready reference of members, Rules 41 and 42 are reproduced hereunder. Members and contestants are requested to adhere to the requirements stipulated in the Rules.

41. Election Expenses. –

(1) No candidate, whose name has been included in the final list of nominations under Rule 15, shall incur expenditure above an amount to be fixed by the Council for this purpose.

(2) Every such candidate shall file an account of expenses incurred for the election in a format approved by the Council, within fifteen days of notification issued under Rule 36.

(3) A member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Act if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of Sub-rule (1) or Sub-rule (2).

42. Disciplinary action against member in connection with conduct of election:

(1) A member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Act if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of Sub-rule (2) or all or any of the clauses of Sub-rule (3) or Sub-rule (4) of this rule.

(2) Only one manifesto or circular shall be issued by a candidate in relation to the election in the period commencing from the date of issue of final list of nominations to the candidates.

(3) A manifesto or circular issued shall conform to the following requirements in the interest of maintaining dignity in the election, namely:

(a) A manifesto or circular shall contain information regarding the candidate himself and shall not make any reference, directly or indirectly, to any other candidate;

(b) The information, which a candidate may furnish in a manifesto or circular regarding himself, shall not differ in any material respect from the information furnished by the Institute to the voters under rule 9. A candidate may, however, include in such manifesto or circular, any additional information not contained in the information furnished under rule 9;

(c) A manifesto or circular shall neither contain any appeal to the voters on the basis of caste or on communal, religious, regional or sectional lines nor any tall claim;

(d) The distribution of a manifesto or circular shall be restricted only to the members of the constituency concerned;

(e) A certified copy of such manifesto or circular shall be sent to the Returning Officer by speed/registered post within 15 days of its issue ;

(f) While a candidate may repeat, in any form, the manifesto or circular issued under Sub-rule (2) of this Rule without changing its contents, however, he shall not issue more than one manifesto or circular.

(4) A member shall not adopt one or more of the following practices with regard to the election to the Council, namely :-

(i) Bribery, that is to say, any gift, offer or promise of any gifts or gratification to any person by a candidate or any other person, with his connivance, with the object directly or indirectly of: -

(a) inducing a member to stand or not to stand as a candidate at an election or rewarding him for act or omission ; or

(b) inducing to withdraw his candidature or rewarding such withdrawal ; or

(c) inducing a voter to vote or not to vote at an election, or as a reward for act or omission ;

Explanation: - For the purpose of this clause, the term "gratification" is not restricted to pecuniary gratification or gratifications estimable in money, and it includes organizing parties or providing any other form of entertainment, and all forms of employment for reward; but it does not include the payment of any expenses bonafide incurred at or for the purpose of any election.

(ii) Undue influence, that is to say, any direct or indirect interference or attempt to interfere on the part of a candidate or any other person, with his connivance, with the free exercise of any electoral right ;

(iii) The publication by a candidate or by any other person, with his connivance, of any statement of fact which is false, and which he either believes to be false or does not believe to be true, in relation to the personal character or conduct of any candidate or in relation to the candidature or withdrawal of any candidate, being a statement reasonably calculated to prejudice the prospects of that candidate's election;

(iv) The obtaining or procuring or abetting, or attempting to obtain or procure, by a candidate or by any other person, with his connivance, any assistance for the furtherance of the prospects of the candidate's election from any person serving under the Government of India or the Government of any State, other than the giving of vote by such person, if he is a member entitled to vote;

(v) The hiring or procuring, whether on payment or otherwise, of a vehicle by a candidate or by any other person, with his connivance, for the conveyance of voters;

(vi) Resorting to disorderly behaviour or misbehaviour within the zero tolerance zones to be determined by the Returning Officer of the polling booth and/or venue for counting of votes;

Explanation - For the purpose of this clause, canvassing for votes, distribution of visiting cards, pamphlets, manifestos, letters, hand-outs, circulars and the like, erection of any stall and display of any banner shall be treated as disorderly behaviour/misbehaviour.

