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INDIAN DEFENCE SECTOR Marching towards AATMANIRBHARTA

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- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

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.”

MISSION STATEMENT

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

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- 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

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तमसोमा ज्योतिर्गमय
मृत्योर्मा मृतं गमय
ॐ शान्ति शान्ति शान्तिः

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

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INSIDE

SEPTEMBER 2023



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COVER STORY

INDIA'S DEFENCE READINESS IN A COST CONSCIOUS WAY - ROLE OF CMAs ---- 25

CHALLENGES AND OPPORTUNITIES IN THE AREAS OF DEFENCE FINANCE AND ECONOMICS: NAVIGATING A COMPLEX LANDSCAPE ---- 27

DEFENCE FINANCE RESHAPED: EMPOWERING INDIA'S SECURITY THROUGH SMART ECONOMICS ---- 30

CHALLENGES AND OPPORTUNITIES IN THE INDIAN DEFENCE SECTOR: A STRATEGIC PERSPECTIVE - THE WAY FORWARD ---- 32

GROWING SIGNIFICANCE OF MSMEs IN INDIAN AEROSPACE MANUFACTURING---- 36

MANAGING DEFENCE RESOURCES SMARTLY: THE CRUCIAL ROLE OF CMAs IN INDIA'S COST-CONSCIOUS READINESS ---- 40

MAKE IN INDIA IN INDIAN DEFENCE: A PROSPECT OF DEVELOPMENT FOR MICRO, SMALL & MEDIUM ENTERPRISES ---- 43

IGNITING YOUNGER MINDS THROUGH DEFENCE START UPS ---- 46

EMPLOYEE ENGAGEMENT IN INDIAN MILITARY ORGANIZATIONS: INSIGHTS FROM INTERVIEWS WITH MILITARY ORGANIZATION HEADS ---- 50

GREEN INITIATIVES IN INDIAN DEFENCE SECTOR - A JOURNEY TOWARDS SUSTAINABILITY ---- 54

INTERVIEW



CMA Ramesh Kumar Dash
Director (Finance)
Garden Reach Shipbuilders & Engineers Ltd., Kolkata

57

SUSTAINABILITY LEAF

SEBI REFORM ON ESG RATING PROVIDERS

60

DIGITAL TRANSFORMATION

Web3 AND TOKENISATION FOR ASSET CREATION BY COMMON PEOPLE WITH FRAGMENTED OWNERSHIP THROUGH BTaaS (6) (3)

HIRED CAR ECOSYSTEM

RE-IMAGINING HIRED TRAVEL CAR INDUSTRY IN INDIA (7) (0)

INVENTORY VALUATION

INVENTORY VALUATION UNDER INCOME TAX ACT BY INQUIRY BEFORE ASSESSMENT: AMENDMENT IN SECTION 142(2A) OF INCOME TAX ACT (7) (4)

RISK MANAGEMENT

MODELLING NIFTY VOLATILITY: APPLICATION OF HYBRID GARCH MODELS (7) (6)

GREEN FINANCE

GREENWASH (8) (2)

MARGINAL COSTING

MULTI-PRODUCT FIRMS: MATHEMATICAL DERIVATION OF COMPOSITE BREAK-EVEN POINT (8) (5)

IND AS

IMPACT OF IND AS IMPLEMENTATION - A STUDY ON PROFITABILITY OF SELECT INDIAN COMPANIES (8) (8)

PREDICTIVE ANALYTICS

PREDICTIVE ANALYTICS AND THE ENHANCED STRATEGIC ROLE OF MANAGEMENT ACCOUNTANTS (9) (3)

SSO - A CATALYST FOR GROWTH AND EFFICIENCY

SHARED SERVICES ORGANISATION: A CULTURE THAT FOSTERS GROWTH, EFFICIENCY AND SUSTAINABLE VALUE CREATION (9) (6)

<i>From the Editor's Desk</i>	06
<i>President's Communique</i>	08
<i>Chairman's Communique</i>	12
<i>Council Committees: 2023-2024</i>	14
<i>ICMAI-CMA Snapshots</i>	21
<i>Down the Memory Lane</i>	100
<i>News from the Institute</i>	103
<i>Statutory Updates</i>	116

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From the Editor's Desk

India is one of the strongest military forces in the world and holds a place of strategic importance. The Government has taken several policy initiatives in the past few years under 'Make in India' program and brought in reforms to encourage indigenous design, development and manufacture of defence equipment in the country, including design and development of the projects like Kamov 31.

Under the Aatmanirbhar Bharat Initiative, four positive indigenization lists of 411 products have been promulgated by Department of Military Affairs and Ministry of Defence to be manufactured domestically for the defence sector, instead of being sourced via imports. SRIJAN portal launched to promote indigenization. 19509 defence items have been displayed on the portal for indigenisation. The Government has established two Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu. India has around 194 defence tech startups building innovative tech solutions to empower and support the country's defence efforts. As of April 1, 2023, 351 startups/MSMEs/individual innovators have been engaged and 227 contracts have been signed..

The word 'Aatmanirbharta' enfolds many things - Multidimensional Thinking Capability, Innovations, Knowledge Applications and Agile executions which commensurate with the Skills of Cost and Management Accountants. Cost and Management Accountants can help to find the value in every cost associated with an activity and contribute towards informed decision making. CMA can identify the possible leakages in the entire value chain. CMAs can facilitate optimum utilization of resources and help to achieve 'zero waste' in the entire manufacturing process.

This issue's cover story is *Indian Defence Sector: Marching towards Aatmanirbharta* and accordingly a number of articles by experts are featured. Brief outline of these articles are as under:

India's Defence Readiness in A Cost Conscious Way - Role of CMAs states Defence readiness is

a continuous activity and disruptions are inevitable. Hence, CMAs can help with contingency plan to mitigate the risks associated with disruptions to the entire eco system and move towards 'Make in India' and achieve Aatmanirbharta.

The article *Challenges and Opportunities in the Areas of Defence Finance and Economics: Navigating a Complex Landscape* emphasizes that the country needs to adopt a long-term strategic approach to defence finance and needs to focus on indigenisation in the defence sector as well as it needs to develop strategic partnerships with other countries in order to strengthen its defence capabilities.

Defence Finance Reshaped: Empowering India's Security through Smart Economics states efficient defence finance and economics are indispensable for enhancing defence readiness while maintaining cost-consciousness. Overcoming challenges, such as budget constraints, complex procurement procedures and inefficient resource utilization, requires a collaborative approach involving Government agencies, defence establishments and Cost Accountants.

The *Article Challenges and Opportunities in The Indian Defence Sector: A Strategic Perspective - The Way Forward* is a conceptual study on how India could take a new path or approach to optimize its security apparatus in ways which can enhance the growth of the economy.

Growing Significance of MSMEs In Indian Aerospace Manufacturing outlines MSMEs as well as creative start-ups possessing sophisticated manufacturing skills are poised to assume a pivotal position in the transformation of the military and aerospace industries.

Managing Defence Resources Smartly: The Crucial Role of CMAs in India's Cost-Conscious Readiness highlights the role of CMAs in effectively and efficiently managing the available resources by using their knowledge of cost analysis, budgeting, and financial management to identify areas of inefficient expenditure and execute cost-cutting solutions in the country's defence sector. From



a CMA's perspective, the adoption of cost analysis, budgeting, performance measurement, ABC technique, cost control, risk management, and life cycle costing can enhance defence readiness in a cost-effective manner.

Make In India in Indian Defence: A Prospect of Development for Micro, Small & Medium Enterprises explores how MSMEs impact the defence industry and how the "Make in India" policy encourages domestic production.

In the article, *Igniting Younger Minds through Defence Start Ups* we can find that Start-ups in the defence sector have made tremendous contribution in the field of nation security. This has been in the form of drones and underwater surveillance cameras and robotic devices. These developments would definitely add to the strength of our defence sector. India can save a lot of its foreign reserves by popularising indigenously developed defence start-ups.

Intricacies of employee engagement within the military's stringent culture have received limited attention. Also, existing studies rely mainly on quantitative methodologies, overlooking valuable insights that qualitative interviews with military organization heads can provide. The article: *Employee Engagement in Indian Military Organizations: Insights from Interviews With Military Organization Heads* aims to address these gaps by conducting in-depth interviews with military organization heads across different branches and ranks in the Indian armed forces. By exploring their perspectives on employee engagement, this research study seeks to gain a comprehensive understanding of the strategies, challenges, and HR practices for fostering a highly engaged military workforce.

Defence sector over the last several decades have undertaken various modernization programmes. A big chunk of it is nothing but green initiatives. *Green Initiatives in Indian Defence Sector - A Journey Towards Sustainability* primarily tries to identify different green initiatives undertaken by the Indian defence sector.

Apart from these, this issue contains articles on various other contemporary matters. We thank all the contributors.

Happy Reading!

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

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

October 2023	Theme Renewable Energy: India emerge as a Global Leader in Energy Transition	Subtopics <ul style="list-style-type: none"> ⊙ Renewable Energy for Sustainable Development in India ⊙ Innovative Energy Startups revolutionizing the Renewable Energy sector ⊙ Green Hydrogen for a better Tomorrow ⊙ Energy Storage to empower future ⊙ Financing a green transition and ensuring India achieve its target Net Zero ⊙ Green Energy: Computing and Security ⊙ Implementing Integrated Energy Policy: The Way Forward ⊙ Role of Smart Grid, IoT, and Big Data in Renewable Energy ⊙ E-Mobility: A greener and safer Future ⊙ India's G20 Presidency: Collective Action and Energy Transition
November 2023	Theme MSMEs: the key driving force to India's Economic Growth	Subtopics <ul style="list-style-type: none"> ⊙ MSMEs crucial role in realising the vision "Atmanirbhar Bharat" ⊙ Udyami Bharat: Introduction of CHAMPIONS 2.0 Portal ⊙ Increasing competitiveness & market presence for MSMEs in a global economy ⊙ Empowering MSMEs through GeM ⊙ Scaling Growth of MSMEs with Digital Transformation ⊙ TREDS: a prudent approach towards bridging the financing gap ⊙ Women Participation in MSME: Opportunities & Challenges ⊙ Vivad se Vishwas scheme: A relief to MSMEs ⊙ Future-ready MSMEs for India@100 ⊙ Scope for MSMEs in Defense Manufacturing ⊙ MSMEs partaking concerning improvement of Employability of the Youth
December 2023	Theme Corporate Social Responsibility (CSR) Ecosystem in India: Trends, Challenges and Ways Forward	Subtopics <ul style="list-style-type: none"> ⊙ Emergence of CSR: History and Current Scenario ⊙ Board Strategy and Effective CSR for Global Economic Growth ⊙ Embedding CSR into the Corporate Governance Structure for Creating Shared Value ⊙ CSR: For improved Healthcare and Nutrition in Rural India ⊙ Sustainable Development Goals (SDGs) and its alignment with CSR towards building a sustainable society ⊙ ESG – A step ahead of the CSR ⊙ CSR as a Catalyst for Skill Development in India ⊙ Integrating CSR into Education to let youth reborn as ethical citizens ⊙ Regulations and Reporting: CSR Compliance and Beyond ⊙ Digital Transformation: a powerful tool to CSR
January 2024	Theme Banking in India: Emerging Challenges and Preparedness of this sector	Subtopics <ul style="list-style-type: none"> ⊙ Expected Credit Loss Mechanism of Banks: Role of CMAs ⊙ Risk Based Internal Auditing a panacea for good governance ⊙ Stock Audit Appraisal: Checklist for highlighting the exceptional ⊙ CMAs role in Bank's Credit Appraisal and Monitoring Framework ⊙ CMAs as Concurrent Auditors ⊙ Mergers and Acquisitions the way forward for the Indian Banking System ⊙ Digital Banking: The need of the Hour ⊙ NBFCs are they an alternative to Banks ⊙ Artificial Intelligence: A Disruptive changeover in the Banking Landscape ⊙ Inclusive banking to inclusive growth

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

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



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President

The Institute of Cost Accountants of India

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change"

-- Charles Darwin

My Dear Professional Colleague,

At the outset, I would like to extend my heartiest congratulations to entire of team of ISRO and all its associates on the momentous success of the Chandrayaan-3 lunar landing mission. The successful touchdown on the moon on 23rd August, 2023 was an extraordinary feat that showcased the dedication, expertise, innovation and relentless pursuit of excellence that ISRO embodies. This historic achievement serves as a beacon of inspiration for future space endeavours and reminds us of the incredible heights we can achieve through ingenuity and perseverance. We are glad to note that the Government of India has decided to celebrate 23rd August as the 'National Space Day' marking the successful landing of the Chandrayaan-3.

Our Nation celebrated its 77th Independence Day on 15th August, 2023. On this auspicious occasion, I had the privilege of hoisting the National Flag at Headquarters of the Institute at Kolkata in the presence of Council members, Former Presidents, Regional Council Members of EIRC and employees of the Institute. I am happy to inform that the Institute through its Headquarters, Regional Councils, and Chapters actively participated in the 'Har Ghar Tiranga' campaign by hoisting flags in their premises and 'Meri Maati Mera Desh' campaign by paying tribute to the "Veers" of our nation who sacrificed their lives for our motherland.

Council decisions for Members and Students

⦿ Fees Waiver Scheme for the Students of Jammu and Kashmir and North Eastern States of India

I am glad to announce that the Council of the Institute has decided to grant 75% fees waiver for the male students and 100% fees waiver for the female students of Jammu and Kashmir and any of the eight North Eastern States of India (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) taking admissions in the CMA Course (Foundation, Intermediate and Final levels). This scheme aims to promote the CMA Course widely and to contribute to the vision of the Government of India for Amrit Kaal. For details, you can refer to the notifications dated 1st September, 2023 on Institute's website.

⦿ Reduction in UDIN generation time

The Council of the Institute has decided to reduce the time limit of generating UDIN from 60 days to 45 days w.e.f. 1st January, 2024, which will be further reduced to 30 days w.e.f. 1st March, 2024.

Meeting with dignitaries

⦿ I along with CMA Manoj Kumar Anand, Council Member, ICAI extended greetings to Shri Manish Goswami, Adviser (Cost), Cost Audit Branch, Ministry of Corporate Affairs, GoI on 8th August, 2023.

I earnestly request our members in practice to follow up with their clients to ensure timely preparation and filling of cost audit reports, and other related statutory compliances.

⦿ I along with CMA Manoj Kumar Anand, Council Member, ICAI, CMA Navneet Kumar Jain, Council Member, ICAI and CMA Manish Kandpal, Regional Council Member, NIRC-ICMAI extended greetings to Shri Nitin Gupta, IRS, Chairperson, Central Board of Direct Taxes (CBDT) and Shri K. C. Varshney, Joint Secretary, Tax Policy and Legislation (TPL - I), Central Board of Direct Taxes, Ministry of Finance, GoI on 10th August, 2023.

⦿ CMA Manoj Kumar Anand, Council Member, ICAI felicitated CMA Rakesh Kumar Jain, Director (Finance) of GAIL (India) Limited, on being awarded the prestigious 'CFO Leadership Award' by CMO Asia on 17th August, 2023 at Singapore.

⦿ CMA Manoj Kumar Anand, Council Member, ICAI, CMA Navneet Kumar Jain, Council Member, ICAI along with CMA S.N. Mittal, Chairman, NIRC-ICMAI & CMA Santosh Pant, Secretary, NIRC-ICMAI had an opportunity to meet Shri Om Birla,

Hon'ble Speaker of Lok Sabha, Parliament of India to have a brief discussion about CMA Profession.

- CMA Navneet Kumar Jain, Council Member, ICAI, CMA Manish Kandpal, Secretary, NIRC-ICMAI and CMA Jeewan Chandra had a meeting with Hon'ble Chief Minister of Uttarakhand, Shri Pushkar Singh Dhami and submitted representations.
- CMA Navneet Kumar Jain, Council Member, ICAI and CMA (Dr.) D.P. Nandy, Sr. Director, ICAI met Shri Pradeep Kumar Meel, Additional Director General (O&MS), Income Tax Department and briefed him about the CMA profession with a request to consider CMAs for professional work related to the Income Tax Department.
- CMA Navneet Kumar Jain, Council Member, ICAI, CMA Jeewan Chandra, RCM, NIRC-ICMAI and CMA (Dr.) D.P. Nandy, Sr. Director, ICAI had a meeting with Shri Ashwini Vaishnav, Hon'ble Union Minister for Railways, Communications, Electronics & Information Technology, GoI and Dr. Jayanta Kumar Roy, Hon'ble Member of Parliament at Sansad Bhavan on 10th August, 2023.

Opportunity for CMAs in United India Insurance Company Limited

I am glad to inform that United India Insurance Company Limited have included CMA qualification under the eligibility condition to apply for the post of Administrative Officer (Scale-I) in Accounts/Finance Specialist. The total number of vacancies is 24 numbers. The CMAs can provide necessary value addition in the Insurance Domain and I request the eligible CMAs to apply for the posts so that we can spread our wings in the Insurance Sector.

Meeting with IRDAI

I am happy to state that a delegation from the Institute would be meeting the Member (Finance & Investment) and Member (Distribution) of IRDAI on 6th September, 2023 to deliberate at length on inclusion of CMAs in various other domains in the Insurance Sector.

Chintan Shivir organized by Ministry of Finance

I am pleased to inform you that CMA T.C.A Srinivasa Prasad, Council Member, ICAI represented the Institute in the 'Chintan Shivir' organised by the Department of Revenue, Ministry of Finance, Government of India on 3rd August, 2023 at New Delhi. He participated in the break out session on 'Leveraging of Technology – Improvement of Taxpayer services, and widening of tax base'.

Indian Cost Accounts Service Day

I am happy to inform you that I had the opportunity to address the Indian Cost Accounts Service officials on the occasion of Indian Cost Accounts Service Day celebrated on 9th August, 2023 at Vigyan Bhawan, New Delhi. Dr. T. V.

Somanathan, Finance Secretary & Secretary (Expenditure) graced the occasion as the Chief Guest. He appreciated the advice rendered by the ICoAS officers in the course of evaluation of various financial proposals appraised/approved by the PIB/EFC/SFC etc. He also appreciated the findings under various study reports submitted by the O/o Chief Adviser Cost which resulted in significant savings for the Government. He complimented the officers on the service day and expected that the officers will continue to support the Government in bringing efficiency and cost reduction.

Shri Tuhin Kanta Pandey, Secretary, DIPAM, chaired the Technical Session on the topic "Artificial Intelligence and Role of Finance Professionals - Challenges & Opportunities". Head of Service, CMA Ashu Mathur, Additional Chief Adviser (Cost), Department of Expenditure, Ministry of Finance, GoI also addressed the participants during the event.

SAFA Events hosted by CA Maldives

The Institute of Chartered Accountants of the Maldives hosted the South Asian Federation of Accountants (SAFA) events & meetings during 19-22 August, 2023 in Maldives.

I along with CMA Dr. Ashish P. Thatte, Chairman International Affairs Committee, CMA Neeraj D. Joshi, Council Member, ICAI and CMA Harshad Deshpande, Council Member, ICAI represented the Institute in the SAFA Committee meetings and other events.

CA Maldives organized SAFA IFRS and ISAs Forum 2023 on 19th & 20th August, 2023 and hosted SAFA Foundation Day Conference 2023 & IFAC SAFA Workshop on 22nd August, 2023 at Maldives.

I attended the SAFA Board meeting on 21st August, 2023 and panel discussion on the topic "Impact of Technology on the Accountancy profession" during the SAFA Foundation Day Program on 22nd August, 2023.

CMA Dr. Ashish P. Thatte, Chairman International Affairs Committee participated in the "Panel Discussion on Sustainability Standards" on 19th August, 2023 at the SAFA IFRS and ISAs Forum 2023.

ICMAI- ASSOCHAM Certified AML Professional Program Anti-Money Laundering

I am pleased to inform that the Institute jointly with ASSOCHAM conducted a one day Certified AML Professional Program (CAML P) on Anti-Money Laundering on 25th August, 2023 at New Delhi. CMA Manoj Kumar Anand, Chairman, Professional Development Committee, ICAI addressed the participants during the inaugural session of the CAMLP. Participating candidates were greatly benefitted from the detailed deliberations by the distinguished recourse persons during the sessions conducted on "Legal & Regulatory framework", "Monitoring, Investigation & Reporting", "Business specific risk of Money Laundering and trends (with global case studies and case laws)", "Cryptocurrency and Money Laundering" and "Risk &

Governance”.

I now present a brief summary of the activities of various Departments/Committees/ Boards of the Institute, in addition to those detailed above:

BANKING, FINANCIAL SERVICES AND INSURANCE BOARD

The Banking, Financial Services & Insurance Board of the Institute and the BFSI department continued its various activities and initiatives in August 2023, a synopsis of which is presented below:

A. Representation letters for inclusion of CMAs

The BFSIB continues its efforts for further development of the profession in the BFSI sector with representations to authorities and employers for inclusion of CMAs in the sector. The concerted and diligent efforts have resulted in numerous opportunities for CMAs.

I am pleased to inform you that CMAs are eligible to apply for the posts of Executive Director of SEBI and for the posts of Manager and Assistant Manager in The Cosmos Cooperative Bank Ltd as per the latest advertisements. I applaud the efforts taken by BSFI Board.

B. Representation to IRDAI

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB had represented to Member (Finance & Investment), IRDAI for inclusion of CMAs as a concurrent auditor of investment function and the audit of investment risk management system.

C. Release of the 3rd Annual and 14th Issue of the BFSI Chronicle

The BFSIB has released the 3rd Annual and 14th Issue of the BFSI Chronicle. It includes various articles and activities of the BFSIB. The articles are relevant and timely for members and students for their knowledge dissemination. Interested members can visit https://icmai.in/Banking_Insurance/ to read the BFSI Chronicles.

D. Certificate Courses on Banking

The admission window for the three Certificate Courses on Banking is open, viz –

- ⊙ Certificate Course on Concurrent Audit of Banks (9th Batch)
- ⊙ Certificate Course on Credit Management of Banks (9th Batch)
- ⊙ Certificate Course on Treasury and International Banking (7th Batch)

The syllabuses of all such courses are under review and new study materials are under preparation. The members and students are requested to take the opportunity for capacity building and knowledge enhancement by enrolling in such

courses for which the link of admission is <https://icmai.in/advsc/Home.aspx>

COMMITTEE FOR ACCOUNTING TECHNICIANS (CAT)

I am elated to share with you that the Institute is starting the first-ever batch of CAT course at Chennai for retiring/retired JCOs/OR & their equivalent in association with Directorate General of Resettlement (DGR), Department of Ex-Servicemen Welfare, Ministry of Defence, Government of India as per their approved calendar for the training year 2023-24.

As per the approved calendar of the DGR, the batches will be commenced soon at other locations as well viz. Bhubaneswar, Indore, Jaipur, Lucknow, Madurai, Pune and New Delhi.

I would like to congratulate the CAT Directorate for their efforts in materialising the association with the Ministry of Defence.

CONTINUING EDUCATION PROGRAMME COMMITTEE

I am glad to inform you that the Institute is going to commence the 9th Batch of Online Mandatory Capacity Building Training (e-MCBT) in September 2023. We look forward to your active participation in the training. For more details, click <https://icmai.in/MCBT/Home.aspx>

During the month, around forty webinars and programmes were organised by the different committees of the Institute, Regional Councils and Chapters of the Institute on the topics of professional relevance and importance like Forensic Audit & Role of Accountant, Inventory Valuation under Income Tax Act - upcoming professional opportunities for CMAs, Discussion on Draft Form 6C Inventory Valuation under Income Tax, Impact of AI / GPT in Indian context, Recent Changes in GST Laws and Legal Jurisprudence, Cost Audit of Sugar Industry and so on. I am sure our members are immensely benefited with the deliberations in the sessions.

DIRECTORATE OF STUDIES

I am pleased to share that the Directorate of Studies and the Information Technology department of the Institute has undertaken extensive joint meetings to review the students portal and has initiated steps for overall updation of the students section / portal of the Institute's website to offer the students even more seamless online experience in all student related activities. I call upon students to offer their valuable feedback as users on the students' portal which they feel will further better our services, such feedback may be sent to studies.director@icmai.in

I am happy to note that the students' admissions have increased by 21% for December 2023 term as compared to December 2022 term, which imposes us with even more faith that the profession is headed in the right direction.

I also take this opportunity to convey my best wishes to the students who have appeared for the CMA examinations that were held simultaneously for 2016 and 2022 CMA Syllabus during the month of July 2023.

MSME & START-UP PROMOTION BOARD

I am happy to share that on behalf of the Institute, MSME & Start-up Promotion Board had participated in the 9th India International MSME Expo & Summits 2023 which was organized by the MSME Development Forum at Pragati Maidan, New Delhi during 10th to 12th August, 2023.

PROFESSIONAL DEVELOPMENT COMMITTEE

I am pleased to inform that on Institute's request, Gliders India Limited considered Cost Accountants Firms for Internal Audit services.

Please visit the PD Portal for Tenders/EOIs during the month of August 2023 where services of the Cost Accountants are required in Airports Authority of India, Gujarat Mineral Research and Development Society, J&K Bank, Employees State Insurance Corporation, Karnataka Power Corporation Limited, Indian Strategic Petroleum Reserves Limited, Assam Electricity Grid Corporation Limited, Infrastructure Development Authority, Hindustan Steelworks Construction, Kanpur Electricity Supply Company Limited, etc.

Professional Development Committee in association with PHD Chamber of Commerce and Industry organised webinars on "Conference on TDS" and "Recent Changes in GST Laws and Legal Jurisprudence".

TAX RESEARCH DEPARTMENT

I would like to congratulate all the candidates of the Taxation Courses who have successfully passed the examination conducted on 20th August 2023. Exams were conducted all across India for all the 7 taxation courses and I am happy to note the enthusiasm among the budding learners in these courses. Wish them all the luck for their future endeavours.

On 22nd August, 2023, TRD conducted a webinar on "Inventory Valuation under Income Tax Act Mission towards Transparency with CMAs". The webinar was undertaken by CMA Navneet Jain, Council Member, ICAI who enriched the participants with his knowledge on various aspects of Inventory Valuation under Income Tax Act. I am sure that the participants were benefited immensely from the session.

The department also conducted a 4-day workshop on the "Addressing the Issues on GST Returns and Notices". The workshop undertaken by CMA B M Gupta was widely appreciated by the members, students and other learners.

The GST Course for college and university students is being conducted in Scottish Church College, Kolkata. The Crash Course on Income Tax has commenced on 26th August at Sandip University, Nashik.

Brainstorming sessions and quiz are being conducted

every Friday for the members. The admissions for all seven Taxation courses are open and classes are scheduled to commence in September, 2023.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF THE INSTITUTE

Insolvency Professional Agency of Institute of Cost Accountants of India, in its endeavour to promote professional development and sharpen the skills of the professionals, has constantly been conducting various professional & orientation programs across the country and issuing various publications and books for the benefit of stakeholders at large. Towards that, IPA ICAI has undertaken several initiatives, as enumerated below, during the month of August 2023.

A Workshop on Not Readily Realisable Assets (NRRAs) was conducted on 5th August 2023. A two-day Online Learning Session on Analysis of Financial Statements under PUF Transactions on 12th – 13th August 2023 and a Workshop on Interface of different Laws with IBC, 2016 on 26th August 2023 were also conducted. Further, IPA ICAI published Au-Courant (Daily Newsletter), a weekly IBC Dossier, and a monthly e- Journal which are hosted on its website.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to inform you that ICAI RVO has successfully organized three "50 Hrs training programs" for Securities or Financial Assets, Land and Building asset classes and organized five Professional Development Programs during the month of August, 2023.

ICMAI SOCIAL AUDITORS ORGANISATION (SAO)

I am pleased to inform you that ICAI SAO has organized 10 Preparatory courses for the Social Auditors Exam conducted by NISM and has organized 34 Professional Developed Programs on various themes within CSR / ESG, Social Audit domains over the last 6 months. It also organized a Round Table discussion involving Association of NGOs and with various social organizations for fruitful interface.

I wish prosperity and happiness to members, students and their families on the occasion of Janmashtami, Ganesh Chaturthi & Milad-un-Nabi and pray for the success in all of their endeavours.

With warm regards,



CMA Ashwin G. Dalwadi

September 01, 2023

CHAIRMAN'S COMMUNIQUÉ

Journal & Publications Committee
The Institute of Cost Accountants of India

CMA (Dr.) K Ch A V S N Murthy



Dear all,

To become 'unique', the challenge is to fight the hardest battle which anyone can imagine until you reach your destination.

- Dr. APJ Abdul Kalam, Former President of India

It is a great honour and pleasure for me to be re-elected as the Chairman of the Journal & Publications Committee. At this outset, I would like to extend my heartfelt gratitude to the President and the august Council of the Institute for giving me this great opportunity once again to serve the Institute as the Chairman of this department.

The Journal and Publications Department of the Institute intends to incorporate new features and relevant cover stories of national and global importance in the journal and provides best efforts to reach the inaccessible through persistent value addition. The mouthpiece of the Institute and the CMA profession likewise and also to cater to the informational needs of members, students and readers in general - *The Management Accountant*, with its contemporary layout and edifying contents is highly commendable amongst the readers. We emphasize to elevate the Journal to a global standard and create a brand on its own.

Now, reminiscing the past 4 years; I'm incredibly proud of all that we've accomplished. We have some noteworthy achievements that deserves mention. Furthermore, we were able to face the challenges and emerged stronger than ever. The *Management Accountant* got enlisted in the prestigious "UGC-CARE Reference List of Quality Journals". There has also been an endeavour to incorporate special columns in the Journal like Digital Transformation, the highly appraised Column; Statutory Updates; Sustainability Leaf; Book Review, Interview of eminent personalities and Down the Memory Lane for benefit of the readers. Pages are dedicated every month to incorporate Digital Object Identifier (DOI) nos. for the published articles.

In today's fast-paced, technologically advanced world, digital transformation has become an integral part of every forward-thinking business strategy. To stay competitive, businesses of all sizes must adapt and evolve with the changing technological landscape. The Column on "Digital Transformation" presents varied articles on digital transformation; which has proved to be extremely beneficial towards enrichment of reader's knowledge base.

The issue of sustainability, undoubtedly is an eternal as well as an inevitable need. Our Institute, since its inception, is making timely endeavours to match the pace of sustainability issues and create awareness among our students, members and other

stakeholders. However, considering the increasing speciality in the subject globally, a need was felt to constitute a Sustainability Standards Board (SSB) to educate the masses in general and our members in particular on recent developments in Sustainability. The board, hence decided to come out with an exclusive section in *The Management Accountant Journal* titled "Sustainability Leaf".

This month's Journal issue showcases articles on "*Indian Defence Sector: Marching towards Atmanirbhara*". The strength of a nation's defence force is traditionally seen as a key source and indicator of physical security. Defence is increasingly shifting into the digital domain to provide protection against cyber warfare. The Indian Defence industry is taking giant steps in transforming the armed forces into one of the most advanced in the world. Government's support and plans to modernize the military through AI is a result of years of groundwork. Bold policies, dedicated budgets, policy changes and the thrust towards indigenisation, have helped create an atmosphere of cutting-edge innovation and collaboration. The Government has identified the Defence and Aerospace sector as a focus area for the 'Aatmanirbhar Bharat' or Self-Reliant India initiative, with a formidable push on the establishment of indigenous manufacturing infrastructure.

Collaborative efforts among industry both public and private, research organisations, academic institutions, start-ups and innovators has helped create many unique technological products based on AI in the areas of data, logistics, surveillance, weapons and many more. The introduction of autonomy in weapon systems, in ISR (Intelligence, Surveillance and Reconnaissance), data management, can be a huge asset in stopping terrorism, installing counter-terrorism measures, protecting soldiers. In fact, AI in defence can change combat and conflict at the deepest levels.

Further, we are immensely happy to publish an article authored by hon'ble President of our Institute, CMA Ashwin G. Dalwadi alongwith CMA (Dr.) S K Gupta on hired travel car industry in India and an Interview by CMA Ramesh Kumar Dash, Director (Finance), Garden Reach Shipbuilders & Engineers Ltd., Kolkata.

It has been an incredible journey and would not have been possible without the unwavering support of my team members. The trust reposed by you, has always motivated me to deliver the responsibility and task bestowed upon towards fulfilling the mission and vision of the Institute in particular and the society at large. I am deeply grateful to each one of you for the unflinching support and look forward to the same in my new term of service too.

Also, we solicit your feedback, suggestions, and concerns for the overall development of the Journal and Publications Department. Please send us mails at editor@icmai.in / journal@icmai.in for various issues relating to Journal and Publications.

Thank you all.

CMA (Dr.) K Ch A V S N Murthy

September 01, 2023

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CMA Ashwin G. Dalwadi

President
The Institute of Cost Accountants of India
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Members

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8. CMA Suresh Rachappa Gunjalli
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11. CMA Sunil Luthra, Co-opted

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CMA Dr. Sumita Chakraborty, Addl. Director

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6. CMA Dr. K Ch A V S N Murthy
7. CMA T.C.A. Srinivasa Prasad
8. CMA Kunal Banerjee, Past President
9. CMA Asim Kumar Mukhopadhyay
10. CMA Vijay Joshi
11. CMA Jyothi Satish
12. CMA B.B. Goyal,
13. CMA D.C. Bajaj, Past President
14. CMA M. Gopalakrishnan, Past President
15. CMA Sankalp Wadhwa
16. CMA D.K. Saraff
17. CMA Ravi Sahani
18. CMA B.L. Jain
19. Shri B. Rajendran
20. CMA Anjani Kumar Tiwari
21. CS Nagender D. Rao
22. CA Anuj Kumar Goyal
23. Nominee of MCA
24. Nominee of CBIC
25. Nominee of CBDT
26. Nominees of Global Accounting Bodies

Secretary

CMA Tarun Kumar, Addl. Director

25. Cost Auditing and Assurance Standards Board (Quorum: 5)**Chairman**

1. CMA Ashwin G. Dalwadi, President

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Vinayaranjan P.
4. CMA Manoj Kumar Anand
5. CMA Navneet Kumar Jain

COUNCIL COMMITTEES

6. CMA Suresh Rachappa Gunjalli
7. CMA B.B. Goyal
8. CMA M.K. Mittal
9. CMA M. Kameswara Rao
10. CS Chetan Patel
11. Nominees of Industry Associations

Secretary

CMA Tarun Kumar, Addl. Director

26. Internal Auditing and Assurance Standards Board (Quorum: 5)

Chairman

1. CMA Chittaranjan Chattopadhyay

Members

2. CMA Harshad Shamkant Deshpande
3. CMA Rajendra Singh Bhati
4. CMA Avijit Goswami
5. CMA Dr. V. Murali
6. CMA Suresh Rachappa Gunjalli
7. CMA Dr. K Ch A V S N Murthy
8. CMA T.C.A. Srinivasa Prasad
9. CMA Kanti Lal Goyal
10. CMA Bhaskar Basu
11. CMA Ram Kumar K
12. CMA Bugata Govinda Raju
13. CMA Nitish Kalra
14. Nominee of Industry Associations
15. Nominee of Professional Institute
16. Nominee of CAG
17. Nominee of Bank
18. Nominee of Regulatory body

Secretary

CMA Yogender Pal Singh, Joint Director

27. Banking, Financial Services & Insurance Board (Quorum: 5)

Chairman

1. CMA Chittaranjan Chattopadhyay

Members

2. CMA Dr. Ashish P. Thatte
3. CMA Harshad Shamkant Deshpande
4. CMA Rajendra Singh Bhati
5. CMA Vinayaranjan P.
6. CMA Suresh Rachappa Gunjalli
7. CMA Dr. K Ch A V S N Murthy
8. CMA A.K. Shah
9. CMA Ashok Jain
10. CMA Kumararajan Sethurajan
11. CMA Sunder Ram Korivi
12. Dr. A.C. Rout,
13. CMA P.N. Murthy
14. CMA Yatrik Vin
15. CMA Archana Singh
16. Nominee of IRDAI

17. Nominee of RBI
18. Nominee of SEBI
19. Nominee of DFS, Ministry of Finance

Secretary

CMA Arup Sankar Bagchi, Sr. Director

28. Board of Advanced Studies & Research (Quorum: 3)

Chairman

1. CMA Suresh Rachappa Gunjalli

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Manoj Kumar Anand
4. CMA Navneet Kumar Jain
5. CMA Vinayaranjan P.
6. CMA Dr. K Ch A V S N Murthy
7. CMA T.C.A. Srinivasa Prasad
8. CMA Debasis Mitra
9. CMA Sawal
10. CMA Rajiv Srivastava
11. CMA Umeshwar Sharma
12. CMA Senthil Kumar
13. CMA Dr. Madhuvanti Sathe
14. CMA Shailendra Paliwal

Secretary

CMA Dr. Debaprosanna Nandy, Sr. Director

29. Technical Cell (Cost Audit & Statutory Compliances) (Quorum: 3)

Chairman

1. CMA Manoj Kumar Anand

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Dr. Ashish P. Thatte
4. CMA Navneet Kumar Jain
5. CMA Dr. D.V. Joshi, Past President
6. CMA Chandra Wadhwa, Past President
7. CMA Kunal Banerjee, Past President
8. CMA B.B. Goyal,
9. CMA Parvathy Venkatesh
10. CMA Aseem Jain
11. CMA Sayed Mohammed Anwar Hasan
12. Advisor (Cost) or his nominated person
13. CMA Mohit Singhal
14. CMA I.P. Singh

Secretary

CMA Tarun Kumar, Addl. Director

30. MSME & Start-up Promotion Board (Quorum: 4)

Chairman

1. CMA Suresh Rachappa Gunjalli

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Manoj Kumar Anand
4. CMA Rajendra Singh Bhati
5. CMA Chittaranjan Chattopadhyay
6. CMA Dr. V. Murali
7. CMA Dr. K Ch A V S N Murthy
8. CMA Manoj Singh
9. CMA Shishir Agarwal
10. CMA N.K. Nimkar
11. CMA Raman D
12. CMA Dushyant Dave
13. Nominee from FOSMI
14. Nominee from MSME Chamber of Commerce
15. Nominee from National Institute for MSME

Secretary

CMA Shubhro Michael Gomes, Director

31. Agriculture Cost Management Board (Quorum: 4)**Chairman**

1. CMA Harshad Shamkant Deshpande

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Rajendra Singh Bhati
4. CMA Avijit Goswami
5. CMA Chittaranjan Chattopadhyay
6. CMA Vinayaranjan P.
7. CMA Dr. K Ch A V S N Murthy
8. CMA Dr. Sreehari Chava
9. CMA Santosh Sharma
10. CMA RaveenderNath Kaushik
11. CMA Sanjay Kumar Arya
12. CMA K.S. Kamalakara

Secretary

CMA Dr. Debaprosanna Nandy, Sr. Director

32. Co-operative Development Board (Quorum: 4)**Chairman**

1. CMA Navneet Kumar Jain

Members

2. CMA Harshad Shamkant Deshpande
3. CMA Avijit Goswami
4. CMA Chittaranjan Chattopadhyay
5. CMA Vinayaranjan P.
6. CMA Suresh Rachappa Gunjalli
7. CMA Dr. Ashish P. Thatte
8. CMA K.K. Vyas
9. CMA Bhargava Srinivasa Raghavan
10. CMA Anjeev Kumar Jain
11. CMA T.K. Jaganathan
12. Nomination from Co-Operative Ministry
13. Nomination from Co-Operative Ministry from Maharashtra
14. Nomination from Co-Operative Ministry from

Karnataka

15. Nomination from Co-Operative Ministry from Punjab
16. Nomination from Co-Operative Ministry from WB
17. Nomination from Co-Operative Ministry from Gujrat

Secretary

CMA Dr. Sumita Chakraborty, Addl. Director

33. Sustainability Standards Board (Quorum: 4)**Chairman**

1. CMA Dr. Ashish P. Thatte

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Manoj Kumar Anand
4. CMA Navneet Kumar Jain
5. CMA Avijit Goswami
6. CMA Dr. V. Murali
7. CMA A.N. Raman, Past President, SAFA
8. CMA Amit Apte, Past President
9. Dr. Ranjith Krishnan
10. Nominee of SEBI
11. Nominee of Professional Institutes (ICAI, ICSI)
12. Nominee of Industry Association (ASSOCHAM)
13. Nominee of GRI India

Secretary

CMA Yogender Pal Singh, Joint Director

34. Task Force on Election Reforms (Quorum: 2)**Chairman**

1. CMA Ashwin G. Dalwadi, President

Members

2. CMA Neeraj Dhananjay Joshi
3. CMA Dr. Ashish P. Thatte
4. CMA Chittaranjan Chattopadhyay
5. CMA Dr. V. Murali

Secretary

CMA Dr. Kaushik Banerjee, Secretary

- President is Permanent Invitee to all the committees except Disciplinary Committees, Board of Discipline, Quality Review Board and committees represented by him as Chairman.

- Vice President is Permanent Invitee to all the committees except Disciplinary Committees, Board of Discipline, Quality Review Board and committees represented by him as Chairman.

INDEPENDENCE DAY CELEBRATION

At Institute Office - Kolkata & Delhi





1. CMA Navneet Kumar Jain, Council Member, ICMAI, CMA Jeewan Chandra, RCM, NIRC-ICMAI and CMA (Dr.) D.P. Nandy, Sr. Director, ICMAI during a meeting with Shri Ashwini Vaishnaw, Hon'ble Union Minister for Railways, Communications & Information Technology, GoI and Dr. Jayanta Kumar Roy, Hon'ble Member of Parliament at Sansad Bhavan on 10th August, 2023.



2. CMA Ashwin G. Dalwadi, President, ICMAI along with CMA Manoj Kumar Anand, Council Member, ICMAI extending greetings to Shri Manish Goswami, Adviser (Cost), Cost Audit Branch, Ministry of Corporate Affairs, GoI on 8th August, 2023.

3. CMA Ashwin G. Dalwadi, President, ICMAI, CMA M.K. Anand Council Member, ICMAI met Shri P K Upadhyay, Chairperson, Adjudicating Authority Prevention of Money Laundering Authority (PMLA).



4. CMA Ashwin G. Dalwadi, President, ICMAI along with CMA Manoj Kumar Anand, Council Member, ICMAI, CMA Navneet Kumar Jain, Council Member, ICMAI and CMA Manish Kandpal, Regional Council Member, NIRC-ICMAI extending greetings to Shri K. C. Varshney, Joint Secretary, Tax Policy and Legislation (TPL - I), Central Board of Direct Taxes, Ministry of Finance, GoI on 10th August, 2023.

5. CMA Ashwin G. Dalwadi, President, ICMAI along with CMA Manoj Kumar Anand, Council Member, ICMAI, CMA Navneet Kumar Jain, Council Member, ICMAI and CMA Manish Kandpal, Regional Council Member, NIRC-ICMAI extending greetings to Shri Nitin Gupta, IRS, Chairperson, Central Board of Direct Taxes (CBDT), Ministry of Finance, Government of India on 10th August, 2023.

6 & 7. CMA M K Anand, Council Member, ICMAI, CMA Navneet Kumar Jain, Council Member, ICMAI along with CMA S.N. Mittal, Chairman, NIRC-ICMAI & CMA Santosh Pant, Secretary, NIRC-ICMAI met Shri Om Birla, Hon'ble Speaker of Lok Sabha, Parliament of India to have a brief discussion about CMA Profession.



8



13



9



14



10

8. CMA M K Anand, Council Member, ICMAI, CMA Navneet Kumar Jain, Council Member, ICMAI along with CMA S.N. Mittal, Chairman, NIRC-ICMAI & CMA Santosh Pant, Secretary, NIRC-ICMAI met Shri Om Birla, Hon'ble Speaker of Lok Sabha, Parliament of India to have a brief discussion about CMA Profession.

9. CMA Chittaranjan Chattopadhyay, Council Member, ICMAI and CMA Avijit Goswami, Council Member ICMAI extending greetings to Shri Ashwani Kumar, MD & CEO, UCO Bank on 3rd August, 2023.

10. CMA Chittaranjan Chattopadhyay, Council Member, ICMAI along with CMA Subhashis Chakraborty, Vice Chairman, EIRC-ICMAI presenting the Institute's publication to Shri Prem Anup Sinha, CGM, SBI LHO, Kolkata on 16th August, 2023



11

11. CMA Navneet Kumar Jain, Council Member, ICMAI and CMA (Dr.) D.P. Nandy, Sr. Director, ICMAI met Shri Pradeep Kumar Meel, Additional Director General (O&MS), Income Tax Department and briefed him about the CMA profession with a request to consider CMAs for professional work related to the Income Tax Department.

12. CMA Manoj Kumar Anand, Council Member, ICMAI felicitating CMA Rakesh Kumar Jain, Director (Finance) of GAIL (India) Limited, on being awarded the prestigious 'CFO Leadership Award' by CMO Asia on 17th August, 2023 at Singapore.



12

13. CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI along with CMA Chaitanya Mohrir, Chairman, WIRC-ICMAI felicitating Shri Sanjay Rudra, Chief Risk Officer, Bank of Maharashtra at Pune on 18th August, 2023.

14. CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI along with CMA Chaitanya Mohrir, Chairman, WIRC-ICMAI felicitating CMA Dr. Tarun Agarwal, Director, National Insurance Academy on 18th August, 2023 at Pune.

About Guru Nanak College

Guru Nanak College (GNC) is located in Velachery, South Chennai, on a 25-acre lush green campus between Raj Bhavan and IIT-Madras. Established in 1971 by the Guru Nanak Educational Society to commemorate Sri Guru Nanak Devji's 500th birth anniversary. The college's mission is to provide quality education to all, regardless of background, in line with the motto 'Pro Bono Publico,' reflecting the Sikh prayer 'Sarbat da bhala' which means 'for the benefit of all'. Despite being a minority institution in Tamil Nadu, GNC operates without claiming any minority status concessions, serving the majority community.

About the Department of Commerce

Established as an undergraduate Department in 1972, the Department of Commerce expanded into a Post-Graduate Department in 1980. The Department has been offering Ph.D. Programme from 1994 onwards. Fifteen Faculty members are Doctorates in Commerce and eight of them are recognized as Ph.D. Guides of the University of Madras. 81 candidates have been awarded Doctoral Degree by this Department. The Faculty of the Department have been actively presenting research papers at National and International Conferences and also publishing articles in refereed journals regularly. In order to meet the societal needs and requirements, the PG & Research Programme of Commerce strives to equip students with multidimensional talents to face the competitive world of business. Many eminent Professors and stalwarts have been a part of this Department and have authored several books which are hugely popular among the students' committee. The programmes offered by the Department is learner centric and contemporary in its design. It includes Project Training, Industrial Visits, Guest Lectures, Workshops, Scientific Research Study and Seminars as a part of its curriculum to create 360-degree industry ready professionals.

About the Programme

Discover the transformative impact of Information Technology in commerce and business during this five-day Capacity Enhancement Programme (CEP) presented by Guru Nanak College and The Institute of Cost Accountants of India. Engage with industry leaders and experts to enhance your knowledge and skills.

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SCHOOL OF COMMERCE

PG & RESEARCH PROGRAMME OF COMMERCE

in association with

INFORMATION TECHNOLOGY COMMITTEE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

[Statutory Body Under an Act of Parliament]

In Pursuance of MoU dated 12 March 2021

organizes

CAPACITY ENHANCEMENT PROGRAMME

ON

INFORMATION TECHNOLOGY IN COMMERCE AND BUSINESS



11th September 2023 to 15th September 2023
[5 days]



2:00 PM to 3:30 PM



Live Streaming



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General Secretary & Correspondent



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President - ICMAI



DR. M.G. RAJUMATHIYAN
Principal



CMA BIBHUTI BHUGAN MAYAK
Vice President - ICMAI

ADVISORS



DR. T.K. AVAI KOTHARI
Associate Professor & Head,
PG & Research Programme,
Dean - School of Commerce



CMA SRIWASA PRAASAD ICA
Council Member,
Chairman - Information Technology Committee,
Assistant Professor - Commerce,
DDAD, Vaidhyan College



CMA RAKESH SHANKAR RAVANWAR
Cost Accountant,
Assistant Professor - Commerce,
DDAD, Vaidhyan College

ORGANIZING SECRETARIES



DR. R. BEETHA
Vice President,
PG - Commerce Association



DR. M. BANILA
Vice President,
UG - Commerce Association

About the Institute of Cost Accountants of India

The Institute of Cost Accountants of India, established in 1944 and recognized by the Cost and Works Accountants Act of 1959, is the premier statutory professional organization in India dedicated exclusively to the field of Cost and Management Accountancy. With headquarters in Kolkata and regional councils in Kolkata, Chennai, Delhi, and Mumbai, the Institute's mission is to promote, regulate, and develop the profession of Cost Accountancy, contributing significantly to the economic landscape of India and beyond.

About the Information Technology Committee

Information Technology committee aims at strengthening the IT infrastructure of the Institute in providing state of art services to the members, students and other stakeholders. Also, E-governance is top priority of the committee. The committee organizes capacity building programmes and workshops for the benefit of the members to equip and empower them in digital world, security aspects of data and transition of technology.