(vii) Exhibiting or placing any notice or sign board relating to the election by a candidate or by any other person with the connivance of the candidate at any time and any where during the election period including on the date/s of polling within a distance of 200 meters from the polling booth ;

(viii) Non-compliance with any of the directives or circulars or instructions issued by the Returning Officer under these Rules in any matter relating to elections;

(ix) Contesting the election representing a political party or on political lines;

(x) Any act specified in clauses (i) to (ix) when done by a member, who is not a candidate, but is acting with the concurrence or connivance of a candidate ;

(xi) The receipt by a member or an agreement by a member to receive any gratification: -

(a) as an inducement or reward for standing or not standing as a candidate; or

(b) as an inducement or reward for withdrawing his candidature; or

(c) as an inducement or reward for himself or any other person for voting or refraining from voting; or

(d) as an inducement or reward for inducing or attempting to induce any voter

to vote or refrain from voting ; or

(e) inducing or attempting to induce any candidate to withdraw his candidature;

(xii) Contravention or misuse of any of the provisions of these Rules or making of any false statement knowing it to be false or without knowing it to be true, while complying with any of the provisions of these Rules.

Notwithstanding anything contained hereinabove, the Council may cause investigation into the conduct of any candidate or authorized representative in any other circumstances for violation of Election Code of Conduct.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Election Expenses

No. BY-EL-2013/13: As per sub-rule of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, no candidate whose name has been included in the final list of nominations under Rule 15 of the said Rules, shall incur expenditure above an amount to be fixed by the Council for this purpose. The Council has fixed the limit of expenditure as below:

Election	Expense Limited to
Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency	Rs.5,00,000/-

Further as per sub-rule (2) of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, every candidate shall file an account of expenses incurred for the election in the enclosed format within 15 days of notification issued under Rule 36 (Notification of the declaration of results) of the Rules.

Kaushik Banerjee
Returning Officer

Encl: Format of Election Expenses

FORMAT FOR FILING THE ACCOUNT OF EXPENSES INCURRED BY THE CANDIDATE DURING FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

[To be submitted within fifteen days of the date of declaration of the election result]

The Returning Officer
The Institute of Cost Accountants of India
CMA Bhawan,
12, Sudder Street,
Kolkata – 700 016.

Dear Sir,

Re: Filing of account of expenses incurred for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency

In accordance with the provisions of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, I, ____________________________________, a candidate for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency, hereby file an account of expenses incurred by me in connection with the said election held in July, 2013.

Sl. No.	Item of Expenditure	Expenditure Incurred (Rs.)
1.	Total Cost of Stationery including paper purchased for printing circular/manifesto, Visiting Cards/ Pamphlet/Handout/Letters and the like.	
2.	Total Printing cost (excluding stationery cost as above).	
3.	Total cost of vehicle used (excluding cost of travel by air, train, bus and the like.	
4.	Total Travel cost.	
5.	Total cost of stay, food etc.	
6.	Total cost of Postage.	
7.	Total cost of Telephone, Mobile, SMS, Fax, E-mail and the like.	
8.	Total cost of any other items not covered by the above. (please specify the names of items also)	
	GRAND TOTAL –	

I have noted that the ceiling fixed by the Council under rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006, as amended on election expenses (in aggregate under all possible heads) is Rs. 5.00 Lakhs (Rupees Five Lakhs only). Further, I have not incurred any expenditure as a candidate for the election other than those stated in the statement above.

I declare that the aforesaid statements of expenses are true to the best of my knowledge and belief.

Yours faithfully,

(Signature of the Candidate)

Place:

Name : ....

Membership No. : ....

Voter's Sl. No. : ....

Date:

Address : ....

....

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Duties of Election Observers in pursuance of sub-rule (1) of Rule 23 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended.

No. BY-EL-2013/14: In pursuance of sub-rule (1) of Rule 23 of Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the duties of the election observers are as follows:

1. To monitor and report to the Returning Officer that the guidelines issued for election, particularly for polling booths as well as the counting venues and also in respect the Cost and Works Accountants Act, 1959 as amended, the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and the Cost and Works Accountants Regulations, 1959 as amended and other applicable Acts, Rules and Regulations, are followed as per the said guidelines.

2. To perform their duties with respect to Code of Conduct issued by the Council of the Institute and also on the election expenses made by the contesting candidates. They shall report to the Returning Officer for the purpose.

3. To observe the polling, sorting and counting of votes and to monitor the fairness of the polling, sorting and counting procedures.

4. To ensure the impartiality of the persons in charge of the polling, sorting and counting of votes, and their commitment to the Cost and Works Accountants Act, 1959 as amended, the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and the Cost and Works Accountants Regulations, 1959 as amended and other applicable Acts, Rules and Regulations.