"Unlocking IT's potential for Business Advancement"

DAY 1: 11th SEPTEMBER 2023

WELCOME ADDRESS

Dr. T.K. Avvai Kolthai
Associate Professor & Head,
PG & Research Programme of Commerce
Dean - School of Commerce

INAUGURAL ADDRESS

Dr. M.G. Raguathan
Principal, Guru Nanak College

PRESIDENTIAL ADDRESS

CMA Ashwinkumar Gurdhambhai Dalwadi
President, The Institute of Cost Accountants of India

KEYNOTE ADDRESS - 1

CMA Bibhuti Bhushan Nayak
Vice President, The Institute of Cost Accountants of India
PROGRAMME THEME & SPECIAL ADDRESS
CMA Srinivasa Prasad TCA

Council Member

Chairman - Information Technology Committee

Chairman - Members in Industry Committee

TECHNICAL SESSION - 1: ERP - A ONE STOP SOLUTION FOR BUSINESS PROCESS INTEGRATION

CMA V Guruprasad

Vice President

Family Office Bengaluru

DAY 4: 14th SEPTEMBER 2023

KEYNOTE ADDRESS - 6

CMA P Vinaynjan

Council Member

Member - Information Technology Committee

Chairman - Training and Education Facilities Committee

Chairman - Regional Council and Chapter Coordination

Committee

KEYNOTE ADDRESS - 7

CMA Suresh Rachappa Gunjalli

Council Member

Chairman - Board of Advanced Studies and Research

Chairman - MSME & Start-up Promotion Board

TECHNICAL SESSION - 6: CYBER SECURITY - RECENT TRENDS

CMA Ravi Kumar Ramachandran

Enterprise GRG and Agile Practitioner

Cyber Security Specialist and Professional Scrum Master

TECHNICAL SESSION - 7: MIS / EIS IN BUSINESS

CMA N Shastri Tata

Managing Director - Chennai Operations

RSW India

DAY 2: 12th SEPTEMBER 2023

KEYNOTE ADDRESS - 2

CMA Neeraj Dhananjay Joshi

Council Member

Member - Information Technology Committee

Chairman - Management Accounting Committee

Chairman - Cost Accounting Standards Board

KEYNOTE ADDRESS - 3

CMA Ashish Prakash Tharte

Council Member

Member - Information Technology Committee

Chairman - International Affairs Committee

Chairman - Career Counselling and Placement Committee

Chairman - Sustainability Standards Board

TECHNICAL SESSION - 2: ARTIFICIAL INTELLIGENCE AND BIG DATA IN BUSINESS

CMA S Vasudevan

Director - Business Development,

Institute of Analytics (USA)

TECHNICAL SESSION - 3: ROBOTIC PROCESS AUTOMATION IN BUSINESS

CMA Venkata Krishnan Swaminathan

Senior Manager, Global Accounts Payable & Fixed Asset

Management

Omega Healthcare Management Services Private Limited

DAY 3: 13th SEPTEMBER 2023

KEYNOTE ADDRESS - 4

CMA Manoj Kumar Anand

Council Member

Member - Information Technology Committee

Chairman - Professional Development Committee

Chairman - Infrastructure Committee

Chairman - Technical Cell [Cost Audit & Statutory

Compliances]

KEYNOTE ADDRESS - 5

CMA Rajendra Singh Bhati

Council Member

Chairman - Indirect Taxation Committee

Chairman - Committee for Accounting Technicians [CATT]

TECHNICAL SESSION - 4: ONDC NETWORK AND OTHER INITIATIVES BY GOVERNMENT OF INDIA

Shri Ram Gopal Suriyanarayanan

SAP Consultant and Trainer

TECHNICAL SESSION - 5: TECHNOLOGY INITIATIVES IN TAXATION IN INDIA

CMA R Nellai Kumar

"Concept Guru" - PRACADEMIC

Cost Accountant - Nellai & Co.

DAY 5: 15th SEPTEMBER 2023

KEYNOTE ADDRESS - 8

CMA Avijit Goswami

Council Member

Member - Information Technology Committee

Chairman - Members Facilities Committee

Chairman - Public Sector Undertakings

Co-ordination Board

TECHNICAL SESSION - 8: CLOUD FOR FINANCE AND ITS SECURITY

CMA Praveen Hebbali

Senior Vice President Finance and Country Head,

India AnisGlobal

VALEDICTORY ADDRESS

CMA Srinivasa Prasad TCA

Council Member

Chairman - Information Technology Committee

Chairman - Members in Industry Committee



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ADAPT
THRIVE**



**BUSINESS,
COMMERCE &
IT
INTEGRATION**



INDIA'S DEFENCE READINESS IN A COST CONSCIOUS WAY - ROLE OF CMAs

Abstract

Defence Readiness is a continuous activity like our human Body's defence mechanism which continuously monitoring and adapting internal mechanism to ward off any potential threats to human body and to establish the immunity against the same in a most efficient manner.

This requires multidimensional thinking capability, application of knowledge and agile executions with available resources.

This article explores the role of Cost and Management Accountants (CMAs) to achieve India's defence readiness in a cost conscious way.



CMA Amit Jagdish Trivedi

Practicing Cost Accountant
Delhi

ajtrivedi@icloud.com

INTRODUCTION

India is a land of innovations and opportunities; we amazed the world with our capabilities of execution of Indigenous projects in a cost efficient manner like Mangalyaan , LCA Tejas, Swathi Radar,Covid -19 Vaccine etc. In all cost efficient executions, the one thing which is common is *aatmanirbharta*.

Let me start with few *excerpts*⁽¹⁾ from our Prime Minister Shri Narendra Modi's speech on 76th Independence Day.

⁽¹⁾*"Today is also the birth anniversary of Maharishi Aurobindo. I bow at the feet of that great man. But we need to remember the great man who gave a call for Swadeshi to Swaraj and Swaraj to Suraj. This is his mantra. And, therefore, AatmaNirbhar Bharat becomes the responsibility of every citizen, every Government and every unit of society. AatmaNirbhar Bharat is not a Government agenda or a Government programme. This is a mass movement of society, which we have to take forward."*

Hence the key to success of India's defence readiness in a cost conscious way is to achieve *aatmanirbharta*.

The Prime Minister further stated:

⁽²⁾*"My dear brothers and sisters, today I want to congratulate the soldiers of the army of my country from my heart. I salute the way the army jawans have shouldered this responsibility of self-reliance in an organized way and with courage. The resolution of our country is not small when the armed forces make a list and decide not to import 300 defence products."*

This resolution not to import 300 defence products may create loads of opportunity for the MSME sector, start-ups/new age entrepreneurs ,talent pool, service sector, and infrastructure sector. This also enables efficient use of our resources to create high performance products and user friendly services for 'Make in India' initiatives towards *aatmanirbharta*.

The word *aatmanirbharta* unfolds many things like multidimensional thinking capability, innovations, knowledge applications and agile executions commensurate with the skills of Cost and Management Accountants (CMAs).

Cost and Management Accountants will provide knowledge based support to the entire eco system of 'Make in India' initiative marching towards *aatmanirbharta*, through their active roles -

- ⊙ From incorporation to compliance.
- ⊙ From cost optimization to value creation.
- ⊙ From financial planning and analysis to business sustainability.
- ⊙ From internal auditing to good governance.
- ⊙ From revenue reporting to business partnering.
- ⊙ From management reporting to business entity's ESG (environmental, social and governance) reporting.

(The above is only a suggested list)

Cost and Management Accountants will help to -

- ⊙ find the value in every cost associated with an activity and also contribute for informed decision making.

- ⊙ identify the possible leakages in the entire value chain and show the way to plug- the leakages for establishing the 'right Value' at 'right price' which will help in faster procurement process.
- ⊙ ensure sustainable use of resources as a conscious record keeper of resource utilizations and helps to achieve 'zero waste' in the entire manufacturing process.

Cost and Management Accountants will be key enablers for automation of processes for agile executions to support the entire eco system of 'Make in India' initiative marching towards *aatmanirbharta*.

**This resolution
not to import 300
defence products
may create loads
of opportunity for
the MSME sector,
start-ups/new age
entrepreneurs**

Defence readiness as mentioned above a continuous activity and disruptions are inevitable. Hence Cost and Management Accountants can help with contingency plan to mitigate the risks associated with disruptions

to the entire eco system and move towards 'Make in India' and achieve *aatmanirbharta*.

CONCLUSION

There are immense opportunities and significant role for Cost and Management Accountants in achieving India's defence readiness in a cost conscious way by enabling the entire eco systems to make informed decisions with agility. **MA**

REFERENCE

Press release available at <https://www.pib.gov.in/> and other relevant information



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

Research Bulletin, Vol. 49 No. II July 2023 (ISSN 2230 9241)

Call for Research Papers/Articles

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

Guidelines to submit full Paper

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

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

- ⊙ *Green Finance*
- ⊙ *Digital Banking*
- ⊙ *Cryptocurrency: A Boon or a Bane*
- ⊙ *ESG: A Business Imperative*
- ⊙ *Securities Markets in India*
- ⊙ *Digital Transformation*
- ⊙ *IFRS*
- ⊙ *Customer Relationship Management*
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- ⊙ *Impact of Corporate Governance on Business Performance*
- ⊙ *Human Resource Management*
- ⊙ *GST: A game changer for MSME sector*
- ⊙ *MSMEs: to power the India@100 dream*
- ⊙ *Evolution of Cooperative Sector in India*
- ⊙ *Forensic Accounting and Auditing*

Papers must be received within **15th September, 2023** in the following email id: research.bulletin@icmai.in

CHALLENGES AND OPPORTUNITIES IN THE AREAS OF DEFENCE FINANCE AND ECONOMICS: NAVIGATING A COMPLEX LANDSCAPE

Abstract

India faces several challenges and opportunities in defence finance and economics. On the one hand, the country's defence expenditure is rising steadily, causing a strain on the economy. On the other hand, the Indian defence industry is proliferating, presenting an opportunity for job creation and economic growth.

This article discusses the key challenges and opportunities facing India in the areas of defence finance and economics. It argues that the country needs to adopt a long-term strategic approach to defence finance and that it needs to reform the defence procurement process to make it more efficient and transparent. It also emphasises that India needs to focus on indigenisation in the defence sector and that it needs to develop strategic partnerships with other countries in order to strengthen its defence capabilities.

INTRODUCTION

Defence finance and defence economics are two important but often overlooked aspects of national security. Defence finance refers to managing financial resources in the defence sector, while defence economics refers to the economic impact of defence spending.

In the Indian context, these topics are critical due to the country's growing security challenges and expanding economy. *India's defence budget* is the world's third largest and is expected to grow in the coming years. This growth will strain the Indian economy and ensuring that defence spending is used effectively will be necessary.

There are several challenges and opportunities facing India in defence finance and economics. One challenge is the rising cost of defence equipment. The cost of defence equipment has been increasing steadily in recent years and this trend is likely to continue. This will strain the Indian defence budget and finding ways to reduce the cost of defence procurement will be necessary.



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Another challenge is the need to improve the efficiency of the defence procurement process. The defence procurement process in India could be made more efficient and corrupt free. This leads to delays in the delivery of defence equipment and cost overruns. Improving the efficiency of the defence procurement process is essential to ensure that defence funds are used effectively.

Despite these challenges, there are also a number of opportunities in the areas of defence finance and economics. One opportunity is the growth of the Indian defence industry. The Indian defence industry is snowballing and it has the potential to create jobs, boost economic growth and strengthen India's strategic autonomy.

Another opportunity is the potential for India to become a significant exporter of defence products and services. India has the technological capabilities and the strategic location to become a significant exporter of defence products and services. This could generate the much-needed foreign exchange for India and strengthen the country's strategic ties with other countries.

India's challenges and opportunities in defence finance and economics are complex and interrelated. It is vital to address these challenges to ensure that India's defence capabilities are maintained and that the country's economic growth is not adversely affected.

CHALLENGES

🕒 Rising Defence Expenditure

The defence budget of India has been rising steadily in recent years. This is due to a number of factors, including increasing cost of defence equipment, need to modernise the armed forces, and growing security challenges facing the country.

The rising defence expenditure is a strain on the Indian

economy. It has also led to a growing debt burden, as the Government has had to borrow money to finance the defence budget.

The rising defence expenditure is a severe challenge for India. It is essential to find ways to reduce the cost of defence procurement and increase the defence budget's efficiency.

⊙ Declining Revenue

The Indian economy has been growing at a slower pace in recent years. This has led to a decline in Government revenue, which has made it more challenging to finance the defence budget. The decline in revenue has also made investing in defence research and development more challenging, which is essential for ensuring the country's long-term security.

The declining revenue is a challenge for India. Finding ways to boost economic growth and increase government revenue is crucial.

⊙ Growing Debt Burden

The rising defence expenditure and the declining revenue have led to a growing debt burden for India. The debt burden is now at a level that is considered to be unsustainable. This could have severe implications for the Indian economy in the long term.

The growing debt burden is a significant challenge for India. It is essential to find ways to reduce the debt burden and ensure long-term sustainability of the Indian economy.

⊙ Inefficiency in Defence Procurement

The defence procurement process in India could be made more efficient and corrupt free. Inefficiency and corruption result in delays in the delivery of defence equipment and cost overruns. The inefficiency in the defence procurement process has also led to a lack of transparency and accountability.

The inefficiency in defence procurement is a severe challenge to India. It is essential to find ways to improve the defence procurement process's efficiency and ensure that defence funds are used effectively.

⊙ Lack of Transparency and Accountability

The defence sector's lack of

transparency and accountability is a significant concern. This makes it difficult to track how defence funds are spent and ensure they are used effectively. Lack of transparency and accountability has also led to corruption in the defence sector.

The need for more transparency and accountability is a challenge for India. Finding ways to increase transparency and accountability in the defence sector is crucial.

OPPORTUNITIES

⊙ Growing Defence Industry

The Indian defence industry is multiplying. This is due to a number of factors, including the increasing demand for defence products and services, the growing focus on indigenisation, and the government's efforts to promote the defence industry.

The growth of the Indian defence industry has the potential to create jobs, boost economic growth, and strengthen India's strategic autonomy. The industry is already a significant employer in India and it has the potential to create even more jobs in the future. The growth of the defence industry could also boost economic growth by stimulating demand for other industries, such as the manufacturing and technology sectors. Additionally, the growth of the defence industry could strengthen India's strategic autonomy by reducing the country's dependence on foreign suppliers.

⊙ Increasing Demand for Defence Products and Services

The demand for defence products and services is increasing in India. This is due to a number of factors, including growing security challenges facing the country, increasing economic power of India, and growing strategic importance of India in the global arena.

The increasing demand for defence products and services presents an opportunity for the Indian defence industry to grow and expand its export market. The Indian defence industry is already exporting defence products and services to several countries and it has the potential to export even more. Exporting defence products and services could generate the much-needed foreign exchange for India and

strengthen the country's strategic ties with other countries.

⊙ Potential for Export of Defence Products and Services

India has the potential to become a significant exporter of defence products and services. This is due to the country's large and growing defence industry, technological capabilities, and strategic location. Exporting defence products and services could generate the much-needed foreign exchange for India and strengthen the country's strategic ties with other countries.

⊙ Increased Focus on Indigenisation

The Indian Government is increasing its focus on indigenisation in the defence sector. This is due to several factors, including reducing India's dependence on foreign suppliers, boosting the domestic defence industry, and protecting India's strategic interests.

Increased focus on indigenisation could help to reduce the cost of defence procurement and improve the quality of defence products and services. The Indian defence industry has already made significant progress in indigenisation and it is likely to continue to progress.

⊙ Growing Strategic Partnerships with Other Countries

India is developing strategic partnerships with other countries in the defence sector. This is due to several factors, including the need to counter common security threats, share technology and boost economic cooperation.

The growing strategic partnerships with other countries could improve India's defence capabilities and strengthen its position in the global arena. India has already established strategic partnerships with a number of countries and it is likely to continue to do so in the future.

THE WAY FORWARD

⊙ Adopt a long-term strategic approach to defence finance.

India needs to adopt a long-term strategic approach to defence finance. This means setting clear goals and objectives for the defence sector and

developing a plan to achieve those goals. The plan should take into account the long-term security challenges facing India, as well as the country's economic capabilities.

⊙ Reform the defence procurement process.

The defence procurement process in India could be more efficient and corruption free. Inefficiency and corruption lead to delays in the delivery of defence equipment and cost overruns. India needs to reform the defence procurement process to make it more efficient and transparent. This would ensure that defence funds are used effectively and that the armed forces get the necessary equipment.

⊙ Increase transparency and accountability in defence spending.

Lack of transparency and accountability in the defence sector is a major concern. This makes it difficult to track how defence funds are spent and ensure they are used effectively. India needs to increase transparency and accountability in defence spending. This would ensure that the public knows how defence funds are being used and that there is less scope for corruption.

⊙ Promote indigenisation of defence production.

India needs to promote the indigenisation of defence production. This means reducing India's dependence on foreign suppliers for defence equipment. Indigenisation would help to reduce the cost of defence procurement and would also help to protect India's strategic interests.

⊙ Strengthen strategic partnerships with other countries.

India needs to strengthen strategic partnerships with other countries in the defence sector. This would help to improve India's defence capabilities and would also help to strengthen India's position in the global arena.

These are just some of the critical steps India needs to take to address the challenges and opportunities in defence finance and economics. By adopting a long-term strategic approach, reforming the defence procurement process, increasing transparency

and accountability, promoting indigenisation and strengthening strategic partnerships, India can ensure that its defence sector is solid and secure in the future.

Conclusion

India faces many challenges and opportunities in defence finance and economics. These challenges and opportunities are complex and interrelated, requiring careful and coordinated policy action.

This article has discussed some of India's critical challenges and opportunities in this area. It has been argued that the country needs to adopt a long-term strategic approach to defence finance and that it needs to reform the defence procurement process to make it more efficient and transparent. The article has also emphasised that India needs to focus on indigenisation in the defence sector and that it needs to develop strategic partnerships with other countries in order to strengthen its defence capabilities.

The article has also highlighted the importance of defence finance and economics for India's long-term strategic interests. The security of India depends on its ability to defend itself against external threats. The defence budget also represents a significant drain on the economy and it is vital to ensure that defence spending is efficient and effective.

The article has called for action from policymakers to address the challenges and opportunities facing India in defence finance and economics. The Government needs to develop a comprehensive strategy for defence finance and economics and it needs to implement reforms that will enable India to meet its security needs while also ensuring the economy's long-term health.

The article concludes by noting that the challenges and opportunities facing India in the areas of defence finance and economics are complex and interrelated. However, by taking careful and coordinated action, India can navigate this complex landscape and ensure its long-term security and economic prosperity. **MA**

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DEFENCE FINANCE RESHAPED: EMPOWERING INDIA'S SECURITY THROUGH SMART ECONOMICS

Abstract

Examining the intersection of economics and defence in India, this article while emphasizing the significance of defence finance, Discovers the critical role of CMAs in defence finance and economics in bolstering India's security by addressing challenges, explores opportunities in indigenous manufacturing, and advocating for robust accounting practices to ensure transparency and cost-consciousness.



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Uncover the economic impact of defence innovations in India, as investments in indigenous manufacturing create jobs, foster research and development and reduce dependency on defence imports.

INTRODUCTION

The defence sector plays a crucial role in safeguarding a nation's security and sovereignty. In India, as the defence budget continues to grow, it becomes imperative to ensure efficient allocation and utilization of resources. Defence finance and economics, along with robust accounting and auditing practices, are essential for maintaining transparency, accountability, and cost-consciousness. This article explores the challenges and opportunities in Indian defence finance and economics, emphasizing the role of cost accountants in enhancing defence readiness.

THE SIGNIFICANCE OF DEFENCE FINANCE AND ECONOMICS

Defence finance and economics encompass the management of financial resources, budgeting, procurement, and cost control in the defence sector. With the defence budget constituting a significant portion of the national budget, efficient financial planning and expenditure management are critical. A well-structured defence finance

system ensures optimal allocation of resources, enhances operational efficiency, and supports the overall defence preparedness of the nation.

CHALLENGES IN INDIAN DEFENCE FINANCE AND ECONOMICS

Limited Defence Budget

One of the primary challenges in Indian defence finance is the limited budget allocation compared to the increasing demands of modernization and capacity building. According to the Stockholm International Peace Research Institute (SIPRI), India's defence expenditure in 2020 stood at approximately \$72.9 billion, ranking it as the third-largest military spender globally. However, budget constraints pose challenges in acquiring advanced technology, upgrading infrastructure and meeting the increasing personnel costs.

Complex Procurement Procedures

The procurement process in the defence sector involves multiple stages and stringent regulations to ensure transparency and accountability. However, the complexity and lengthy timelines of the procurement procedures often result in delays, cost overruns and inefficiencies. Streamlining the procurement process while maintaining integrity and transparency, is crucial to address these challenges.

Inefficient Resource Utilization

Effective resource utilization is a critical aspect of defence finance and economics. Inefficiencies in resource management, such as underutilization or misallocation of funds, can hinder the timely execution of defence projects. Optimizing resource allocation, eliminating duplication of efforts, and leveraging modern technologies can enhance operational effectiveness and reduce costs.

THE ECONOMIC IMPACT OF DEFENCE INNOVATIONS

Investments in defence innovations and indigenous manufacturing have far-reaching economic benefits. Increased domestic production creates a multiplier effect by generating

employment opportunities, attracting investments and fostering research and development. It also reduces the outflow of foreign exchange on defence imports, positively impacting the economy and strengthening the country's foreign exchange reserves.

According to a report by the Confederation of Indian Industry (CII), the defence manufacturing sector has the potential to create around 2-3 million direct and indirect jobs by 2025. This highlights the significant role of defence innovations in driving economic growth and job creation.

OPPORTUNITIES IN INDIAN DEFENCE FINANCE AND ECONOMICS

Public-Private Partnership (PPP) Initiatives

Encouraging PPP initiatives in the defence sector can unlock opportunities for innovative financing models, technology transfer and enhanced resource utilization. Collaborations with private entities can accelerate defence projects, improve operational efficiency, and bring in investment, thereby relieving the burden on the limited defence budget.

Indigenous Defence Manufacturing and Self-Reliance

Promoting indigenous defence manufacturing through the "Make in India" initiative presents an opportunity to reduce reliance on imports, enhance self-sufficiency, and create a robust defence industrial base. Domestic defence production not only stimulates the economy but also generates employment opportunities and fosters technology transfer, leading to long-term cost savings and self-reliance.

India has made significant strides in manufacturing defence equipment, including aircraft and armoured guns. For instance, the Hindustan Aeronautics Limited (HAL) manufactures aircraft such as the Tejas, which is a testament to India's indigenous capabilities. Similarly, the Defence Research and Development Organisation (DRDO) have developed armoured guns like the Dhanush, showcasing India's progress

The Indian Government has implemented various initiatives to promote domestic defence manufacturing

in self-reliance.

GOVERNMENT INITIATIVES FOR INDIGENOUS MANUFACTURING

The Indian Government has implemented various initiatives to promote domestic defence manufacturing. The "Strategic Partnership" model aims to establish long-term partnerships with private firms, both domestic and foreign, for manufacturing defence platforms. The Defence Acquisition Procedure (DAP) encourages indigenization by prioritizing the procurement of equipment manufactured in India. These initiatives drive technology transfer, job creation, and economic growth while reducing reliance on imports.

STRENGTHENING DEFENCE ACCOUNTING AND AUDITING

Robust accounting and auditing practices are essential for maintaining financial discipline, accountability, and transparency in the defence sector. Regular audits help identify financial irregularities, prevent fraud, and ensure compliance with financial regulations. It is crucial to strengthen the existing auditing framework, establish independent audit bodies and adopt international best practices to enhance accountability and foster public trust.

THE ROLE OF COST ACCOUNTANTS IN DEFENCE READINESS

The inception of the institute of Cost Accountants of India happened for the war situations, the British Government, looking to have a nodal agency which can be both reliable and trustable, formed the institute to get help with their defence procurements.

Cost accountants play a vital role in the defence sector by providing expertise in cost estimation, cost control, and performance measurement. They ensure that the financial resources allocated to defence projects are utilized efficiently, effectively, and in a cost-conscious manner. Cost accountants use various tools and techniques to analyze costs, identify cost-saving opportunities, and evaluate the economic viability of defence initiatives.