5. To visit the geographical constituencies and polling and counting centres at any time without previous notice.

6. To attend all stages of the polling and counting, and particularly be present at the opening and closing of the ballot boxes.

7. To ascertain of the freedom and fairness of the elections and the secrecy of the polling, and write reports to the Returning Officer to that effect.

8. The observers shall not interfere in any manner with the work of the elections or the officials engaged therewith, provided that they may formulate questions verbally or in writing.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

NOTIFICATION

Guidelines for Issue of Election Manifesto or Circular

No. BY-EL-2013/15: With the publication of Election Notification in the Gazette of India on 4th April, 2013, the Election Code of Conduct has become applicable to the members generally as well as the contesting candidates and their authorized representatives.

In pursuance of Rule 39 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules), the following guidelines are hereby notified for compliance by the contesting candidates for issue of election manifesto or circular:

1. The issue of the manifesto or circular should strictly conform to Rule 42 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended as already notified vide Notification No. BY-EL-2013/12 dated 4th April, 2013.

2. Only one manifesto or circular can be issued by the contesting candidates in relation to the election in the period commencing from the date of issue of final list of nominations to the candidates, which shall be restricted to the members of the constituency concerned. Such manifesto or circular shall include an e-mail or letter addressed to a specific person and circulated to many persons and personal letters mentioning about a candidature and seeking support as per sub-rule (2) of Rule 42 of the Rules.

3. The manifesto or circular may contain one passport size single coloured or black and white photograph of the contesting candidate.

4. The manifesto or circular should not contain any other photograph of the contesting candidate or of any other person either individually or in a group.

5. The manifesto or circular cannot be issued in forums like yahoo or other e-groups, any other group, e-mail group of members, any electronic media, press and the public at large.

6. Websites like www.facebook.com must not be used by the contesting candidate in any manner for electioneering purpose as well as for issue of a manifesto or circular.

7. An SMS message, e-mail and fax by a contesting candidate appealing the members to vote and/or support him/her shall be deemed to be a manifesto or circular under sub-rule (2) of Rule 42 of the Rules.

8. The manifesto or circular can be sent through post, SMS, e-mail, fax etc. However, if a candidate has already sent the manifesto or circular by SMS or e-mail or fax, he is not entitled to send any other written communication different from that already sent to the members in pursuance of sub-rule (2) of Rule 42 of the Rules.

9. The manifesto of only one candidate can be sent in a single envelope indicating the name of the contesting candidate as sender when sent by post. Similarly, an SMS message, e-mail and fax can be sent only from the phone number, e-mail address and fax number respectively of the contesting candidate.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, Sudder Street, Kolkata 700 016.

Kolkata, the 4th April, 2013

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Sub: Scrutiny of Nomination Papers

No. BY-EL-2013/16: This is for information of all concerned that the nomination papers for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency will be scrutinized by the Panel appointed by the Council in accordance with Rule 12 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended as notified vide Notification No. BY-EL- 2013/1 dated 4th April, 2013.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, SUDDER STREET, KOLKATA – 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

FOR THE ATTENTION OF MEMBERS
FRESH ELECTION (BY-ELECTION)

Members eligible to vote for Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency

No. BY-EL-2013/17: Subject to other provisions of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, a member, whose name is borne on the Register and his entrance fees, annual membership fees and other dues are not in arrears on the 1st day of October of the year immediately previous to the year in which the Fresh Election (By- Election) to the Council, 2013 from the Southern India Regional Constituency is to take place, shall be eligible to vote in the election from the concerned regional constituency within whose territorial jurisdiction his professional address falls on the said date:

Provided that his name has not been removed from the Register on the date of publication of the list of voters;

Provided further that if the professional address is not borne on the Register on the relevant date, the residential address borne on the Register shall determine his regional constituency;

Provided also that in the case of members having their professional addresses outside India and eligible to vote, their regional constituencies shall be determined according to their professional addresses in India registered immediately before they went abroad or the residential addresses in India borne on the register of members on the relevant date, whichever is later.

The inclusion of the name of a member in the list of members eligible to vote shall not confer an absolute right to vote at the election which shall be subject to the other provisions of these Rules, Regulations or the Act

Manner of Voting

A copy of Notification No. BY-EL-2013/9 dated 4th April, 2013 containing the List of Voters of the Southern India Regional Constituency to which the voter belongs is included in this book. In the List of Voters, indication has been given in the case of each city or town whether the Voters shown thereunder would be voting at a polling booth or by post. In the case of voting at polling booth, each voter is to cast his vote at the polling booth, the serial number of which is indicated against his name by **B-1, B-2, B-3, B-4, B-5……B-24**, as the case may be. The addresses of the polling booths have been given at the beginning of the Notification containing the List of Voters.