CONCLUSION

Efficient defence finance and economics are indispensable for enhancing defence readiness while maintaining cost-consciousness. Overcoming challenges, such as budget constraints, complex procurement procedures and inefficient resource utilization, requires a collaborative approach involving Government agencies, defence establishments and cost accountants. By leveraging opportunities such as PPP initiatives, indigenous manufacturing and digital transformation, India can strengthen its defence sector and achieve self-reliance in defence production. Strengthening defence accounting and auditing practices ensures transparency, accountability, and effective resource management. Through collective efforts of all stakeholders, India can bolster its defence preparedness in a cost-conscious manner, safeguarding national security. **MA**

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CHALLENGES AND OPPORTUNITIES IN THE INDIAN DEFENCE SECTOR: A STRATEGIC PERSPECTIVE - THE WAY FORWARD

Abstract

The current scenario in the geo-politics of India and its neighbourhood had altered the security landscape for India and the military planners have taken note of the situation and are trying to meet the challenges with the opportunities which defence sector brings to the fore. Deterrence demands sufficient technologies getting internalised and ability to apply, India's home grown technology and the Atmanirbhar Bharat program helps greatly in the process. This study discusses the present challenges facing India in the face of modernisation of defence, coupled with funding challenges and opportunities these may throw up for civilian applications of defence sector projects and as a whole expand the range of products and services. This is a conceptual study on how India could take a new path or approach to optimise its security apparatus in ways which can enhance the growth of economy.

INTRODUCTION

The Indian defence industry has grown tremendously and with the implementation of the *Atmanirbhar Bharat* programme, it has become even more robust and goal-oriented. This is done through a two pronged strategy of maintaining and building a strong soft power image with distant neighbours in various parts of the world, as well as through diplomatic engagement with those neighbours.

The updated strategy (2020) intends to expedite the procurement process and sets the tone for the "Make in India" efforts in the defence industry. In accordance with the policy, the purchase of products and services will be broadly categorised as "buy," "buy and make," "lease," "make," "design and development (D&D)," and "strategic



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partnership model" (SPM). For frequent repairs or refits of "in service" equipment and systems, a simplified capital expenditure procedure (SCEP) may be adopted to save costs and lengthen the service life.

The MoD is aware of the problem of time delays, which has historically been a source of worry for procurements in the defence industry. A project management unit (PMU) has been suggested as a component of the procurement procedure to deal with this problem. However, it is crucial to provide the PMU the right amount of authority to guarantee responsibility from all stakeholders.

The draft includes measures aimed at creating a strong military industrial foundation that would enable increased

involvement from Indian firms, while building on the Government's goals to increase domestic capabilities. The categorization of defence procurement, capital purchase and a revised offset policy are a few of the primary areas included in the DPP.

Along with a number of procedural improvements, the draft also includes a number of novel concepts, including the usage of indigenous high-end materials and the incorporation of artificial intelligence (AI) into platforms and systems. These advancements combine minor adjustments to current practises with the creation of new purchase categories for defence requirements.

The key pillars involved in this aspect are

- i. Original equipment manufacturers
- ii. PSU undertakings
- iii. Industry Associations
- iv. Government

OBJECTIVES OF THE STUDY

1. To understand the challenges and opportunities in the Indian defence sector.
2. To understand the risks involved in the context of increasing dependence on external arms and technology providers and mitigate by resorting to PPP model and allow entry of private players in defence sector.
3. To examine the framework of initiatives taken by the Government of India and how it can shape the future of Indian industry, by providing linkages for diffusion of technologies from defence to civilian applications.

REVIEW OF LITERATURE

Chakraborty, M. (2020). mentions that due to China's aggressive actions, maritime affairs in the Indo-Pacific area have been in flux, especially since the beginning of the current decade, prompting proportionate responses from regional state players. Given the strategic and commercial importance of the Indo-Pacific waterways as sea lanes of communication, regional powers like India, Japan, and Australia have developed policies to ensure continuous freedom of passage and overflight. It examines the motivations, dynamics and difficulties of maritime cooperation between India and Japan, especially in the field of defence industry. In order to ensure a free and open Indo-Pacific passage, it is crucial to maintain and further strengthen the dynamics of bilateral defence-industrial cooperation as well as fully explore the opportunities presented by initiatives like "Make in India" and Japan's quest for defence modernization and development.

Gouvea, R. (2021), mentions how Brazil has developed

Frugal innovations, integrating defence industry with general industry labs and R&D centres may be crucial for faster assimilation of new technologies

a robust and diverse defence sector during the last three decades. Brazil's once-emerging defence sector has been demoted to a minor role in the global defence industry as a result of local political, economic and international factors. He examines the defence sector in Brazil's future potential, difficulties, and expansion plans.

Castro, R. C. D. (2008) feels that globalisation appears to be impeding the nations' efforts to enhance their independent defensive capabilities. Many social relationships are decoupled from (national) physical geography as a result of globalisation. International process and transactions absorb and rearticulate national economies into the global system as part of this overarching social process. International factors influence and modify the domestic economy. Therefore, domestic national policies—whether they include public officials or private corporations—always take the main drivers of global production and distribution into account.

Wojczewski, T. (2016), examines the concurrent emergence of China and India as one of the most significant political occurrences in the modern era. The study identifies the prevailing perspective of China in India's foreign policy discourse and the ensuing foreign policy approach, drawing on constructivism and discourse analysis. The study goes on to examine whether the China policy of the Congress-led UPA Government adheres to the strategic policy framework of the pre-eminent China discourse by analysing it in detail.

McGuire, M. C. (2007), mentions that the positive study of international security and defence has grown over the past ten years into a unified field of research within economies in a world that is perpetually plagued by war and strife. Undoubtedly, the revolutionary consequences of globalisation and its new threats to international security and stability are contributing factors in this trend. His article aims to demonstrate how the most recent advancements in theories of the political and economics of security, predation and governance connect to this astronomically rapid change in the strategic environment of the globe and the threats to its security.

METHODOLOGY

This proposes to examine past studies in this regard and the way the defence sector and the economy are going to be shaped by the increasing role played by private players, the new defence policy and technologies that help

in sustainable development and growth of the economy. The study is exploratory and uses secondary data from various reports, Ministry of Defence, Brookings Report NY, US, Institute of Defence studies and Analysis, Jane's Defence Weekly, and defence think tank publications.

DISCUSSION

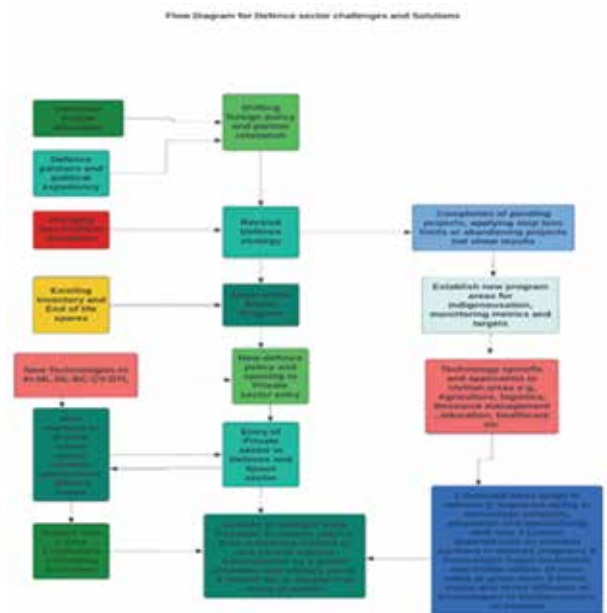
The authors have gone through the body of literature on the subject and note that the key challenges faced by the defence industry in India can be laid out as follows :-

- a. Resource constraint and budget allocation.
- b. High level of project over-runs and more time and fund infusion needed to complete the existing and ongoing projects
- c. Differences in priorities , towards space technology and aircraft engine design- While India has been highly successful in space technology and missile design and execution setup, its record in aircraft engine design has not been upto the mark. This area needs more concentrated focus on R&D and close working between Govt and private entities and an eco-system which can support and accelerate the learning and deliver results.
- d. High dependency on the external partners – Russia, France, etc due to long term purchase commitments entered into and locking into technologies.
- e. Inability of PSUs, to develop air-craft engine technologies that can be indigenised, in a reasonable time frame.
- f. Changed geo political scenario involving -different countries in Europe, Asia and America, regional groupings involving diverse strategic partners, having common and controlling interest identities.
- g. Challenges for the defence sector, in getting the right type of contractors, sub-contractors that help nurture the growth and development, of the component and equipment industry. Suitable revenue sharing and security control models will have to be evolved to address the issues in a time bound manner.
- h. Slow pace of indigenisation progress is another worrying factor.
- i. Lack of connect between public policy , defence priorities, s and effective linkages between the same is a cause for delayed procurement and private players selection criteria need to be based on what they can deliver (competency, capability, capacity) rather the size criterion like assets, turnover etc , may be crucial going forward to achieve the targets in time.
- j. Frugal innovations, integrating defence industry with general industry labs and R&D centres may be crucial for faster assimilation of new technologies.

- k. Separate policies may have to be framed for defence supporting startups, be it in missile technology, submarine systems, air craft engine design, or commercial satellite industry.
- l. More collaborative efforts are needed to encourage private sector leaders into the industry, like L&T, Tata Steel, etc in material sciences for satellites, cryogenic engines, and special steels for extreme stress equipments etc, which can develop and accelerate the local technology internalisation program. It is perhaps time to make the programme more inclusive and involve more private players and suitable incentive and design structure have to be thought of.

PROPOSED FRAMEWORK

This study proposes a model which interconnects the various elements and components involved in the defence industry and how the overall growth of Indian defence based on self reliance can happen, based on the various inter-linkages and policy aspects.



In the above flowchart, budget constraints in the context of defence industry, shapes the defence policy, conditioned as it is by the changing geo-political scenario, foreign policy alignments, in current times and also the existing external defence partner relationships. This leads to revised defence strategy which is getting continuously shaped by Government policies, new partner alignments, memberships in various groups like QUAD, ASEAN, bilateral and external pressures on the security front. The advent of new technologies involving AI, ML, DL, CV , Block chain etc continuously transform the interfaces going into the equipment and hence technology becomes

a continually updating process and this encourages more reliance on existing partners. To break away from this spectrum the *Atmanirbhar* programme, which helps to build a local eco-system which can be readily tapped for major projects is the aim of new defence policy and space policy. The entry of private sector in areas such as drones, production of components, equipments, steel for defence applications is enabling lesser dependency on foreign partners. The manufacturing and licensing policies get continuously reshaped by the new set up, due to pressures imposed on external partners by the growing economic and market power, India commands currently and this enables India to get the access to new defence equipments on softer terms. However the Govt. would need to explore how the manufacturing operations for defence equipment can be internalised quickly without any loss of time. This would give the much needed impetus to the “Make in India” programme.

On the other hand the existing defence projects that have been pending completion needs to be either accelerated to complete or need to be terminated. These necessarily call for strong target oriented approach and India is currently following this approach. This enables local eco-system development and spin-off to civilian applications. An eco-system to support these activities is readily found in the start-ups, interest from private investors and this could enable diffusion of technology to other areas and accelerate the move towards self sufficiency, betterment in the standard of living etc. The solutions to the challenges faced in defence sector thus needs a balanced and calibrated all round approach, which is what the Government is attempting to do currently.

LIMITATIONS OF STUDY

The study is exploratory and does not consider the limitations imposed on the adoption of new collaborative technologies, dependencies that can be forced by defence partners on India and its implications on the defence sector. Also the challenges in funding that can accelerate a possible move to debt trap a dependency situation is not discussed. No empirical validation has been discussed, except for a few in the literature review.

CONCLUSION

The Indian defence industry has come of age and it is

quite possible that the growth of defence technologies, *Atmanirbhar* Bharat program, the space policy initiatives, taken by the Government of India, entry of private sector to defence are likely to be bear fruits in the long run. Initial costs are likely to be considerable. Diplomatic initiatives taken by India help in reducing the defence budget size and enable better focus to find solutions with neighboring nations and regions in a balanced manner. The recent G20 meet in India, also highlighted and provided a good opportunity for the Government to put its manoeuvring skills to a good test. **MA**

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GROWING SIGNIFICANCE OF MSMEs IN INDIAN AEROSPACE MANUFACTURING

Abstract

Many worldwide aerospace and defence (A&D) corporations target the multi-billion dollar Indian A&D sector. Over the last few years, policy changes have rejuvenated the Indian defence sector and the government has been able to fill military vital asset gaps by accelerating essential programmes. However, self-reliance and reduced dependence on imports needs more attention. Government's 'Make in India' initiative showcases its dedication to fostering the growth of domestic defence manufacturing through slew of policies aimed at reducing entry barriers and facilitating collaborations. Given this background and to take advantage of burgeoning opportunities, Indian Micro, Small and Medium Enterprises (MSMEs) must play a significant role in integrating with the supply chains of national and international defence majors. This paper examines the strategies MSMEs might employ to establish a viable defence business given that they are key drivers of long term sustainable goals.

INTRODUCTION

Indian A&D sector is currently passing through a crucial juncture. By 2030, Indian A&D sector is expected to touch USD 70 Bn. at the behest of Government thrust and increasing the need for sophisticated infrastructure. India is seeing significant expansion in the defence sector with a shift from a largely import-dependent to an internationally competitive Industry. Positioning itself as the fastest growing defence market in the world, it has attracted global majors from the defence sector to set up manufacturing bases in the country. This has notably presented substantial prospects for Indian firms.

India's defence exports have experienced a significant surge, increasing from Rs. 686 Crore in the fiscal year 2013-2014 to an anticipated Rs. 16,000 Crore in the fiscal year 2022-2023, representing a remarkable twenty-three-fold rise. India has ambitious plans to increase its defence exports



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to the tune of Rs. 35,000 crores by FY24. A deliberate change towards self-reliance and local manufacturing has lowered imports from 46 per cent of total spending in 2018-19 to 36.7 per cent in December 2022. India has exhibited its proficiency in design and development via the involvement of an over 100 companies in export to more than 85 nations. This has been possible due to numerous policies / initiatives that have notably improved ease of doing business. In recent years, the Indian government has promoted "Make in India" in the defence industry to create indigenous defence manufacturing capabilities. It is a positive development to witness the implementation of policy revisions and reforms aimed at reducing obstacles to entry and facilitating collaboration between international original equipment manufacturers (OEMs) and Indian organisations. These changes also seek to encourage the production of goods that are designed, developed, and manufactured inside India, and foster fair competition across many sectors of the Indian industry. Some of the initiatives taken are listed in the Table 1.

TABLE 1

Sr. No.	Initiatives
1	Defence Acquisition Procedure (DAP 2020) propagating procurement of capital items of 'Buy Indigenously Designed, Developed and Manufactured (IDDM)' category followed by 'Buy (Indian)' category
2	Implementation of "Positive Indigenisation Lists" for exclusively domestic sourcing
4	Simplification of Industrial licensing process with longer validity period
5	Foreign direct investment (FDI) policy allows for a 74% foreign investment via the automatic route.
6	Simplification of 'Make' Procedure
7	Launch of Mission DefSpace
8	The Innovations for Defence Excellence (iDEX) initiative has been initiated with the active participation of start-ups and MSMEs.
9	The introduction of an indigenization portal SRIJAN implemented to support the process of indigenization within the Indian industry, encompassing both large-scale enterprises and MSMEs.
10	Reforms in the offset policy aimed to enhance investment attraction and facilitate the transfer of technology for the defence manufacturing sector through the implementation of larger multipliers.
11	Two Defence Industrial Corridors, one each in the States of Uttar Pradesh and Tamil Nadu, have been initiated.
12	Proposed allocation of 25 per cent of the research and development (R&D) budget towards industry-led R&D.
13	Industries have been provided with free access for DRDO patents
14	DRDO test facilities have been opened to the industries for utilisation
15	'Make in India' initiative aimed at 70% indigenisation

Source: Ministry of Defence, Govt. of India

Large private firms have increasingly been more involved in the advancement of military manufacturing capabilities. However, MSMEs by virtue of operating in Tiers II, III, and IV of supply chain play a crucial role in contributing significantly to the manufacturing depth in this sector.

MSMEs are vital to the economic growth worldwide; they are GDP contributors and supply chain innovators and mediators. They make up 90 per cent of all commercial establishments, over 50 per cent of production and exports and nearly 70 per cent of employment. Opening of defence sector to private entities has opened flood gates not only to large firms but also to MSMEs. MSMEs' growing impact can help India's defence sector and self-reliance. The global defence sector, which is predominantly dominated by a limited number of Original Equipment Manufacturers (OEMs),

maintains tight collaboration with MSMEs and their principal contractors through a well delineated supply chain. OEMs and prime contractors prefer MSMEs because of their specialised manufacturing proficiency; adaptability reduced operational expenses, and ability to assimilate and implement emerging technology. MSMEs have the capacity to manufacture sub-systems and components for primary equipment, thus enabling them to make a substantial contribution to elevate India into a robust defence industrial base, capable of manufacturing top-tier items at competitive rates.

MSME AND THE DEFENCE SECTOR

As India seeks to strengthen domestic defence industrial competence and minimise reliance on imports, MSMEs will undoubtedly benefit from the bandwagon. To be competitive, they must meet pricing,

quality, and delivery standards to join the aerospace and defence supply chain. As of now 12000 MSMEs are engaged in serving the defence sector, but the number is very small when compared globally. According to experts, MSMEs play a major part in the indigenisation and self-reliance aim of the Air Force, Navy and Army, from design through equipment thus decreasing the production costs. Out of the 60k lines of spares in air force, 40 thousand lines of spares are indigenised by sourcing from MSMEs. In the Defence Acquisition Procedure 2020, the Government earmarked purchase orders up to Rs. 100 crore per year for MSMEs to boost their contribution to defence sector. MSMEs and start-ups received 25 per cent of the defence procurement allocation of Rs. 21,149.47 crore in 2022-23 from the Ministry of Defence.

Every defence product needs a significant number of components,

often sourced from foreign suppliers. MSMEs have the potential to serve as catalysts, not only in the context of import substitution, but also in the realm of cost reduction. This can be achieved in two ways.

One, is the indirect engagement of MSMEs as vendors at various tiers (i.e., Tier one, two, and three) inside the supply chains of big firms and defence public sector units (DPSUs). Another is by active involvement in several 'Make in India' initiatives. The aforementioned initiatives are referred to as Make projects, which have been organised into three distinct categories. The primary objective of this categorization is to streamline the process of fostering the creation and advancement of defensive equipment through the use of government or industry funds.

'Make I' focuses on projects that pertain to the design and development of significant equipment and systems, with a minimum duration of one year for their development. These initiatives entail a 70 per cent allocation of Government cash. 'Make II' encompasses the process of industry-funded prototype development or upgrading, with a primary focus on import substitution or the creation of new solutions by the private sector. It is important to note that no government financing is allocated for these endeavours. Lastly, 'Make III' comprises various sub-systems, sub-assemblies, assemblies, components, materials, and ammunition. These elements, while not originally conceived or created domestically, are currently being made in India as a means of import substitution. The purpose of this endeavour is to provide product support for weapon systems.

WAY FORWARD FOR MSMEs

To attain self-sufficiency in defence production and establish a substantial presence in the defence sector, India must enhance the competitiveness of its MSMEs and augment their

participation in the domestic defence industry. Following are some of the ways MSMEs can develop sustainable defence business in India.

☉ **Stick to the core**

The A&D sector in India is experiencing significant progress. In such a scenario, it is advisable for MSMEs to avoid diluting their efforts by engaging in multiple unrelated positions for the sake of growth. Instead, they should focus on establishing a distinct identity by engaging in A&D portfolio elements that align closely with their core competencies. By doing so, MSMEs can develop a robust value proposition that ensures long-term success. Selecting a product or service forms the fundamental essence of a company's core. An additional aspect is the commitment to establishing an identity and positioning oneself as a reliable provider to the defence. This entails the development of goods and capabilities that cater to their varied requirements, with the aim of fostering a business model that can be expanded efficiently. Positions at the Tier 2/3 level will enable MSMEs to use their strengths and engage in various platforms and programmes. This will, in turn, reduce the risk associated with their business portfolio. Furthermore, the inherent capacity of Indian MSMEs to exhibit flexibility and agility enables them to swiftly go into novel competitive domains, using their distinctive attributes that equip them for success.

☉ **Move up the value chain and develop capabilities**

In order to ascend the global military value chain, MSMEs ought to prioritise innovation,

develop intellectual property and adopt quality and process standards. By doing so, they will be better positioned to provide comprehensive offerings. In the aerospace and defence sector, maintaining consistent quality is typically considered a fundamental need. This is mostly due to the fact that many components possess precise specifications and play a key role in ensuring the performance and dependability of the whole platform. The concept of capability building extends beyond the mere adoption of industry best practises or the development of functional expertise. Instead, it involves the creation of customised capabilities that enable the MSME firm to embody its chosen identity.

☉ **Cost efficiency and Talent management**

In terms of cost reduction, it is imperative for MSMEs to refrain from diversifying investments across several appealing options and instead focus on identifying the most crucial skills for long-term success, while minimising spending in all other areas. There is a need for expeditious advancement of domain expertise through the recruitment and education of engineers from esteemed engineering institutions, facilitated by the guidance and expertise of aerospace and military industry professionals from other countries.

☉ **Asset Light business**

The current trend observed in the Indian market involves the emergence of asset-light businesses that prioritise the utilisation of low-cost commercial off-the-shelf (COTS) components. These

start-ups place significant emphasis on establishing strong client connections, ensuring relevance and developing their own intellectual property (IP) in order to effectively compete in the market with a distinctively 'Indian' solution. The firms in question, which have been operational for duration of 4-8 years, have encountered significant challenges. However, they have demonstrated a strong dedication to establishing a clear identity and strategic direction, and have invested considerable effort in pursuing success in the Indian aerospace and defence sector. As a result, these companies are now poised to be considered for highly favourable values.

◎ **Focused mid-term strategy**

Former executives of DPSU and the Defence Research and Development Organisation (DRDO), along with visionary entrepreneurs, can successfully develop small-scale firms that capitalise on the outsourcing needs of these public sector entities. These enterprises have demonstrated a capacity for long-term viability and growth. The current

Opening of defence sector to private entities has opened flood gates not only to large firms but also to MSMEs

go-to-market option for MSMEs remains viable due to the comparatively simpler customer certification process in comparison to that of foreign companies. Additionally, there is a growing demand DPSUs to delegate non-core activities and value chain elements to enhance their delivery efficiency and overall quality. As the private sector becomes more involved in military production, MSMEs can have an additional group of potential clients to focus on.

CONCLUSION

MSMEs as well as creative start-ups possessing sophisticated manufacturing skills are poised to assume a pivotal position in the transformation of the military and aerospace industries. Global companies are increasingly turning their attention to India as a potential hub for production and partnerships.

Consequently, it is imperative for our domestic industries to reassess their current business models and make necessary adaptations in order to align with this evolving landscape. The aerospace maintenance sector has several prospects, while the future of the aerospace industry will be propelled by innovation and the synergistic collaboration of other industries. MSMEs as well as innovative start-ups with sophisticated manufacturing skills have the potential to address crucial deficiencies in the value chain. Consequently, they are poised to assume a significant role in the transformation of the nation's defence and aerospace industrial sector. **MA**

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CONGRATULATIONS



Our Heartiest congratulations to CMA Parminder Chopra for being appointed as Chairman and Managing Director of Power Finance Corporation with effect from 14th August 2023. She has become the first woman CMD to lead the "Maharatna".

Previously CMA Chopra was holding the charge of CMD with effect from June 2023 as was also Director (Finance). She is a veteran with over 35 years of experience in the power and financial sectors.

CMA Chopra was honoured with the "Icon of the Year" award by the Institute of Cost Accountants of India in 2023.

We wish CMA Parminder Chopra the very best for her future endeavors.

MANAGING DEFENCE RESOURCES SMARTLY: THE CRUCIAL ROLE OF CMAs IN INDIA'S COST-CONSCIOUS READINESS

Abstract

This article aims to highlight the role of CMAs in effectively and efficiently managing the available resources by using their knowledge of cost analysis, budgeting, and financial management to identify areas of inefficient expenditure and execute cost-cutting solutions in the country's defence sector. CMAs contribute considerably to India's security preparedness while preserving fiscal prudence by optimising resource allocation, discovering cost-saving options, and assuring financial stability.

INTRODUCTION

Defence sector is the backbone of any economic structure. It brings various economic benefits like job creation by employing skilled professionals and setting up defence related industries such as aerospace, shipbuilding etc. The primary role of the defence sector is to ensure national security through armed forces, intelligence agencies and defence capabilities to promote peace, stability and confidence, which are essential for the economic development. It fosters technological advancements and innovations by investing in research and development to create a competitive edge over other economies.

Defence procurement necessitates the development and maintenance of a robust industrial base by generating demand for various products, including military equipment, vehicles, weapons, electronics and other components. Defence-related expenditures have a cascading effect on various sectors, such as raw materials, transportation, energy, infrastructure and research. This, in turn, boosts economic growth, generates tax revenue and stimulates overall development. Countries with robust defence industries often become major players in the global arms trade, fostering international trade relations and contributing to their economic growth.



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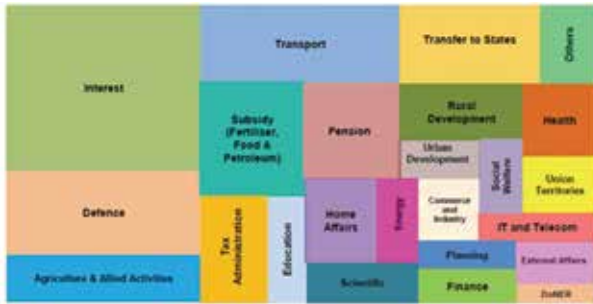
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While the defence sector brings economic benefits, it's important to strike a balance between defence spending and other social and developmental needs. Governments must consider the opportunity costs and allocate resources efficiently to ensure national security without compromising other crucial sectors of the economy.

INDIA'S DEFENCE SECTOR: COST PERSPECTIVE

India's defence sector, from a cost perspective, plays a crucial role in the country's overall economic landscape. The defence budget of India is one of the largest globally, reflecting the nation's commitment to maintaining its security and protecting its interests. However, the high cost associated with defence expenditure also presents challenges and requires careful management. The allocation of a significant portion of the budget to defence means that resources are diverted from other sectors, such as education, healthcare, and infrastructure development. Balancing the need for defence preparedness with the requirements of socioeconomic development is a continuous endeavour for the policymakers. Additionally, cost overruns, delays in procurement and inefficient utilization of resources can pose financial burdens and hinder the optimal allocation of funds. Therefore, ensuring transparency, accountability and efficiency in defence spending is essential to maximize the value derived from the investments made in the defence sector and minimize any potential strain on the economy.

FIG 1: COMPOSITION OF EXPENDITURE, BUDGET REPORT 2022-23



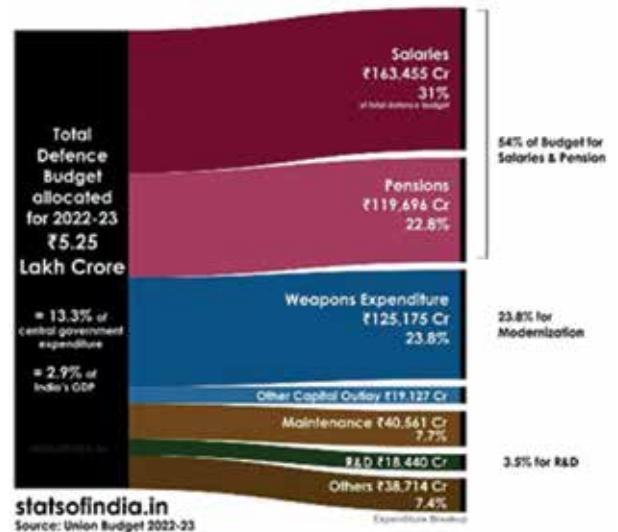
Source: (https://www.indiabudget.gov.in/budget2022-23/doc/Budget_at_Glance/budget_at_a_glance.pdf)

GOVERNMENT INITIATIVES TOWARDS COST EFFECTIVENESS

Resource allocation in an effective and efficient way is imperative to manage the challenges and opportunities in the sector. The defence sector has been continuously focusing on optimum utilisation of resources and decreasing cost with a motto to becoming self-reliant. This has resulted in an all-time-high exports surging from Rs. 686 Crore in FY 2013-14 to nearly Rs. 16,000 Crore in FY 2022-23, nearly by 23 times [PIB report]. India has around 194 defence tech start-ups building innovative tech solutions to empower and support the country's defence efforts. FDI in the defence sector was allowed up to 74 per cent through automatic route (from 49 per cent until 2019) for companies seeking new industrial licenses FDI beyond 74 per cent and up to 100 per cent was permitted under the Government route.

To cater to the issue of resource allocation Raksha Mantri, Shri Rajnath Singh, held a three-day conference on Defence Finance & Economics from 12th April, 2023 which was attended by over 350 eminent policy makers, academics and government officials from within the country and abroad. The discussions revolved around optimization of resources by strategic allocation of defence budget and aligning economic growth with defence spending. It emphasized on how much budget should be allocated to defence and how to distribute the resources among different services, highlighting the need to take decisions based on practical considerations. It emphasized on the need to upgrade current technological processes and employing human resources in the sector. The expenditure breakup for the allocated budget for 2022-23 is illustrated in the figure below. Broadly, the budget allocation was identified as salaries and pensions accounting the highest (54 per cent), modernization (23.8 per cent) and the remaining 22.2 per cent for maintenance, research and development and others.

FIG 2: DEFENCE BUDGET ALLOCATION, BUDGET REPORT 2022-23



The role of a Certified Management Accountants (CMAs) in cost optimization is instrumental in helping to achieve efficiency and profitability. CMAs utilize their expertise in cost analysis, budgeting, and financial management to identify areas of wasteful spending and implement strategies for cost optimization. They conduct thorough cost assessments, identifying the cost elements and analysing cost drivers to identify potential cost-saving opportunities. CMAs work closely to develop and implement cost reduction measures, such as process improvements, supply chain optimizations, and resource allocation adjustments. They monitor performance, implement various tools for analysis, and provide recommendations for corrective actions to ensure that cost optimization efforts are effective and sustainable. By leveraging their knowledge and skills, CMAs play a pivotal role in driving financial discipline and maximizing the value of resources.

ROLE OF CMAs IN DEFENCE SECTOR

India, as a rapidly developing nation, recognizes the significance of maintaining a strong defence force to ensure national security and safeguard its interests. However, in an era of fiscal constraints, it is imperative to approach defence readiness in a cost-effective manner. Hence there is a need for recognising the role of CMA in the sector.

Cost Analysis and Planning

CMA professionals can conduct comprehensive cost analyses of defence operations to identify areas of potential cost savings. By analysing the cost structure, such as personnel expenses, procurement costs, and maintenance expenses, CMAs can highlight inefficiencies and recommend cost reduction strategies. This analysis can lead to improved resource allocation and the prioritization of expenditures based on their impact on defence readiness.

Budgeting and Forecasting

CMAs play a crucial role in developing defence

budgets and forecasts. By leveraging costing techniques and financial modeling, CMAs can estimate the financial requirements for maintaining defence readiness. These forecasts assist in aligning resource allocation with strategic objectives, enabling the optimization of budgetary allocations and preventing cost overruns.

⦿ Performance Measurement

Effective performance measurement is vital for evaluating the efficiency and effectiveness of defence operations. CMAs can develop key performance indicators (KPIs) to assess the utilization of resources, productivity levels, and overall operational performance. By monitoring these KPIs and conducting variance analyses, CMAs can identify areas for improvement and cost-saving opportunities, ultimately enhancing defence readiness.

⦿ Activity-Based Costing (ABC)

Implementing ABC systems allows CMAs to track and allocate costs based on specific defence activities. This approach helps identify areas of high cost and enables data-driven decision-making regarding resource allocation and process improvements. By linking costs to specific activities, CMAs can identify inefficiencies and develop strategies to optimize resource utilization.

⦿ Cost Control and Reduction

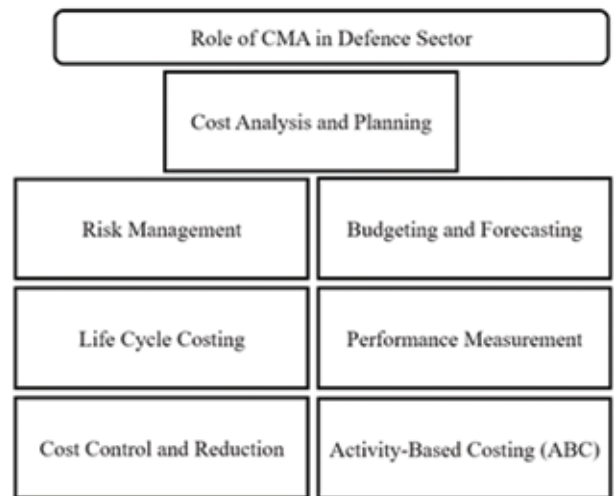
CMAs can establish robust cost control systems to prevent cost overruns and identify potential areas for cost reduction. By implementing cost monitoring mechanisms, conducting regular cost reviews, and performing variance analysis, CMAs ensure that defence operations remain within budget. This approach facilitates proactive decision-making and allows for the redirection of resources to critical areas that directly contribute to defence readiness.

⦿ Risk Management

Risk management is essential for maintaining cost effectiveness in defence operations. CMAs can contribute by assessing the financial implications of potential risks and uncertainties. Through scenario analysis and sensitivity studies, CMAs can quantify the impact of risks on the financial stability of defence operations. This information enables proactive risk mitigation strategies and ensures the allocation of resources to address potential threats effectively.

⦿ Life Cycle Costing

Adopting life cycle costing principles helps CMAs evaluate the cost-effectiveness of defence systems and equipment over their entire life cycle. By considering costs from acquisition to disposal, CMAs can provide insights into long-term cost implications. This approach facilitates informed decision-making regarding equipment procurement, maintenance strategies, and technology upgrades, ultimately optimizing costs while maintaining defence readiness. The role of CMAs can be depicted as under:



Source: Author

CONCLUSION

India's defence readiness necessitates a balanced approach that considers cost-effectiveness without compromising national security. From a Cost and Management Accountant perspective, the adoption of cost analysis, budgeting, performance measurement, ABC technique, cost control, risk management, and life cycle costing can enhance defence readiness in a cost-effective manner. By optimizing resource allocation, identifying cost-saving opportunities, and ensuring financial stability, CMAs contribute significantly to India's defence preparedness while maintaining fiscal prudence. It is through the collaboration of financial experts, military strategists, and policymakers that a cost-effective and robust defence apparatus can be achieved. **MA**

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MAKE IN INDIA IN INDIAN DEFENCE: A PROSPECT OF DEVELOPMENT FOR MICRO, SMALL & MEDIUM ENTERPRISES

Abstract

The current study explores how MSMEs impact the defence industry and how the “Make in India” policy encourages domestic production. The constraints and prospects for increasing local business engagement in the defence sectors are covered in the study. In the future MSMEs in India’s defence manufacturing sector would have significant opportunities for expansion.



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INTRODUCTION

Micro, small, and medium enterprises (MSMEs) have continually occupied a key role within the industrial framework of India due to their significant quantity and widespread geographic dispersion. This sector is responsible for the employment of a considerable workforce that is comprised of both unskilled and semiskilled persons. The term “small and medium-sized enterprises” (SMEs) refers to nearly 90 percent of all firms that exist worldwide and accounts for more than 50 percent of all jobs. MSME’s rise has been considerably identified in the Indian economy and this can be attributed to the significant impact it has had on the eradication of poverty, generation of employment, social influence, development, and the distribution of wealth uniformly.

MSMEs IN DEFENCE SECTOR

The idea of *Atmanirvarta* has been elevated to a pivotal role in our national policy by the current Prime Minister, and it will play an important part in our eventual goal of being a developed nation. It is inevitable that we shall progress towards being a developing nation. In terms of the defence industry, the Government controls both production and research and development and it also serve as the end user. Therefore, it

had a fairly closed ecosystem, and whenever an ecosystem is closed, innovation levels are low. The Minister of Finance made an announcement that 25 percent of the funds allocated for defence in the Union budget (2022-23) will also be used to finance research and development in the private sector. Startups and MSMEs have the perfect opportunity to grow and play significant part in providing innovation, which is essential for us to transition into a leading position, particularly in the field of military systems and equipment. DRDO (Defence Research & Development Organisation) has a long history of collaborating with MSMEs and new businesses. DRDO used to design and then approach startups and MSMEs to produce for DRDO, and then integration and development for the designed products and services were carried out. Previously, funding was obtained through development contracts or supply orders. The procedure has been modified as a result of the establishment of the Technology Development Fund (TDF), which has been established with a budget of Rs.10 crore in 2016 for the purpose of providing product-based funding. GOI has raised Technology Development Fund ceiling to Rs. 50 crore (Press Information Bureau June, 2022). Innovation is happening globally, and India must keep pace with this progress for the system to function properly. Several disruptive technologies have surfaced, including artificial intelligence, machine learning, quantum technologies and other unmanned systems, with the aim of revolutionising the global battlefield and attaining a competitive edge. These innovations, as well as the creation of a thriving ecosystem of MSMEs and startups, will aid in the realisation of *Atmanirbhar* Bharat’s vision. Innovation for defence excellence has been developed to encourage innovation and technological development in the defence and aerospace industries through the participation of MSMEs (PIB March 2022). As part of the initiative known as “New Horizons Growth,” regulatory reforms in the military industry helped to increase foreign direct investment to 74 percent (PIB, 14.09.2020). The “Make in India” goal will be broken down into more specific goals, with the primary emphasis being placed on the participation of MSMEs via indigenization and innovation. The indigenous military manufacturing capacities would be improved through the implementation of a strategic partnership with MSME in the defence acquisition procedure. The capital budget will cover

the cost of purchasing goods and services. The purchase of goods and services will be covered by the capital budget, and the capital acquisition plan is divided into three categories: “Buy,” “Buy and make,” and “Make.” These specific details are given in the following Table.

TABLE-I
CAPITAL ACQUISITION PROCEDURE

Category	Indigenous Content
Buy	Purchase of at least 50 per cent Indian-made equipment from an Indian supplier. Additionally, it permits to purchase from international and Indian vendors.
Buy and make category	Enables purchase from a global vendor and have the product manufactured (min 50 per cent) locally by licenced or indigenous manufacturers.

Make	Enables domestic design, development, and production.
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Source: Defence Acquisition procedure 2020

The Ministry of Defence has announced a list of prohibited weapons and platforms for importation, which is periodically updated on the website of the Ministry of Defence as well as guidelines on how to procure them to support domestic and indigenous ones. This initiative is closely associated with the *Atmanirbhar Bharat Abhiyan* (Table-I).

SCOPE OF MSME IN DEFENCE SECTOR

It is widely acknowledged that the strength of a chain is contingent upon the resilience of its weakest link. In the context of the defence sector, the MSMEs play a crucial role in fortifying the required strength. The major responsibility of all MEMEs is the manufacturing and integration of components, subcomponents, assemblies, and subassemblies.

TABLE-2
CAPITAL ACQUISITION BY SERVICE
(PER CENT)

Financial Year	Army		Navy		Air Force	
	Foreign	Indigenous	Foreign	Indigenous	Foreign	Indigenous
2012-13	6.45	93.55	36.93	63.07	55.94	44.06
2013-14	10.18	89.82	61.40	38.60	57.68	42.32
2014-15	18.48	81.52	36.23	63.77	48.58	51.42
2015-16	14.14	85.86	39.41	60.59	44.85	55.15
2016-17	18.18	81.82	34.14	65.86	54.14	45.86
2017-18	17.40	82.60	28.78	71.22	59.40	40.60
2018-19	20.31	79.69	26.47	73.53	76.98	23.02
2019-20	19.41	80.59	34.52	65.48	59.16	40.84
2020-21	22.10	77.90	44.15	55.85	37.79	62.21
2021-22	16.62	83.38	38.04	61.96	43.58	56.42

Source: 37th Report, Standing committee on defence, 2023-24

Inadequate infrastructure and technology will characterise self-reliance if the defence sector is reliant on imports. According to Table-2, the Air Force’s reliance on foreign companies for capital acquisition is significantly higher than that of the Army and the Navy. However, from 2020–21, the level of dependence has been declining. The attainment of self-sufficiency in defence is often regarded as an essential component for any nation to effectively compete on the global stage. According to the information provided by the Parliamentary Standing Committee, the defence sector has been able to secure an average of 56 to 83 per cent indigenous support in regard to the army, navy, and air force defence services. The attainment of self-sufficiency in

defence is often regarded as an essential component for any nation to effectively compete on the global stage. The Vijay Kelkar Committee has proposed a reduction in the importation of defensive equipment and has estimated that a 25 per cent decrease in reliance on foreign sources might result in a foreign exchange savings of Rs. 85 billion and the potential creation of 12,000 more employment opportunities (Dr. Kelkar Committee Report, 2005).

MSMEs previously collaborated with DPSU as supply chain partners; today, however, they are fully capable of designing, developing, and manufacturing the entire defence system, allowing India to become independent in this sector. MSME will become very

competitive in the process of social and economic globalisation to create defensive units because of flexibility, great diversity, and low-cost inputs.

CHALLENGES & LIMITATIONS

The DRDO collaborates with a number of MSMEs on various initiatives, and DRDO transfers technologies to such MSMEs. Therefore, in this sense, MSMEs are extremely reliant on the DGOF (Director General of Ordnance Factories), DPSU (Defence Public Sector Undertakings), and other organisations of the Central Government. In comparison to 2018-19, DPSU and other defence agencies’ procurement grew by 12 per cent in

Reduced imports, GDP growth, and the creation of high-value jobs will all result from MSMEs' involvement in the defence manufacturing industry

2020–21, totaling to 5463.82 crores. Despite the numerous opportunities for flexibility, MSMEs are unable to meet the requirements of the defence industry. When it comes to multilateral and regional free trade agreements, there are several opportunities for MSMEs to assume important roles within the global value chain. Policy liberalisation efforts in various domains, such as trade, investment, and technological innovation in transportation, information, communication, and new management principles such as Just-in-Time (JIT), Enterprise resource planning (ERP), and supply chain management, have created these opportunities. However, several obstacles prevent MSMEs from participating in the global value chain and the “Make in India” initiative.

- i. Technical Knowledge:** Technology advancement is absolutely necessary to keep the space worldwide. The process of adopting new technologies and training personnel is time-consuming and expensive. In India, there are 7,888 R&D institutes, 5,236 of which are private (Directory of R&D institutes, 2021), however no MSMEs have access to any of these facilities.
- ii. Marketing:** Clusters are a great way for MSMEs to work together to improve individual and collective performance. The inability of MSMEs to forge stronger connections with competitors and implement efficient marketing strategies is hampered by a lack of cluster development. Lack of data also makes it impossible to predict future marketing trends.
- iii. Financial Constraints:**

Processing fees, project planning and appraisal, loan approval and servicing procedures, credit evaluation, and other factors make it difficult to provide financial assistance. There are still obstacles despite the government's earnest support for loans with easy credit.

- iv. Up skilling:** For MSMEs, finding qualified candidates and keeping them on staff with competitive pay is a serious challenge. People are not equipped with the proper tools because there is a dearth of expertise at the grassroots level. Due to a lack of innovation and originality, a lack of competent workers will impede the development and survival of MSME.

FUTURE PROSPECTS & OPPORTUNITIES OF MSME

According to the Ministry of Defence (MOD), over 12,000 MSME joined the defence sector, and over the past seven years, exports have exceeded Rs. 38000 crore (PIB, Dec 2021). A target has already been established to involve 16000 MSMEs by the year 2024 in order to increase indigenization through Innovation for Defence Excellence (iDex). Now, Indian MSMEs are working with foreign OEMs to join the world supply chain. The following competencies are provided by MSME within various industries:

- i. Composites:** Prepreg moulding and vacuum-assisted resin transfer moulding are skills possessed by Indian MSMEs. These methods enable the creation of composite materials from raw materials, such as woven carbon, glass-based reinforcements, high temperature foam, etc.
- ii. Precision manufacturing:** Precision mechanical components, CNC machines, and electrical machines are able to produce precision mechanical parts, and as a result, they are able to serve as the foundation of manufacturing organisations' production lines.
- iii. Shipbuilding:** In addition to producing motor components, panels and fittings, electrical

switches, valves, pipe fittings, and other items, MSME plays a vital part in the construction of defence ships. Recently, the Indian Navy launched two indigenously produced diving support vessels, known as Nistar and Nipun. A total of 120 MSMEs were involved in the construction of these vessels (PIB, September 2022).

The aforementioned projects possess substantial strategic relevance within the defence sector, since they involve the assembly and sub-assembly of defence equipment by MSME. Reduced imports, GDP growth, and the creation of high-value jobs will all result from MSMEs' involvement in the defence manufacturing industry, which will help increase foreign exchange.

CONCLUSION:

Despite a number of obstacles, Indian MSMEs are capable of working in the defence sector. MSMEs must rely on specialised technologies to compete with major corporations. In a world that is constantly evolving, the MSMEs of today provide an unbelievable level of adaptability, innovation, and cost-benefit. MSMEs are able to act quickly and adapt to changes very early in the supply chain situation due to their modest structural cost base, smaller workforce, and flexible management handled by a small number of individuals. For India's defence industry to grow, the MSME sector must be developed through the effective use of capital investments and technologies. **MA**

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IGNITING YOUNGER MINDS THROUGH DEFENCE START UPS

Abstract

Atmanirbhar Abhiyan has been a bold step from the Government of India in the midst of the adverse challenges faced by sectors like tourism, MSMEs, rural entrepreneurs during the Covid-19. It was a boost for all the affected sectors as there was an initial funding of Rs.20 lakh crore to the needy sectors. It is indeed a giant leap towards making India independent by ensuring self-reliance in aviation, agricultural sector, power and coal. The basic idea behind the scheme is to produce goods on their own and do not rely on imports for producing goods. In the stimulus package, Rs.10200 crore was provided for industrial infrastructure, incentives and domestic defence equipment. Defence India Start-up Challenge was established by the Government of India to create prototypes and market products in the defence sector. The major start-ups in the defence sector contributed towards introduction of drones, underwater camera surveillance system and robotic equipment which would be helpful for the defence sector. The main challenge before such start-up is to establish it with an international perspective so that it can generate foreign revenue.

REVIEW OF LITERATURE

Sharma, R., & Gupta, S. (2021) discussed the effect of *Atmanirbhar* Bharat Scheme on the people affected by Covid-19. The core areas in these schemes are identified by the paper as defence and products. The findings revealed that even though schemes are beneficial, the common man was suffering from lack of hospital bed, lack of basic facilities, shortage of oxygen etc, it would yield result only if it reaches the common man.

Bhatt, D. (2023) analysed the effect of pandemic on businesses led by women entrepreneurs. The paper



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highlighted the plight of women in continuing their business during the pandemic and the efforts put in to revive by using the technology. The pandemic made most of the people in rural areas literate technologically and women entrepreneurs in rural areas were given training to use the latest technologies in making their business fruitful. 15 rural women in a village named Karolia underwent training and the feedback revealed that it was successful.

Even though lot of support is extended to the agricultural sector, the output has been minimal (*Kynta, A. R., 2020*). Increasing farmer suicides, loss of fertility of soil, climate change have been some of the factors hindering the growth of agricultural sector. Solar energy could be effectively used in this sector to increase productivity and ensure self-reliance among the agriculturists and control the risk of climate change to a certain extent.

The Indian navy has been recording a surge in growth in terms of manufacturing ships indigenously, be it electric propulsion system or getting float equipment from within India. (*Alok Bhagwat, N. M., & Chitrao, P. V., 2023*). The LPD project of the Indian navy has been emphasising on manufacturing propulsion machinery indigenously. This truly is a leap towards *Atmanirbharta* in warship building. Electric propulsion would result in less emission from ships thus ensuring sustainability.

Singh, V. (2022) highlighted the wave of self-reliance among the unemployed youth created as a result of *Atmanirbhar* scheme. India has been successful in registering growth in the field of animal husbandry, aqua culture, fisheries etc. The rural folk have played a

significance role in this enhancement. The paper stressed on the strong rural economy for the success of a country like India.

Vaishali Jain, & Somvir Gill., (2023) stated that Covid 19 created havoc in the field of tourism, entertainment, aviation, real estate etc creating unemployment in various sectors. The introduction of *Atmanirbhar Bharat Abhiyan* has resulted in an impetus to be self-reliant in all fields. Success can be tasted through this scheme in the years to come.

Satpute D. Prashant (2020) studied the challenges before *Atmanirbhar* scheme and the effect on the various packages provided by the Government for the support given to Covid affected sectors. This scheme has been provided with Rs.20 lakh crore to provide basic support to the Covid affected people. Even though, the intention was to provide initial support, the long goal is to bring overall development in the sectors and make them self-reliant. The paper suggested provision of funds by the Central Government which can be implemented by the respective States.

Khathi V. Varada (2022) discussed the opportunities and challenges of *Atmanirbhar* scheme. The five pillars of the scheme like economy, infrastructure, system, demography and demand is dealt with. He has stated that the four E's like Education, Entrepreneurship, Employability and Employment is vital to achieve the objectives of *Atmanirbhar* scheme. The scheme makes people to be self-reliant, have long focus, develop entrepreneurial skills, develop of renewable energy sector etc. Some of the measures identified to face challenges include shift of focus of higher education institutions to thinking, problem solving and decision making, allowing MSMEs to bid in global tenders to get support

from outside etc.