[ALL POLLING BOOTHS WILL REMAIN OPEN ON 5TH JULY, 2013
FROM 8.00 A.M. TO 7.00 P.M.]

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, SUDDER STREET, KOLKATA – 700 016.

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Kolkata, the 4th April, 2013

Eligibility to stand for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency

No. BY-EL-2013/18: This is for information of all concerned that the criteria for members eligible to stand for Fresh Election (By-Election), 2013 from Southern India Regional Constituency are specified in Rule 7 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

CMA BHAWAN

12, SUDDER STREET, KOLKATA – 700 016.

April 30, 2013

NOTIFICATION

No. BY–EL–2013/19 : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the names of persons whose nominations for the Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency of the Institute of Cost Accountants of India to be held on 5th July, 2013, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency.

1. **Anegundi, Y.H.**
   No. 130, Sainagar, Phase I,
   Post : Vidyaranyapura,
   Bangalore – 560 097.
   — **Nomination accepted subject to receipt of photograph within 09.05.2013 upto 6.00 P.M.**
2. **Ashok, I.**
   4, Madurai Road, Near Periyar Statue,
   Tirumangalam,
   Madurai – 625 706.
3. **Golakoti, Nageswara Rao**
   H. No. 261, Chetana Housing Colony,
   Old Alwal,
   Secunderabad – 500 010.
4. **Nageswara Rao, A.V.N.S.**
   H. No. 30-1569/2, Plot No. 35,
   Anantanagar Colony, Neredmet,
   Ramakrishnapuram Post,
   Secunderabad – 500 056.
5. **Najimudeen, P.S.M. Hameed**
   Sr. Dy. General Manager (Finance),
   BHEL,
   Trichy – 620 014.
6. **Papa Rao, Sunkara**
   40–7–31, Jammichettu Center,
   Mogalrajapuram,
   Vijayawada – 520 010.
7. **Sreshti, D.L.S.**
   Flat No. 204, Mount Santoshi Apartment, Mayuri Marg,
   Begumpet,
   Hyderabad – 500 016.

(Kaushik Banerjee)
Returning Officer

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The President, CMA Rakesh Singh addressing the audience at the Annual Seminar 2013 'Vision 2020' arranged by Asansol Chapter on 3rd March 2013.

The Vice President, CMA S.C. Mohanty, the Vice Chancellor Tripura University Prof. A.K. Ghosh, Secretary Co-operatives Govt. of India Shri Shantanu Das (IAS), and Dr. Dinesh Chief Executive officer National Co-operatives Union of India, lighting the lamp at the National Conference on Contemporary Issues of Cooperative Societies in India with Special Reference to North Eastern Region, 19th- 21th April, 2013 held at Tripura University.

The Vice President, CMA S. C. Mohanty, Minister for SME Govt. of Odisha, Dr. Damodar Rout, lighting the lamp in the inauguration session at the National Convention held in Odisha on 15th April 2013.

The President, CMA Rakesh Singh, Principal Secretary - Government of Uttarakhand, Shri Ranbir Singh, Secretary General of Assocham Shri D.S. Rawat, Chairman National Council for SMEs of Assocham, Shri P. K. Jain and Shri Devesh Mishra Senior VP of HDFC bank at the 7th SME Shanmelon held in Deharadun on 25th April 2013.

The Vice President, CMA S.C. Mohanty and Central Council Member, CMA Manas Kumar Thakur, meeting the Chief Secretary, Government of Tripura Dr. S. K. Panda and Secretary - Higher Education, Shri Kishor Ambuly on 19th April 2013 in Tripura.

The Vice President, CMA S. C. Mohanty, Minister for SME Govt. of Odisha Dr. Damodar Rout, Special Secretary Dept. of MSME Shri Panchannan Dash, Vice President JSPL Shri Prashant Hota, Dy. Director of Industries Govt. of Odisha Shri Bhuvan Mohan Mohanty and Asst. General Manager Canara Bank Shri U. M. Palo at the National Convention held in Odisha on 15th April 2013.

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Editor : Dr. Debaprosanna Nandy