DEFENCE START-UPS

Gone are the days where the defence sector was a monopoly of the Government. Realising the importance of defence sector due to increase in number of enemies across border, India has opened up the defence sector too to start ups to face the "Make in India" challenge. Most of the Indian imports constitute defence equipment (60 per cent), India spends 40 per cent of the defence budget on importing capital equipment from outside. In spite of all adversity in the balance of payments, foreign direct investment in the defence sector has increased to 49 per cent. Based on strategic partnership in defence mooted in the year 2017, private sector organisations engaged in manufacture of defence equipment are considered as systems integrators. They collaborate with their foreign counterparts and make investments for a long term and thereby enhancing research and development activities. The five main criteria for *Atmanirbhar* scheme such as economy, infrastructure, system, demography and demand are given priority. In the defence sector, demand is a key factor as based on the need arms and ammunition is designed and it shall be within the limited budget set aside by the Government. More scope is available in the case of MSMEs as they give importance to manufacturing quality products at least cost.

OBJECTIVES

1. To find out the types of defence start-ups in India.
2. To find out the types of products manufactured by defence start-ups in India.

DEFENCE START-UPS IN INDIA

In all 59 military tech start-ups

are operating in India. Some of the military tech start-ups in India are briefly outlined hereunder. :-

Tonbo imaging

It is engaged in creating and incorporating imaging and sensor devices used in military operations. It provides real time applications in the form of lower power electronics and provide real time vision processing. It helps in providing imaging solutions.

EyeRov

India's first underwater drone called as TUNA was designed by them which can be effective in underwater inspections and surveys. The peculiarity of this defence start-up is a marine robotic solution to inspect under waters. They were successful in becoming the first customer of Defence Research and Development Organisation (DRDO).

Optimised Electrotech

A number of sensors designed will be beneficial for capturing high resolution images for security operations which will be useful for military operations.

Big Bang Boom Solutions

It is specialised in creating technology which is home based which helps in providing assistance for military operations.

Ideaforge

This company has created a compact unmanned aerial vehicle for military security.

Cron AI

It provides real time audio interface and encrypted communication systems which provide high communication. It provides high performance sensing products in automobiles, security and surveillance.

TABLE.1
SUCCESSFUL DEFENCE START-UPS IN INDIA

Name of start-up	Nature of product	Year of establishment	Funding
Tonbo imaging	Imaging and sensor systems for military	2003	USD 24 million
Axio	Platform based products for wound care	2008	USD 21 million
Raphem Phibir	Carbon fibre reinforced plastic materials, inspection drones	2017	USD 15 million
Optimised electrotech	Electrooptic based video surveillance system	2017	USD 6 million
Green robotics	Robots for unmanned military applications	2006	USD 4 million
Big bang boom solutions	Combat weapon systems	2018	USD 4 million
Kinetix	Launch vehicles	2006	USD 3 million
Dynalog	Industrial network infrastructure	1978	USD 2 million
Zmotion autonomous systems	Drones and accessories for defence applications	2018	USD 2 million
Sagar defence engineering	Quadcopter drone	2015	USD 680000

Source: Compiled from <https://tracxn.com/explore/Military-Tech-Startups-in-India>

In addition to these there are many other start-ups concentrating their operations in the defence sector which is the outcome of *Atmanirbhar* scheme of the Government of India.

Torus Robotics

This is a start-up dealing in unmanned ground vehicles for the military. This was started in the year 2019. It focuses on the identification and disposal of unidentified threats. Pioneer Defence Innovator Award was won by this firm.

Vinveli

They manufacture drones for Special Forces and have secured two patents and are indigenously manufacture firing systems.

Ideaforge

This is one of the successful start-up in the manufacturer and claims 90 per cent of surveillance system of defence. Their drones are already been used in defence sector, for inland security and also used for geospatial survey.

PROSPECTS

Start-ups in the defence sector have made tremendous contribution in the field of nation security. This has been in the form of drones and underwater surveillance cameras and robotic devices. These developments would definitely add to the strength of our defence sector. India can save a lot of its foreign reserves by popularising indigenously developed defence start-ups.

CHALLENGES

The manufacturing units in the defence sector rather than becoming self-reliant have been more dependent on DRDO for getting sufficient support and have sought assistance of the Ministry of Defence in general. The major objective behind the scheme was to make the manufacturers self-reliant, the purpose which is initially defeated. Further, capacity building programmes shall be conducted in the defence sector as most of the personnel in the sector lack technical expertise. If they gain technical knowhow through in-house programmes it could be beneficial in the upsurge of more number of defence related projects in the start-up sector. Lack of financial support is one of the problems faced by defence start-ups as they solely depend on

India has opened up the defence sector too to start ups to face the "Make in India" challenge

DRDO which makes it difficult to come up with new technology. Bureaucratic problems, political problems and corruption have slowed down the growth of defence start-ups.

FINDINGS AND CONCLUSION

There has been an increase in the number of defence oriented start-ups in India soon after the introduction of *Atmanirbahar Bharat* Scheme. Even though this scheme was introduced for the revival of business units in India during the period of Covid-19, the impact has been on various sectors where more and more number of entrepreneurs came forward with varied ideas to start enterprises on their own especially in the defence start-ups. India faces challenges from the neighboring countries in the form of frequent aggressions across the borders. In the context of frequent attacks, India has been concerned about the strength of the defence sector in meeting the ensuing challenges. As a small step towards this, the Government has opened up defence sector to the private sector to come up with their own innovative ideas. **MA**

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EMPLOYEE ENGAGEMENT IN INDIAN MILITARY ORGANIZATIONS: INSIGHTS FROM INTERVIEWS WITH MILITARY ORGANIZATION HEADS

Abstract

Employee engagement plays a vital role in driving organizational success, influencing workforce motivation, productivity and overall performance. While extensively studied across different industries, its investigation within the distinctive context of military organizations has been relatively limited. Given the crucial role of India's armed forces in ensuring national security, comprehending and nurturing employee engagement within these institutions becomes a matter of utmost significance. However, intricacies of employee engagement within the military's stringent culture have received limited attention. Furthermore, existing studies rely mainly on quantitative methodologies, overlooking valuable insights that qualitative interviews with military organization heads can provide. This research study aims to address these gaps by conducting in-depth interviews with military organization heads across different branches and ranks in the Indian armed forces. By exploring their perspectives on employee engagement, this study seeks to gain a comprehensive understanding of the strategies, challenges, and HR practices for fostering a highly engaged military workforce.

INTRODUCTION

According to Kahn (1990), engaged individuals invest themselves physically, cognitively, and emotionally in their job responsibilities, actively expressing their dedication and enthusiasm during role performances. Employee engagement goes beyond mere job satisfaction and encompasses a deeper connection between individuals and their work. Employee engagement directly impacts the readiness, efficiency, and effectiveness of individuals (Bakker, 2011). While studies on employee engagement



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are abundant in corporate settings (Lacey, 2013), there is a lack of theoretical and empirical evidence regarding a

conceptual framework on employee engagement in the international military context (Iddagoda *et al.*, 2022). Military organizations present a distinctive and challenging environment due to their hierarchical structure, strict discipline and unique mission-oriented nature. Military personnel often face long deployments, exposure to dangerous situations and demanding operational requirements, all of which can impact their engagement levels. Therefore, it becomes imperative to examine the factors influencing employee engagement within the Indian military and identify effective strategies to bolster the morale and commitment of its personnel.

RESEARCH GAP

Although there are studies that investigate employee engagement in various sectors, research focusing specifically on the Indian military is sparse. Limited attention has been paid to the intricacies of employee engagement within the military's stringent and regimented culture (Alarcon *et al.*, 2010) Moreover, the limited existing studies on this topic rely on quantitative methodologies, neglecting the valuable insights that military organization heads can provide through qualitative interviews.

RESEARCH PURPOSE

This research aims to address the aforementioned gap by conducting in-depth interviews with military organization heads from different branches and ranks within the Indian armed forces. By exploring their perspectives on employee engagement, this study seeks to gain a comprehensive understanding of the strategies employed, challenges faced and best practices adopted in fostering a highly engaged military workforce.

METHODOLOGY

This study employs a qualitative research methodology to explore and analyze the perspectives and experiences of military leaders with experience in managing personnel. The research design for this study is a qualitative, exploratory approach. The study targeted army personnel heads, including high-ranking officers and other key figures within the army, who possessed significant experience and knowledge in the field. Their expertise was essential for providing in-depth insights into the research topic. Semi-structured interviews were conducted as the primary method of data collection. Interviews were designed to encourage participants to express their thoughts and experiences openly. Potential participants were approached with an invitation to take part in the study. Informed consent was obtained from each participant before conducting the interviews.

In this study, a total of 18 army personnel heads were interviewed. This number was determined based on the principle of data saturation. When the data started getting

saturated and no new themes or information emerged from consecutive interviews, the decision was made to conclude data collection. Initially, a few participants were purposively selected based on specific criteria, such as their roles, expertise, and experience in the army. These participants were considered key informants due to their in-depth knowledge of the research topic and their ability to provide valuable insights. During the course of the study, after conducting the initial interviews with purposively selected participants, the snowball sampling technique was employed to expand the sample size. The participants from the initial purposive sample were asked to suggest and refer other potential participants who could contribute relevant information to the study. This process continued until data saturation was achieved.

An interview guide was developed based on the research objectives and questions. The guide included open-ended questions to elicit comprehensive responses from participants. The data collected from the semi-structured interviews were subjected to thematic analysis. The analysis is aimed to gain a comprehensive understanding of the research topic based on the perspectives shared by the participants. Prior to participation, all selected participants were fully informed about the study's purpose, procedures, and potential risks. Written consent was obtained from each participant. During the analysis and reporting phases, strict measures were implemented to ensure the anonymity of all data, thereby safeguarding participants' privacy.

FINDINGS AND DISCUSSION

Thematic analysis of the interview data revealed several main themes related to employee engagement within the context of military organizations in India. These themes offer valuable insights into the factors influencing employee engagement, strategies employed by military leaders and the challenges faced in fostering a highly engaged workforce.



Fig 1: Thematic Diagram: Factors influencing Employee Engagement in Indian Military Organizations

Theme 1: Transformational Leadership

One salient theme that surfaced during the interviews was the pivotal role of leadership in influencing employee engagement within military organizations. Officers at various levels in the military stressed the significance of transformational leadership, which is characterized by an inspiring and motivational approach. These leaders actively connect with their juniors, instilling a sense of purpose and a vision that fosters a stronger dedication to the organization's mission.

Transformational leaders were perceived as vital contributors to establishing a positive and stimulating work environment, where teamwork, camaraderie, and a shared sense of purpose flourished among military personnel. Notably, they exemplified accountability at all levels, and even the Commanding Officer personally knew each soldier by name. This personalized attention made the soldiers feel valued and well-cared for, while the Officer considered the soldiers' problems as his own, further fostering a profound sense of belongingness among the troops. Moreover, the officers took ownership of any issues that arose concerning the soldiers, showcasing their responsibility and dedication to the well-being of their subordinates.

Theme 2: Military Ethos, Values and Culture

The military culture differs significantly from that of corporate environments, with virtues like collaboration, collectivism, and camaraderie deeply ingrained within the military organization. These values become a part of a soldier's identity from the very day they join.

The process of grievance handling in the military is perceived as fair and direct, with higher-ranking officers closely monitoring their respective units. Regular unit climate surveys are conducted to gauge the soldiers' sentiments and identify any challenges they might be facing. The established systems ensure that soldiers' well-being is well taken care of and special training programmes such as forgiveness training and meditation routines are offered to alleviate stress and enhance their overall health.

Honesty and moral integrity are pervasive throughout the military system, underscoring the significance of ethical conduct and a strong sense of personal responsibility. Overall, the military's distinct culture fosters a supportive environment that encourages engagement, well-being, and a shared commitment to the organization's mission.

Theme 3: Developmental Opportunities

Military personnel demonstrated a heightened sense of engagement when they perceived that the organization prioritized their well-being and professional growth. Supportive policies, such as offering opportunities for skill development and career advancement were identified

as key factors positively influencing their engagement levels. Regular training courses and meeting educational criteria were essential requirements for career advancement, contributing to a sense of engagement among the personnel.

Moreover, recognition for exceptional performance, both formally and informally, played a vital role in motivating military personnel and reinforcing their dedication to the organization. Acknowledgment of their efforts and achievements served as a significant source of motivation.

In military organizations, non-deployment phases may cause engagement challenges due to routine lulls, risking complacency. Personnel heads address this issue by providing meaningful activities, training, and development opportunities to maintain readiness and prevent disengagement.

Theme 4: Work-Life Balance and Support

Work-life balance and well-being emerged as significant themes influencing employee engagement in the military. The interviews highlighted the unique challenges military personnel face, such as long deployments, separation from families and exposure to stressful and dangerous situations. Military organization heads recognized the importance of promoting work-life balance and emotional well-being as crucial components of employee engagement. Initiatives aimed at supporting the mental and emotional health of military personnel were identified as essential in maintaining a highly engaged workforce. Furthermore, welfare policies, especially those aimed at supporting families, played a crucial role in fostering positive morale and motivation among soldiers. Officers showed meticulous concern for the well-being of their soldiers' families, ensuring that any family member facing challenges received necessary assistance and care. This thoughtful approach to family welfare instilled mental toughness in the soldiers, reinforcing their commitment to their duty and fostering a willingness to make immense sacrifices in service of their nation.

Theme 5: Open Communication and Transparency

A positive and inclusive culture that promoted open communication and transparency was found to be strongly linked to higher levels of engagement. The interviews conducted highlighted that an environment where personnel felt valued, listened to, significantly contributed to their willingness to go above and beyond their duties, leading to heightened engagement levels.

In the military, even at the smallest unit level, known as the section, consisting of 10 soldiers, a familial bond is nurtured among the members. They know each other well and support one another by sharing their problems and concerns. Communication flows through a structured

channel, from the Commanding Officer reaching down to each soldier. However, in situations where issues cannot be resolved with immediate superiors, the soldier is provided an opportunity to speak directly with the Commanding Officer in private. Regular feedback and follow-ups are standard practices and records are meticulously maintained in a register to ensure effective communication and problem-solving.

Theme 6: Rigorous Training

Military personnel undergo rigorous training that instills in them a profound dedication to sacrifice their lives for the nation. The training programs are robust and comprehensive, designed to cultivate a sense of pride and responsibility in protecting their homeland. Beyond acquiring essential skills such as weapon handling and border defense tactics, they also receive training to build emotional resilience.

The training focuses on a higher mission, fostering a collective sense of purpose among the soldiers. Their demanding routine nurtures a strong sense of camaraderie, discipline, loyalty, and cooperation, creating a new collectivist culture within their ranks. Ethical principles are deeply ingrained in their training, ensuring that they develop a strong sense of ethics and a profound commitment to the country's mission.

As a result of these arduous and transformative training experiences, the soldiers develop a profound sense of belongingness and dedication to the nation's cause, prepared to stand united in fulfilling their duty to protect their country.

Theme 7: Challenges to Employee Engagement

The final prominent theme that emerged from the interviews revolved around the challenges encountered in fostering employee

Transformational leaders were perceived as vital contributors to establishing a positive and stimulating work environment

engagement within the military context. The interviews shed light on the significant impact of various factors, such as frequent deployments and operational demands. Soldiers often experience prolonged stays in non-family stations at operational locations, resulting in both mental and physical stress that can hinder employee engagement.

India's continuous engagement with enemies from multiple directions adds to the pressure for success, intensifying the demands on military personnel. Additionally, the nature of military duties can sometimes create tensions between personal life and professional responsibilities, potentially affecting engagement levels.

Recognizing the importance of addressing these challenges, military organization heads acknowledged the need to focus on these areas to ensure sustained engagement and overall well-being among military personnel.

CONCLUSION

This study sheds valuable light on the critical factors influencing employee engagement within the Indian armed forces. The research has identified significant themes, including the impact of transformational leadership, military values, ethos and culture, developmental opportunities, work-life balance and support, open communication and transparency and comprehensive training.

This study significantly contributes

to understanding employee engagement in Indian military organizations. The implications of the study extend to military leaders and policymakers, offering valuable insights to implement targeted strategies aimed at enhancing employee engagement and well-being. However, caution should be exercised when extrapolating the results beyond the Indian military context. Further research using diverse methodologies and larger sample sizes to build upon these insights and provide a comprehensive understanding of engagement dynamics within the military context may be undertaken. MA

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GREEN INITIATIVES IN INDIAN DEFENCE SECTOR - A JOURNEY TOWARDS SUSTAINABILITY

Abstract

Like all other sectors, the Indian defence sector is not an exception in upholding the spirit of sustainability in the world. Defence sector over the last several decades has undertaken various modernization programmes. A big chunk of it is nothing but green initiatives. Uses of alternative fuels to reduce harmful emissions, development of non-conventional power supply infrastructures, execution of green waste management system, use of bio-friendly materials are few endeavours in the long list of success stories.

BACKGROUND

With the growing importance and size of the defence sector at the time of increasing geopolitical risks, modernization programmes are undoubtedly an indispensable aspect. Moreover considering the gigantic size of the sector, the outfall of any initiative is huge. Considering all these aspects, the defence sector as a whole in collaboration with Defence Research and Development Organization (DRDO) and other scientific and technical bodies are working together for ensuring sustainability in modernization programmes. Green initiatives undertaken by all the three forces of the country are very important in preserving the rich and vast natural bio-diversity of the country apart from protecting our country from foreign aggressions. Over the last decade from 2011-2012 to 2021-2022 the Government spending on defence modernization has increased at an average rate of 8.4 per cent. Most part of this increase is attributable to increasing focus on green initiatives over the past decade.

BRIEF REVIEW OF LITERATURES

Indian defence industry is one of the largest among the developing nations of the world. In spite of this fact the industry is largely centred around Government organizations; the private players catered only to a small portion of defence supplies (Das, 2019). Technologies that are used in the Indian defence sector are most advanced of the time. Importance of the sector is so huge that it requires invention of world class technologies to sustain sovereignty of the nation (Singh, 1998). The Government's target of converting India from one of the largest importers of defence materials to one of the largest



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exporter can be realised through "Make in India" programme. But several challenges concerning technological issues and private participations need to be solved, (Shaikh, et, al. 2016). To make the Indian defence sector self-reliant through "Make in India" and "Atmanirbhar Bharat" initiatives the main focus should be on undertaking world class innovations unmatched of the time (Chawan, et, al. 2023). Corporate governance practices in Indian public sector defence industries are very appreciable and commendable, (Padmavathi, 2015). Nanotechnology has huge prospect in Indian defence sector. It can deliver desired result at optimum cost and time, (Agarwal, et, al. 2013).

It is understandable from the above discussions that the Indian defence sector is becoming larger and self-reliant day by day and the Government is taking multiple initiatives to realize it. Under these circumstances it is not only important to innovate world class mercenary technologies, but also to undertake initiatives sustainably. Understanding why green initiative in Indian defence sector is becoming undisputable need is tremendously vital. Hence, the researcher here tries

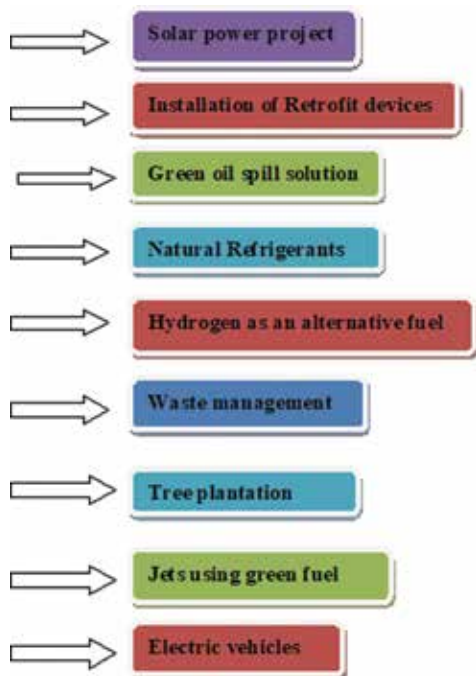
to dig out how the sector is executing green initiatives and in what way these are contributing in resource conservation.

OBJECTIVE OF THE STUDY AND METHODOLOGY

This study primarily tries to identify different green initiatives undertaken by the Indian defence sector. The study also examines how these green initiatives are changing the operational patterns of the sector while protecting the unique and rich bio-diversity of the country. The green initiatives which are protecting and conserving the rare resources have far reaching impact on sustainable economic development of the country. The study is descriptive and explorative in nature. Different published data are critically analysed and presented to achieve the research objective.

Presentation of the facts

Over the years India's defence sector has undertaken several initiatives to modernise defence forces of the country. As the days are changing the focus of the modernisation programs are changing from cost-utility oriented approach to sustainability oriented. It has been observed that various wings of the Indian defence sector have gone through several major research projects for incorporating green initiatives in the sector. Several of those ground breaking sustainability oriented initiatives of the defence sector are discussed in brief, below.



1. **Solar power project:** Indian Navy consumed significant energy annually for its multi-dimensional activities. The conventional energy sources resulted in environmental pollution. To counter this, Indian Navy developed solar a power plant of 15.87 megawatts using Single Axis Sun Tracking Technology. The Navy is also planning to develop more such solar power plants to counter the pollution that arise from the use of conventional energy resources. Use of solar energy

for daily operational purposes has no detrimental impact on the environment. Indian army has also developed for the first time a solar power plant in Sikkim for harnessing green energy. The plant will supply energy to the forces while operating in different remote locations.

2. **Installation of Retrofit devices:** Indian navy has started to install retrofit devices in the diesel generators to reduce harmful emissions from the generator exhausts. Diesel as a conventional source of energy has huge potentially harmful emissions when used as a fuel. This device can reduce harmful emissions up to 70 percent when attached with the diesel machines. This project is now in a very nascent stage. Navy is working seriously to expand installation of this device very rapidly in the diesel operated machines.
3. **Green oil spill solution:** Indian Navy through its research organisation Naval Materials Research Laboratory (NMRL) has developed an eco-friendly material to prevent harmful impact of oil spill on marine organisms and environment. They developed an oil absorption technology using a combination of microorganisms and growth stimulants. Through this technology the oil spills can be easily and quickly removed from the water without affecting the marine health severely. These microorganisms and growth stimulants are highly efficient in absorption of oils from the water surface.
4. **Natural Refrigerants:** Indian Navy in association with Indian Institute of Science, Bengaluru has developed a 100-kilowatt air conditioning system with non conventional refrigerant material. Conventional refrigerant materials when used in air conditioning systems result in harmful gas emissions. Non-conventional refrigerant material that is used here is Carbon Dioxide. The global warming potential of the conventional refrigerants can be substantially reduced by the use of green or non-conventional refrigerants.
5. **Hydrogen as an alternative fuel:** Navy is planning and have executed to some extent the use of hydrogen as an alternative fuel source. Use of hydrogen in place of conventional energy resources like petrol and diesel can reduce the environmental pollutions. Hydrogen as an alternative fuel has also high operational efficiency when used in different vehicles and machines.
6. **Waste management practices:** Indian armed forces have undertaken a remarkable green initiative through multiple ways of waste management. Army has executed solid waste removal project in Siachen Glacier, where they removed 130 tonnes of solid waste. This will protect the ecosystem of the place. Apart from it they have developed compost pits, biogas plant and vermiculture for harnessing green energy through eco-friendly waste disposal.
7. **Tree plantation:** Ecological Task Force (ETF) of the Indian armed forces have planted over 6 crore saplings in around 70000 hectares of defence and de-forested

lands. ETF was set up in 1982; the main purpose of this battalion is to afforest degraded defence lands and other degraded areas to maintain ecosystem balance and environmental health of the places.

8. **Jets using green fuel:** Indian Air Force has started to use bio-fuel for flying its fighter jets. This bio-fuel has been developed by Indian Institute of Petroleum, Dehradun. Though Indian air force have already formally approved the fuel, still only a small portion of jet flight operations takes place using this fuel. Use of this fuel will reduce the carbon footprint to a large extent as perceived by the experts.
9. **Electric vehicles:** Indian army has developed a roadmap for induction of electrical vehicles in the army's fleet. The Central Government's initiative of spreading the use of electric vehicles to reduce harmful carbon emissions has been spearheaded by the armed forces of the country through this initiative. Army is planning to procure different types of electric vehicles like buses, SUVs, motor cycles, etc. Army has also plans for installing charging infrastructures for the electric vehicles.

CONCLUSIVE DISCUSSIONS

The above discussion has showcased that India's defence sector has put immense importance on the concept of sustainability and green operations. United Nations (UN) Sustainable Development Goals (SDGs) targeted to achieve a better world with more socio-economic equity and enhanced resource conservation. There are 17 specified sustainability-oriented goals to achieve this target by 2030 all over the world. India as an important UN member state has pledged to achieve this target. This target can be achieved through reduction of harmful emissions, mass conservation of green lands, enhanced conservation of natural resources and spreading of awareness regarding importance of sustainability concept in the world.

Like many other sectors of the country defence sector has also taken this pledge seriously and have started to undertake multiple initiatives. It has been observed that to reduce harmful emissions the defence sector has started to use green fuels, innovates different types of devices, included electric vehicles in their fleet and also developed alternative energy sources. The defence sector has also given serious importance to green land conservation through massive plantation programmes. The defence sector has also taken measures for resource conservation in the country through scientific solid waste management and efficient solution of the problem of oil spill.

Sustainability related awareness programmes are not adequately undertaken by the defence sector as observed through critical examination of related published facts and figures. In spite of it the overall performance of India's defence sector is very good in promoting sustainability in the country through green initiatives. MA

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CMA Ramesh Kumar Dash

Director (Finance), Garden Reach Shipbuilders & Engineers Ltd., Kolkata

CMA Ramesh Kumar Dash has taken over charge as Director (Finance) of GRSE Ltd on 01 July 2020. He is also the Chief Financial Officer of the Company. He is a Post Graduate in Commerce, Bachelor of Law and Associate Member of The Institute of Cost Accountants of India. Shri Dash started his career as Finance Officer in M/s. Paradeep Phosphate Ltd. (PPL), Govt. of India, Enterprise in April 1992 and his first assignment was in Marketing Finance at Bhopal. Subsequently, Mr. Dash was transferred to the plant at Paradeep (Odisha) and rendered his service in various functions of the finance department. After working eight years in various positions, he left M/s. Paradeep Phosphate Ltd. in 1999 and joined Hindustan Aeronautics Limited, Bangalore as Manager (Fin). Mr. Dash was posted in Overhaul Division, Bangalore in December 1999. In 2001, he was transferred to Barrackpore (Kolkata) as Head of Finance. In 2007, Mr. Dash was assigned in Hyderabad Division and continued up to 2012. On promotion as Dy. General Manager of Finance, Mr. Dash took over as finance head of Lucknow Division of HAL. After completing almost 20 years in various divisions of HAL, Mr. Dash was transferred to the Corporate Office to utilize his factory experience in a corporate environment. He has extensive experience in Finance, Taxation, Accounts, Pricing, Budgeting, Treasury Management, Receivable Management, MoU, Contracts, Negotiations, Audit Functions and Corporate Governance. Mr. Dash received the Best CFO Award 2022 (Public-Manufacturing-Medium-Male) from The Institute of Cost Accountants of India.

Q1. What are the significant achievements of Garden Reach Shipbuilders and Engineers (GRSE) Ltd. towards “Make in India” scheme of the Govt. of India and defence preparedness of the nation?

Ans. Since launching of ‘Make in

India’ scheme by the Govt. of India in Sep 2014, GRSE has supplied 20 Warships to Indian Armed Forces.

GRSE has complied with the Government’s target to achieve over 70% indigenization and achieved more than 85% indigenous content

averaging over last five years of Value of Production. Of the recently delivered warships, the shipyard has achieved over 90% indigenisation for Landing Craft Utility Ships and over 85% indigenisation for Anti-Submarine Warfare Corvettes.

GRSE has delivered over a hundred warships to the Indian Maritime forces.

Q2. What are the major achievements of GRSE in the last one year?

Ans. Only Defence PSU Shipyard to receive Raksha Mantri's Award 2022 for Excellence in Defence & Aerospace Sector for design of 'Silent Ship'.

Bagged an Order to build Next Generation Electric Ferry for Government of West Bengal to replace diesel ferries & contribute to green environment.

Only Shipyard to receive Green Channel Certification by DGQA for supply of Bailey Type Portable Steel Bridges to Indian Army.

Technical Acceptance/handling over of Ocean-Going Passenger & Cargo Ferry Vessel to Republic of Guyana.

Delivered ICGS Kamla Devi, the Fast Patrol Vessel (FPV) to Indian Coast Guard on 31 Dec 22 (ahead of schedule) which was also commissioned at the shipyard 12 Jan 2023.

Signing of a contract towards construction of 04 NGOPVs for the Indian Navy.

GRSE Accelerated Innovation Nurturing Scheme (GAINS) was launched on 22 May 23 towards furthering the spirit of innovation and to leverage the thriving start up ecosystem in the country.

MoU signed with Border Roads Organisation for supply of 27 Nos. Double Lane Galvanised Modular Steel Bridges.

Launch of 2.15 m Autonomous Underwater Vehicle with multi role capability.

Q3. As CFO & Director Finance of GRSE, what's the biggest challenge ahead of you that you hope to accomplish?

Ans. Biggest Challenges ahead are

- To increase order book under stiff competition to sustain the

growth trajectory.

- To keep cost for production under control.
- Efficient treasure management to generate more non-operational revenue.
- To increase share-holders' wealth.
- Management of inventory.

All the above challenges are quite stiff under the present competitive market but not impossible. GRSE is basically a war ship builder and has a vast experience in shipbuilding. GRSE has world class infrastructure, highly skilled manpower, experienced design team and vast domestic market for shipbuilding business. Therefore, it will not be much difficult to overcome above challenges.

Q4. "The launch of project "Vindhyagiri" is an apt testament to the incredible progress our Nation has made in building a self-reliant naval force". Elucidate your views in this regard.

Ans. The three Nigiri Class frigates were ordered by Indian Navy and this is the largest ever contract being executed by GRSE. The first and second ship of the series INS Himgiri and INS Dunagiri respectively are presently undergoing outfitting at GRSE. To improve quality and shorten build times, P17A Advanced Frigates are being constructed using an Integrated Construction Methodology and improved pre-outfitting.

This launch marks a leap forward, enhancing India's maritime capability. Vindhyagiri is also a step towards achieving the goal of Atmanirbhar Bharat in shipbuilding. During launching of the Ship, Hon'ble President of India highlighted the strategic location of Kolkata making it vital for our naval preparedness in safeguarding our maritime interests and maintaining regional stability. She emphasised the importance of the oceans for India's well-being and growth towards becoming the third largest economy in the world. The

Hon'ble President appreciated the skill and tireless efforts of team GRSE to achieve the milestone of delivering more than 100 warships.

The accomplishment speaks about the capacity of the shipyard in building front line warships for Indian Armed Forces.

Q5. What impetus it would add to GRSE, one of India's premier defence shipyards towards becoming a Navratna Company by 2030 and be globally recognised as the best Indian Shipyard?

Ans. The launching epitomizes GRSE's growth starting from 1960 as a DPSU when the shipyard delivered India's first indigenously built warship INS Ajay in 1961 and has now grown into a mature modern and future ready shipyard that can build small 2.15 metre unmanned vessels to the most advanced and complex weapon intensive warships which is a decisive step towards global recognition as the best Indian Shipbuilding Company. Further, there is continuous upward growth of GRSE financials and Order Book along with achieving higher operational efficiency.

All these factors will also contribute towards becoming a Navratna Company by 2030 wherein range of products, its impact on the economy, efficiency of operation and the inter-sectoral performance of a Company play a crucial role.

Q6. How effective has been GRSE's GAINS Startup Challenge, initiated in May 2023, to leverage India's start-up ecosystem?

Ans. The GRSE Accelerated Innovation Nurturing Scheme (GAINS) is envisaged as a means to leverage the thriving startup and innovation eco system in the country for addressing present and emerging challenges in the ship design and construction industry, while also achieving the objectives of Atmanirbharta. GAINS is designed to provide new and emergent innovators, engineers and designers,

the opportunity to understand the shipyard's core business interests and its established or bespoke practices and thereby motivate them to think and innovate in this niche technology area.

The extensive participation in this event was an indicator of the interest that the scheme has generated amongst the startups and innovators. This innovation process along with financial incentive to startups will no doubt work as a catalyst to India's start up ecosystem.

Q7. India aims to become a global hub for green shipbuilding by 2030, a major endeavor towards a cleaner, greener environment. GRSE's role in it.

Ans. GRSE has been at the forefront of design and construction of zero emission vessels in the country. The first zero emission ferry designed and built by GRSE is scheduled for delivery to the Government of West Bengal by end of 2023. Besides this, the shipyard is also undertaking multiple initiatives towards developing green energy solutions for the maritime sector. The shipyard is working to leverage the potential of hydrogen as a marine fuel of the future and has engaged with industry partners and R&D organizations to develop fuel cell-based propulsion systems.

Q8. According to you, what unique features do India possess to become a global maritime hub by 2030? What are the emerging challenges that we need to overcome to achieve the target?

Ans. India has a 7,516-km-long coast line with nine coastal states that are home to 12 Major and 200+ Non-Major Ports. In addition, India has over 5,000 km of navigable inland waterways under development. The country's maritime sector plays a crucial role in its overall trade and growth, with 95% of the country's trade volume and 68% of the trade value being undertaken through maritime transport. Globally, India ranks 2nd in ship recycling and 21st

in ship building. India is also ranked amongst the top 5 countries supplying trained manpower. The potential for India to become a maritime hub by 2030 is immense if a concerted effort is made by all stake holders.

Maritime India Vision 2030 is a 10-year blueprint by the Government of India with the aim of overhauling the Indian Maritime Sector. MIV 2030 outlines 10 key themes which are essential for India to secure its place at the fore front of the Global Maritime Sector. Port infrastructure development, logistics efficiency & cost competitiveness, policy & institutional framework, enhancing global share in shipbuilding and repair and enhanced use of Inland Waterways & Coastal Shipping for cargo and passenger movement are some of the key focus areas identified to provide the required impetus.

The goal by 2030 is to be amongst the top 10 countries in shipbuilding and repair. MIV 2030 envisions an overall investment of INR 3,00,000-3,50,000 Cr across ports, shipping, and inland waterways categories. This vision roadmap is estimated to help unlock INR 20,000+ Cr worth of potential annual revenue for Indian Ports.

Q9. Which innovative "Indigenisation Initiatives" are there in your pipeline for the next 2 to 3 years?

Ans. GRSE has complied with the Government's target to achieve over 70% indigenisation and achieved more than 85% indigenous content averaging over last five years of Value of Production.

GRSE has displayed 70 items in the indigenisation portal, which were earlier imported or indigenous vendors were not available. As on date, GRSE has successfully able to indigenised 31 items.

GRSE has also a comprehensive '5 Year indigenisation Plan' (FY 2019-20 to FY 2023-24) for developing equipment that are primarily project

specific. GRSE has indigenised 19 items. Another 8 items have been planned to be indigenised.

GRSE is focusing on new and emerging technologies that have the potential to bring about disruptive changes in the near future. GRSE is working with innovators and start-ups to develop Autonomous Underwater Vehicles, Unmanned Autonomous Vessels and Ship borne drones besides working on the design and construction of zero emission vessels.

Contract for Manufacturing and Supply of 30 mm Naval Surface Guns is an another step towards indigenisation of weapon system for Indian Armed Forces

Q10. What one piece of advice would you give to the young CMA professionals?

Ans. In the present scenario there is no short-cut to hard work. Therefore, every professional should put his best effort to understand and analyse the business. Further, thinking out of the box and adding value to the organisation is also very much essential for survival and sustained growth. Each professional should update with the latest technology to discharge his duty efficiently.

Q11. What are the various ways your organization can integrate with our Institute for the diverse avenues in professional development matters?

Ans. The Institute of Cost Accountants of India is the only statutory professional body formed under an Act of Parliament to manage the cost. The Institute has vast experienced professionals to guide the industry to manage and optimise the cost which is the mantra in the competitive environment for survival.

In view of the above, The Institute may provide professional expertise to GRSE in areas like cost management and latest management technologies which will be helpful for reduction of cost. **MA**

SEBI REFORM ON ESG RATING PROVIDERS



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What are ESG ratings?

ESG ratings are grading a company's performance on environmental, social, and governance (ESG) parameters on the basis of some standards. They include what a company has been doing to take care of ESG related issues as well as its focus on risks relating to ESG. The past few years have seen many ESG rating providers mushrooming around the world as well as ESG ratings being accorded to companies. Since these ratings have become important to stakeholders including investors, companies have begun to solicit ESG ratings.

ESG ratings play an important role in reporting and compliance by companies. While there is no uniformity on policies, procedures, and standards to reduce conflicts of interest and increase confidence in the quality of ESG ratings, SEBI is perhaps the first regulator in the world to attempt reform in this space.

Issues with ESG ratings:

The following are the concerns as regards ESG ratings internationally:

- ⊙ Rating agencies use their own system to rate companies which comprise of own, unique metrics, methodologies and terminologies
- ⊙ Most of the ESG ratings rely on reporting of information from companies for rating
- ⊙ Significant topics like labour issues, supply chain related matters are not considered in ESG ratings by rating agencies
- ⊙ There is no uniformity as regards what is "Green" and it differs from agency to agency
- ⊙ Disclosures tend to vary; not standardized for comparison

Abstract

Recently, after public consultation, SEBI introduced a framework on providers of rating on Environmental, Social and Governance (ESG) parameters. This article attempts to explain the SEBI reforms pertaining to ESG ratings.

- ⊙ The system is opaque, jargon filled and incomprehensible at times – few agencies have their methodology made transparent on their websites
- ⊙ Rating upgrades can be managed just by tweaks technically without any real change on the ground.

A couple of international examples:

Bloomberg.com, published a pertinent investigative article, *'The ESG Mirage'*¹ on the state of ESG ratings in America today. The article highlights the dichotomous nature of ESG ratings in America today. For example, in the case of one company, the rating agency designed that the ESG rating in such a way that carbon emissions as a factor in the rating was removed – thus, the revised score was greater since packaging material and waste were given credit, thus boosting the ESG score. In another case, the water stress score did not take into account company's impact on water supplies, but whether communities have enough water to sustain their factories, thus giving a higher rating and thus misleading the investors. In fact, all the pitfalls that have been highlighted earlier in this article are seen to be universally prevalent in ESG ratings.

SEBI reform on and ESG ratings

SEBI consulted on ESG ratings twice – once in January 2022 and again in February 2023. The first consultation paper came in the backdrop of SEBI's revised set of sustainability and social related reporting requirements (Business Responsibility and Sustainability Report (BRSR)) which replaced the Business Responsibility Report (BRR) - the filing of BRSR was made mandatory from the financial year 2022-23, for the top 1000 listed companies by market capitalization. SEBI in its consultation paper² stated that:

".....since the activities of ESG ratings providers(ERPs)

¹ <https://www.bloomberg.com/graphics/2021-what-is-esg-investing-msci-ratings-focus-on-corporate-bottom-line/>

² https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on-environmental-social-and-governance-esg-rating-providers-for-securities-markets_55516.html

are typically not subject to regulatory oversight at present, increasing reliance on such unregulated ESG rating providers in securities markets raises concerns about the potential risks it poses to investor protection, the transparency and efficiency of markets, risk pricing, and capital allocation, among others. Moreover, a lack of transparency in this area gives rise to the risk of greenwashing and misallocation of assets which could lead to infirmity in such ESG rating and a consequent lack of trust thereof. Therefore, there arises an imperative need, more than ever before, to ensure that the providers of such products operate in a transparent and regulated environment that balances the needs of all stakeholders.....”

The SEBI consultation paper of January 2022, *inter-alia*, sought comments on the eligibility of entities to be ESG Rating Providers (ERPs) to provide ESG ratings stated that:

- ⊙ Opportunities for streamlining abound as far as ESG ratings are concerned;
- ⊙ The need for confidence and expanding the scope of disclosures beyond the stand-alone listed entity are critical requirements in this field of ESG disclosures;
- ⊙ ESG Rating providers must consider the local/ domestic context when assigning ESG ratings;
- ⊙ ESG Investing must ensure the robustness of disclosures and take measures to mitigate the potential risk of green-washing and mis-selling.

SEBI, in May 2022 had constituted an ESG Advisory Committee to recommend regulatory framework for ESG disclosures, ratings and investing. The Committee gave its recommendations on the following areas:

- ⊙ ESG disclosures
- ⊙ ESG ratings and
- ⊙ ESG investing.

Based on the recommendations of the EAC and other internal deliberations, on 20 February 2023, SEBI issued a ‘Consultation Paper on ESG disclosures, ratings and investing. The February 2023 consultation paper of SEBI was exclusively focused on ESG Rating providers³.

SEBI is of the view *that environmental, social and corporate governance issues –including risk and opportunities –can affect the long-term performance of companies and therefore should be given appropriate consideration in investment decisions.*” In the consultation paper, SEBI attempted to follow a *principles-based* approach, while balancing SEBI’s mandate of protection of interest of investors in the securities market, given the nascent stage of ESG rating regulation. Further, SEBI was of the view that the regulations on ERPs were necessitated in order to enhance transparency in ESG ratings and mitigate conflict of interests in ERPs.

³ https://www.sebi.gov.in/reports-and-statistics/reports/feb-2023/consultation-paper-on-regulatory-framework-for-esg-rating-providers-erps-in-securities-market_68337.html

SEBI also stated in its consultation paper, stated that different jurisdictions have different NDCs (Nationally Determined Contributions) and have adopted varied transition paths and have diverse operational realities, sustainability related risks, opportunities and impact may vary across geographies.

For example, in its NDCs, India has pledged to:

- ⊙ *Improve the emissions intensity of its GDP by 33 to 35 per cent by 2030 below 2005 levels.*
- ⊙ *Increase the share of non-fossil fuels-based electricity to 40 per cent by 2030.*
- ⊙ *Agreed to enhance its forest cover which will absorb 2.5 to 3 billion tonnes of carbon dioxide (CO₂, the main gas responsible for global warming) by 2030.*

In its February 2023 consultation paper, SEBI was also of the view that:

- ⊙ *“there is a need for ESG Rating providers to factor in the local / domestic context while assigning ESG ratings;*
- ⊙ *in the area of ESG Investing, there is a need to ensure robustness of disclosures and undertake measures to mitigate the potential risk of green-washing and mis-selling.”*

After the consultation, SEBI has in July 2023, brought about reforms on ESG ratings⁴. SEBI’s initiative is perhaps the of the first globally and concentrates on many issues relating to ESG ratings, including rating providers. To facilitate a balanced approach to ESG and considering that Emerging Markets have a different set of environmental & social challenges, SEBI has stated that:

- ⊙ ESG Rating Providers (ERPs) shall be required to consider India / Emerging Market parameters while issuing ESG Ratings.
- ⊙ There would be no constraints on their issuing other / additional ratings as required by their clients.
- ⊙ In order to facilitate the credibility of ESG Ratings, ERPs shall offer a separate category of ESG Rating called as ‘*Core ESG Rating*’, which shall be based on the assured parameters under BRSR Core.

Salient features of the SEBI stipulations on ESG Rating providers:

Applicability of the requirements for ESG Rating Providers (ERPs):

The SEBI regulations shall apply to both domestic and foreign ERPs if their ratings are utilised by users in India. However, regulations do not apply to foreign ERPs offering ratings exclusively on global asset classes for Indian investors.

⁴ https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-esg-rating-providers-erps_73856.html

Date of applicability

The provisions of came into effect on July 12, 2023

What are ESG Ratings:

ESG ratings defined as products providing an opinion on the ESG profile or characteristics of an issuer or security, including exposure to ESG risks, in line with International Organization of Securities Commissions (IOSCO) recommendations. ERPs are limited to activities such as rating listed issuers and securities, as well as additional activities as may be specified by SEBI or other regulators. Consulting in ESG-related areas prohibited to prevent any conflict of interests.

Categories of ERPs:

Category I ERP –

- ⦿ An entity applying under this category shall be a subsidiary of an intermediary already registered with the board and shall have a minimum experience of five years in ESG Rating.
- ⦿ Its promoters should be regulated by SEBI, IRDAI, or PFRDA, or they must be ESG Rating providers from a Foreign Action Task Force compliant country.
- ⦿ It shall have a minimum liquid net worth of Rs 10 crore at the time of application and shall maintain Rs 5 crore at all times.
- ⦿ An entity applying under this category shall be a subsidiary of an intermediary already registered with the board and shall have a minimum experience of five years in ESG Rating.
- ⦿ Once a certificate of registration is granted, a Category I ERP shall not engage only on the activity of ESG rating.

Category II ERP

- ⦿ An entity applying in this category, needs an amount of Rs 20 lakh to register with SEBI.
- ⦿ This entity shall maintain a net worth of Rs 10 lakh at all times.
- ⦿ It shall have two key personnel specialising in governance, social responsibility, sustainability, and data analytics.
- ⦿ Once a certificate of registration is granted, a Category II ERP shall not engage only on the activity of ESG rating.
- ⦿ Category II ERPs cannot certify green debt securities.

Thus SEBI has specified two categories of ERPs Category I (big) and Category II (small), each with different requirements for net worth, promoter qualifications, manpower, remote work, etc.

Business Model

SEBI has said that ERPs shall follow either of the following two business models:

“Subscriber-pays” business model, where the ERP derives its revenues from ESG ratings from subscribers that may include banks, insurance companies, pension funds, or the rated entity itself.

“Issuer-pays” business model, where the ERP derives its revenues from ESG ratings from the rated entity, in terms of a written contractual agreement between such entity and the ERP, which may contain such provisions as may be specified by SEBI.

⦿ Business plans

During registration, ERPs have to submit business plans and targets for revenue, clients, breakeven, and projected losses.

⦿ Disclosures by ERPs

ERPs must disclose the methodologies of ratings, changes in rating, compensation arrangements, type of ESG rating (impact, risk, or otherwise), individual scores on E/S/G, extent to which a change in rating methodology resulted in a change in ESG rating, and whether ESG ratings assigned were solicited/unsolicited.

⦿ Measures - Governance

ERPs shall ensure governance measures with focus on managing conflicts of interest, and ensuring independence. They should avoid advisory roles related to ESG. They should also ensure that they maintain the quality and accuracy of ratings by:

- ▲ adequate internal resources,
- ▲ systematic review processes,
- ▲ timely information etc.

⦿ Monitoring of ERPs by SEBI

SEBI shall subject ERPs to inspections and periodic reports. ERPs to undertake continuous monitoring of ratings.

⦿ ERPs and Risk Management

ERPs shall ensure that they follow procedures to prevent insider trading, fraudulent practices, and protect non-public ESG rating information.

Conclusion:

SEBI's reforms on ERPs are path breaking, inasmuch that they are perhaps the first regulatory attempt made in the world to provide a framework for ESG Rating providers. This is expected to address issues like capability of ESG Rating Providers as well as matters plaguing ESG ratings like perceived lack of transparency, opacity of methodologies and arbitrariness in ratings. Moreover, the use of a 'principles-based' approach by SEBI would also go a long way in ensuring the growth of the that the industry. MA

Web3 AND TOKENISATION FOR ASSET CREATION BY COMMON PEOPLE WITH FRAGMENTED OWNERSHIP THROUGH BTaaS



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Synopsis

Feeling gaps in funding and organising the process of building capital asset for wellbeing of common people is a major concern for any developing country. On the other hand common people can be convinced to deploy a small part of their investible surplus for creating physical assets with fragmented ownership. They can also be sensitised about the power and multifaceted benefits of Web3 and blockchain technology platforms for creating digital twins by tokenisation of values of physical assets. Intangible assets, like songs and music, artworks, right to use any asset can also be tokenised for creating digital twins to ensure appropriate earnings of their creators.

People can also conduct profitable businesses around several such assets. This paper has examined and validated with examples all these propositions. Before that the evolutionary processes from information economy of Web1 era to present Web 3 era of distributed ownership, creating digital twins of assets from different domains for shared funding and fragmented ownership have also briefly been narrated. The author has proposed Blockchain based tokenisation as a service (BTaaS) for transforming capital asset creation as a revolution for and by common people. Word of cautions have been raised to strictly regulate ownership and applications of quantum computing so that the power of blockchain is not defeated.

Introduction

One of the major concerns of political economists, social reformers and civil society activists in contemporary times is how to ensure capital assets formation other than by government and industry owners. They are also critically concerned about concentrated ownership of wealth and non-equitable sharing of values generated from capital assets. On the other hand, governments particularly in countries with large population like India and developing ones, cannot be expected to invest and create capital assets till the last bit except for community welfare and basic infrastructure. Private players remain concerned and occupied to ensure sustainable return for their investors and capital appreciation. They spend a tiny part of their profit as direction laws. The question is

who will bridge the gap and how to resolve the aforesaid concerns?

A large segment of population across the length and breadth any country, including rural hinterlands, also generate investible surplus in varying degrees. However, most of their financial resources, net of parked money for emergency requirements in safe harbours, are channelised to capital and /or bond markets for industry to tap. Mutual Funds and even life insurance companies, offer insurance linked investments schemes in corporate equity and bonds. Recent trend also suggest investors directly marking investors' footprints in secondary capital markets.

Therefore, the next big question is why not channelise this investible surplus for direct creation of capital assets under distributed ownership and with transparency

security, safety, and immutability. This concept would support the new age initiatives of decentralised ownership and separating asset ownership from proprietorship of business. The challenge has been tempered down by the overwhelming pace of digital inclusion. Thus, the question that remains is whether the power of digital technologies can be used to digitally transform the process of capital asset formation and reduce dependency on corporate sector and government agencies. The logical corollary to this question is whether integration of Web3, Blockchain or Distributed Ledger Technology (DLT), tokenisation of tangible and intangible assets can be adopted to achieve this.

Objective

In the light of the above introductory narratives the primary objective of this paper is to ideate and validate with examples a solution for one of the fundamental problems faced by developing countries. The solution has been crafted with the help of digital technologies that can help creating/building capital assets essential for improved livelihood and the way of living life by common people. The paper has proposed for adoption of digital platforms created by application of Blockchain or distributed ledger technology riding on Web3. This would help generation of digital twins by tokenisation of values corresponding to identified tangible and intangible assets for funding by common people and their fragmented ownership.

The paper has proposed for sensitising common people about the benefits of digital technologies. The objective is to convince them to adopt solutions created by those for channelising their investible surplus to build assets with distributed ownership. They can also be inspired with profitable entrepreneurial opportunities that can also be created by crafting business and revenue models around those capital assets for benefits of those fragmented owners. While making efforts for all these another objective of this paper is to familiarise readers with the evolutionary process of world wide web to Web3 and blockchain based tokenisation for creating digital twins of assets. It has also ideated a business line for startups by rendering blockchain based tokenisation as a service (BTaa).

Evolution from Brick & Mortar to Distributed Ownership Economy

Brick and mortar economy as a phrase is well known to all. In orthodox sense it means an ecosystem in which business activities are conducted from physical shops and goods and services are physically delivered to customers in exchange of physical fiat currency. Its extended version indicates that the entire value chain from setting up facilities to procurements to deliveries till realisations of proceeds, including documentation, are physical processes. Accounting, reporting and banking with the

help of computing technology have been indulged in the brick and mortar economy. Stakeholders of businesses communicate in person and/or through telephone.

Web1 for Information Economy

Extensive use of personal and official computers commenced from around 1970s albeit without any connecting facility beyond close circuit private networks. Sir Timothy John Berners-Lee¹ invented the “*universal linked information system*” in 1989. In 1991 he launched the first website which contained information about world wide web or www. This demonstrated advanced and integrated applications of Information and Communication Technologies (ICT). This invention facilitated networking of computers beyond private realms. Thus started the era of Web1 or ‘Information Economy’. It helped correspondence and information through www. However, two or more people could not use one computerised item for interacting and/or inserting new data or filling up forms on an iterative basis.

Web2 for Platform Economy

From around the dawn of 21st century ICT scientists upgraded applications of web-based technology to digital platform-based activities in multiple ways. The author in his article of October 2022² under this Column wrote about Web2 era. ICT scientists embedded many dynamic and flexible features in this web version. It facilitated multiple and iterative interactions by and between users through web pages hosted in a digital platform. Web2 also provided interoperability between two or more web pages because of being compatible for diverse types of computers, tabs, and mobile phones. Such platform service providers created many business and revenue models through advertisements and other paid services for corporates. World started witnessing social media like Facebook, LinkedIn, etc., eCommerce platforms, micro messaging platforms with file sharing abilities, etc. Web2 is also called the Social Web which is synonymously known as ‘Social Media’.

Web3 for Platform & Distributed Ownership Economy

In interregnum of Web2 and Web3 world witnessed emergence and/or evolution of several digital technologies that facilitated adding many more features to Web2 based platforms. Digital scientists also achieved success in adding a layer of cognitive or Artificial Intelligence (AI) and facilities for Natural Language Processing (NLP). This helped analytical study of humongous volume of structured and unstructured data including documents, pictures, voice, and video streams. One of the most groundbreaking new technologies that emerged is Blockchain synonymously known as Distributed Ledger Technology (DLT)

The world witnessed the first application of Blockchain in 2009 for creating a transactional platform for

cryptocurrency with encryption of each transactional data. This provided the test bed for tokenisation and distributed ownership. One of its important features was Distributed Data base Management System (DDSM). One of the versions of DDSM is creation of one digital Wallet for each participant in the chain of transactions. In 2014 came Blockchain 2 through use of such a powerful technology for other industrial and commercial applications. Other two path breaking digital technological developments of this period are Robotic Process Automation and Metaverse. The later originated from Augmented Reality (AR) and Virtual Reality (VR) The author has written about all these technologies in his several papers^{3a,b and c} under this column.

Congruence of all these technologies culminated into birth of the third version of Web. Albeit the world witnessed advent of Web3 around 2010, this hitherto most powerful version of www entered the phase of adolescence from around 2014. This was possible because Blockchain technology started being adopted for industrial applications and tokenisation started for distributed ownership of physical, intangible, and financial assets. Blockchain or DLT provided the transactional platform and Web3 complemented with ease of adoption. This combination could remedy several weaknesses of Web2 based applications and further strengthened digitalised facilities for:

- ⊙ Establishment of distributed ownership,
- ⊙ Embedded legal and regulatory compliance processes,
- ⊙ Minimisation of vulnerabilities related to data safety, privacy, immutability, and security,
- ⊙ Adding an additional layer over blockchain platforms for applications of AI and ML tools.

The furth one facilitated performing analytics to make meaning out of voluminous data and taking strategic decisions for more success from digital transformation. All these accentuated the process of not only platform economy but also distributed ownership.

Semantic Web

The world is also witnessing Semantic Web (SWeb) within the realms of Web3. Its main objective is to derive meaning from voluminous data drawn from multiple sources. According to ‘Ontotext’⁴, *“The Semantic Web is a vision about an extension of the existing World Wide Web, which provides software programs with machine-interpretable metadata, the published information and data. as a result, computers can make meaningful interpretations similar to the way humans process information to achieve their goals.* It is said that Google uses SWeb for its products like Knowledge Graph, Rich Snippets, Freebase, Schema.org, which have also been developed by #Yahoo and #Microsoft. SWeb can also be

integrated with AI based tools. Therefore, such a digital facility is considered useful for creating and operating platform based transactional processes.

Tokenisation for Distributed Ownership

In simple terms a token is the digital representation of one fractional unit of any valued object or an asset of any nature from financial, tangible, or intangible domains through a blockchain or synonymously known DLT platform which rides on Web3. Tokenisation of assets helps fragmentation of asset values into digital units for distributed ownership. Since such tokenisation is done using blockchain technology each token is duly encrypted and thus is also called a cryptographic asset that reside in the platform. For this purpose all benefits of Blockchain or DLT can be derived including encryption and zero knowledge proofing.

A publication of Ernst Young⁴ defines the of tokenisation *“..... as the creation of a unique digital representation of an asset. While the concept of digitalization is not new, DLT/Blockchain technology adds an additional dimension to it. The process of tokenization creates a bridge between real-world assets and their trading, storage, and transfer in a digital world. The corresponding basis is built by using the Blockchain technology.”*

When the fiat currency is tokenised by any country’s central bank it is called Central Digital Currency (CBDC). The fiat currency thus assumes the form of a digital token, albeit there being no underlying valuable assets. Exchange values of those are guaranteed by central bank of the issuing county. In India value of each such CBDC token or Digital Rupee e₹ would vary in fiat currency terms as INR 1 to 500/-. Similarly, any cryptocurrency is also a digital token but not backed by any valued assets.

Indian Income Tax Act has recognised all such digital tokens, including cryptocurrencies, into one broad group called ‘Virtual Digital Assets’ (VDAs). Incomes generated from transactions involving such VDAs are taxable under Section 115BBH w. e. f. Assessment Year 2023-24.

Tokenisation & Distributed Ownership of Financial Assets

Any company, planning to issue Bonds can tokenise the same by issuing each Bond as a digital token denominated in say Rs. 1,00/- through a Blockchain platform service provider. The platform can be of its own or provided by a Blockchain service provider. The same platform can also serve as a financial eMarketplace for further buying and selling of those tokenised bonds. Price of the Token would vary depending upon the Coupon Rate, i. e., the rate of interest committed by the issuing company in comparison to the going market rate of interest and the resultant annualised yield as well as demand and supply. In other words, price of such Tokens would increase if current

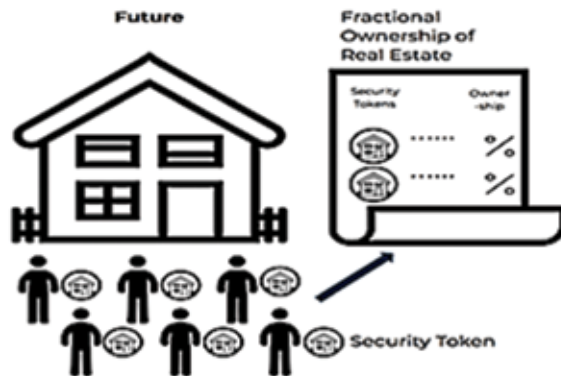
market rate fell below coupon rate of the BondToken and vice versa.

The Company would be able to remit payment of annual or bi-annual interest on bonds and refund the principal amount on maturity through the same platform using CBDC. Thus, end to end management of such Bond Tokens, including dynamic establishment of ownership can be handled through the same Platform. On August 23, 2018, Reuters⁵ reported that “*The World Bank has priced the world’s first public bond created and managed using only blockchain in a A\$100 million (\$73.16 million) deal designed to test how the technology might improve decades-old bond sales practices.*” However, for this the financial regulators must provide the needful guidelines. Thus, even equity shares can also be tokenised. Readers may be aware that the UK, Switzerland and Gibraltar have already created the test bed for running a Stock Exchange for equity shares through blockchain platforms.

Physical World Asset



Digital Twin of Physical Asset



Source: <https://blockchaincapitalpartners.medium.com/tokenization-the-next-killer-application-on-the-blockchain-cbf8d575ae63>

In the above graphic two scenarios of ownership are visible for the same physical asset. The first one is of one single individual in physical form. For this documentary records as proof of ownership are with government authorities and in her/his personal custody / books of accounts. The second one is for fragmented and decentralised ownership, all records for which in digital form exist in the Blockchain platform. Each fragmented part of ownership is represented by a digital token for which the owner’s own record is available in his digital wallet or node created by the platform for which the owner is a participant. The blockchain platform can be configured to establish ownership of the said token with a software called Zero Knowledge Proof (ZKF).

Therefore, it would be right to conclude that the second half is the **Digital Twin** of the physical asset. Extending such logic Digital Twins can be created for financial and intangible assets also as have subsequently been explained.

Responsibilities for managing warehouse renting

Tokenisation & Distributed Ownership of Physical Assets

Tokenisation is possible for physical assets. For example, a builder of a cold storage for agricultural harvests can add desirable profit to his costs of land and construction and then digitally tokenise the total value into units of say Rs. 500/- each through a Blockchain platform. Fragmented ownership of the asset can be transferred by selling-off those tokens to willing farmers or other investors of the vicinity for decentralised ownership. The fragmented owners may decide to commercially run the Cold Storage. The builder may also collect advance against future ownership by starting the blockchain platform at that time. Certain technology writers have christened such tokens as Security Tokens also as those establish and secures each one’s partial ownership which can also be traded through the blockchain.

business can be given to a service provider, or the owners can collectively manage. The same Blockchain platform can also be configured for renting transactions management, including for monitoring in and out movements of harvests as well as buying and selling of ownership tokens if any owner wants to divest. The token holders can enjoy dividend from warehousing business and be benefitted by appreciation of estate value reflected through future price of tokens. This concept of digital transformation by tokenisation through a blockchain platform can be applied to any type of assets including say land, cars machinery, etc.

A real-life example of such a platform is Hybrid Finance (HYFI)⁶. It is a legally compliant, immutable, and trust-less transactional networking platform based on Blockchain Distributed Ledger Technology (DLT). This blockchain platform is dedicated for tokenisation of fractional values of physical luxury assets. It can handle establishment of ownership and thereafter trading of those tokens. The assets include wide ranges of rare books, paintings, sculptors,

and collectibles, to planes, yachts to whisky in casks, wine, and luxury liquors.

Tokenisation & Distributed Ownership Intangible Assets

Fragmented ownership rights of intangible assets can also be tokenised. Those assets could be transfer of ownership and distribution/display rights of a Film by its producer(s), a Music Album by its singer and composer before release and/or sale. The process of first transfer of ownership through a Blockchain platform, and commercial exploitation thereof using the same platform would be possible, as explained in the aforesaid two types of physical assets.

Fragmented rights of intangible assets in the form of rights to long-term or short-term usage of assets like cars, machinery, real estate assets, etc., including leasing transactions, rights for mining of minerals, etc. can also be tokenised and transferred. Operating and financial transactions right from RFQ, transfer of rights, actual usage, to frontend and/or periodical payments, etc. can also be handled through the same Platform.

Non-Fungible Tokens (NFTs)

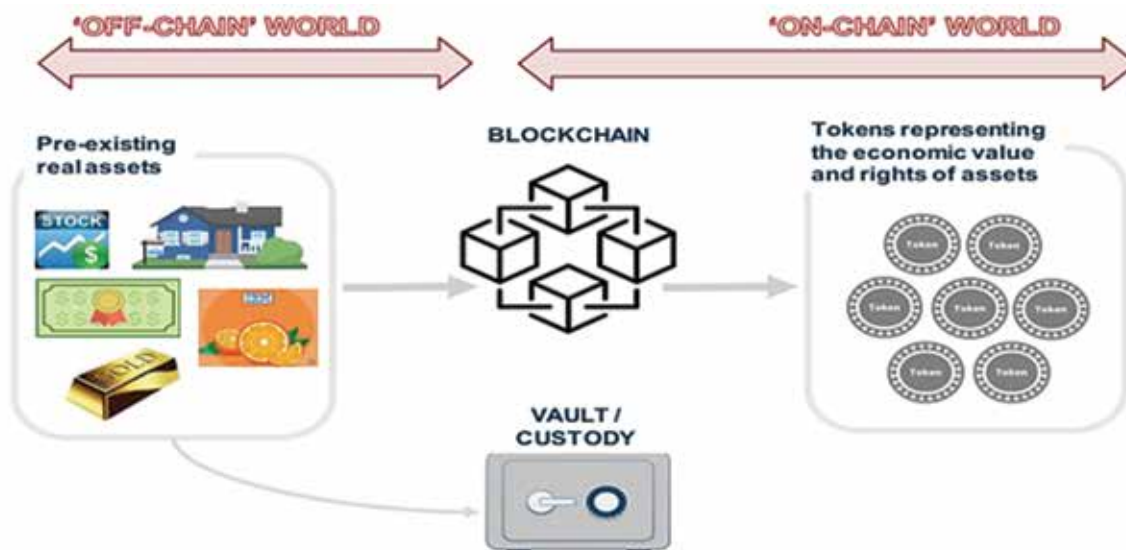
NFT is a distinguished variety of digital tokens. Blockchain platform service providers while tokenising tangible or intangible assets can create NFTs to distinguish them from any other tokens. Thus, NFTs are unique cryptographic digital tokens, issued against one or a group of valued assets from any domain that are created and administered using a

blockchain platform. The digitalisation process of scripting unique identities and metadata are assigned to NFTs so that they can represent each individual holder's fractional property right to the underlying asset through ZKF software as stated above. Thus, NFTs remain non-fungible against any other digital tokens and can be transacted for the determined values in monetary terms.

Illiquid Assets to Digital Twin to Liquid Asset

It is evident from the above narratives that while the underlying pre-existing tangible or intangible asset is illiquid, but its Digital Twin divided into digital tokens are liquid and investors can divest at any point of time to willing buyers. Nielsen et. al.⁷ in their research paper has observed that, "As the connection between digital twins and blockchain is rather under-explored, the key contribution of this paper is the conceptual development of a digital twin prototype connected with an Ethereum-based blockchain. The outcome of the paper provides a concept to ensure the unique tokens represent the physical assets without being tampered with by applying digital twin technology."

Such digital tokens can be bought and sold through the same blockchain platform and thus is a liquid trading instrument. Thus, tokenisation provides the attribute of liquidity to an illiquid asset in addition to facilitating decentralised and fragmented ownership. The following graphical representation has been picked up from the related publication of OECD⁸.



Source: <https://www.oecd.org/finance/The-Tokenisation-of-Assets-and-Potential-Implications-for-Financial-Markets.htm>

The above graphic depicts the concept of converting illiquid physical assets into its digital twin in on-chain world represented by liquid and tradeable tokens that exclusively exists in the blockchain platform in digital form. The original issue value of the token, i. e., the Virtual Digital Asset (VDA) will increase with passage of time either due to appreciation in market value and/or earning capabilities of the underlying asset. Readers may know about the position of the Government

of India from the Compendium⁹ curated by Coin Switch out of the questions raised by honourable members of the Parliament on Blockchain, VDAs, Web3, etc. during 2021-23 and answers provided by different ministries including Finance, IT, Commerce, and Industry.

Benefits of Tokenisation and Digital Twins

The aforesaid examples of digitizing assets from different

domains for fragmented and distributed ownership of digital twins can facilitate the process of economic developments and generate many benefits for common people and corporates and the economy of nay country as a whole. Some of the major ones are as follows:

- ⊙ Formation of new capital assets through collective and collaborated investments by common people to meet their own requirements without depending on others,
- ⊙ Promotion of universal accessibility and liquidity of physical and intangible assets to facilitate transparent investments/divestments and financial systems,
- ⊙ Minimisation of legal litigations and total compliance management of legal and regulatory provisions through smart contracts as embedded in the blockchain platform's script,
- ⊙ Compulsive applications of algorithms for encryption and ZKF software provide safety, security, privacy, immutability, and undisputable proof of ownership,
- ⊙ An added layer of AI, ML, and DL based tools over the blockchain platform can provide abilities for data/big data analytics that can help drawing insights from transactional data for framing policy guidelines, code of standards and strategic decision making,
- ⊙ Application of online real time tools by auditors for re-establishing authenticity, transparency, correctness of transactional information for accounting and reporting, etc.

According to Gartner¹⁰, “*Blockchain-complete solutions deliver the full value proposition of blockchain using all five elements - distribution, encryption, immutability, tokenization and decentralization. Blockchain-complete solutions will feature tokenization enabled by smart contracts and decentralization,*”. Albeit all these digitally transformed processes are still in infancy stage but holds huge potential for creating capital assets with transparent dealings, and all these benefits in turn can disrupt existing industries and business. That is why perhaps Gartner¹⁰ has predicted that, *Blockchain is forecast to generate \$3.1 trillion in new business value worldwide by 2030.*”

Digital Twins and BTaaS for Asset Creation by Common People

The above concept of digital twins can be adopted with expanded applications for accelerated capital assets creation funded by common people. In the introduction segment of this article, it has been mentioned that capital asset creation and funding for that is one of the major areas of concerns in any developing economy. As a measure of resolution, the above use cases of distributed ownership using digital twins can be taken to common citizens.

Sensitisation of Common People

Common people are no longer living in primitive age. They can be sensitised about the above concepts, processes, and use cases. They can be convinced through a mass awareness programme that:

- ⊙ Capital assets can also be built by their collaborated efforts to reform their own destiny without dependency

on government or corporates to invest,

- ⊙ Those essential capital assets can be under their distributed ownership which they require for better pursuing their profession and community development.
- ⊙ They need not shell out large sum of money, instead just a portion of their investible surplus can be invested in tranches for acquiring fragmented ownership of the assets to be created,
- ⊙ Over and above, they can also create and run profitable business propositions around those assets and thus earn more for better livelihood and live a purposeful life in a better manner.
- ⊙ They need not fully understand the globally proven digital systems and processes for Blockchain, Web3, Digital Twins, etc. For them it would only be an App in their smart phone amongst several more which they are already using like UPI, facebook, WhatsApp, etc.
- ⊙ Blockchain based Tokenisation as a Services (**BTaaS**) and running/administration of thereof can be provided either by a government agency or a private party against fees. Even a federation of their own organisations, e.g. cooperatives can create an entity for **BTaaS**.

Blockchain based Tokenisation as a Service (BTaaS)

Blockchain as a Services or BasS has already started in developed countries. The only need is to add to that facilities for creating digital twins for tangible or intangible assets and call it BTaaS. The tech savvy youth of India would be happy to provide such services for ideating, planning, funding, creating, and building capital assets by common people. They or any other entity can also provide services for management of operations, finance, accounting, reporting and taxation, etc. if business propositions are implemented around those assets. Even a federation of such digital twin owners can also establish such service units.

Assets for and by Common People – Illustrative examples

The author has given several examples in the above discourse about various assets that can be funded and built by common people for their own benefits and reducing dependency on governmental machinery and corporate business houses. The following is an illustrative example of some more such assets which can be built in rural and semi-urban areas. The recurring benefits that would accrue to them, besides becoming fragmented owners of such assets and deriving financial benefit from appreciation in values of asset tokens, have been staged alongside the broad groups of assets:

1. *Irrigation Facilities by building tanks and wells for rain harvesting, cutting permitted narrow canals and large pumps* for cultivation during seasons of no or insufficient rains,
2. *Warehouses, Cold Storages, Food Processing and/or Primary Packaging Facilities and Mandis* for safe packaging storage, processing, and distribution of agricultural harvests, avoid risks from spoilages of perishable produces. This would obviate dependency on middlemen and immediate sell of products at the cost of lower realisation.
3. *Building Bridges, Short Feeder Roads, Trucks, etc.*

for connecting to main roads from harvesting areas for improved and speedier mobility and transportation of their produce to market and even their own village level people's movement

4. *Purchasing Tractors, Drones, Harvesters and Agro Equipment* for facilitating cultivation by a group of farmers which one individual alone may not be able to afford,
5. *Solar Power Plants and Short-distance Power Distribution Network* for agricultural, housing, and other business purposes,
6. *Schols, Colleges, Vocational Training Schools, Healthcare Centres, Hospitals, etc.* for improving the way of living life and uplifting livelihood engagements, and so on.

Legality of Tokenisation and Digital Twins

Digital tokens created for any purpose have been brought under one broad group by the Indian Income Tax Act called Virtual Digital Assets (VDA). Any income earned from any such asset is taxable. However, the legal standalone definition and standing about digital tokens is yet not clear in India. Hence the position of digital twins and distributed or fragmented ownership represented by digital twins is also not clear. However, IMF in its Working Paper¹¹ has stated the following about the definition of a token:

“.... a token is just code, a piece of electronically stored information. a value that is included in a database (DLT). would need to be based on legal definitions of DLT and smart contracts, as these concepts are interdependent. Definitions are important, but it is even more important to regulate the legal effects of the use of technology. Technology neutrality may demand open-ended definitions that apply to DLT and similar technologies.” Thus, the working paper has emphasised more on legal and regulatory promulgations for resolving and monitoring the associated issues. The Paper has listed the following issues in the context of Digital Tokens:

“1. Legal nature of tokens, 2. Applicable regime for the transmission of tokens, 3. The connection of tokens to off-line assets or services, 4. Security interests over tokens, 5. Loss, fraud, and illegal transfer 6. Rights of token holders in insolvency, 7. Procedural remedies, and 8. Conflict of laws.”

Threat to Blockchain and BTaaS

Blockchain technology and Web3 can help solving many problems for improving life and livelihood of common people and corporate sector. It can create opportunities for collaboration and cooperation by and between common people and corporates across industry sectors. The distinguishing benefits of Blockchain can ultimately prove this to be the foundational technology capable of changing the economic and societal foundation of any country. However, cybercriminals will get the best of their weapons to defeat such a powerful technology if manufacturing, sale, and purchase as well as applications of Quantum Computing are not regulated by governments of sovereign countries. Otherwise, the power of encryption technology and cryptography applied for securing blockchain platforms will vanish in a few minutes. The author

has written about quantum computing in one of his papers¹¹ under this Column.

Conclusion

The author would appeal to all concerned for organising and converting the entire process, as proposed in this paper, into a revolutionary movement for wellbeing of citizens. All countries must derive maximum benefits from shared funding and fragmented ownership of assets essential for improving livelihood and way of living life for common people. Ownership and applications of quantum computing must also be regulated with strong hands to reap maximum benefits from Blockchain technology and BTaaS. This powerful technology must not be defeated by exposing to evil use of quantum computing. **IMA**

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RE-IMAGINING HIRED TRAVEL CAR INDUSTRY IN INDIA

Abstract

Indian economy is growing at a rapid pace and with that the living and working styles of people are also changing with consequent need for travel. The online taxi services market in India is more or less oligopolistic due to presence of a few cab aggregators. There is a need to convert this oligopolistic market into a competitive market with involvement of people at large. The proposed co-operative model for the travel car services in India is a revolutionary idea which can catalyse the growing economy as travel and movement of people is a critical aspect of any developmental process.

THE PERSPECTIVE

Indian economy is growing at a sustainable pace and with that the living and working styles of people are also changing with consequent need for travel. Given the present average income levels in the country everyone cannot afford to own a personal vehicle and thus people have to depend upon hired taxis for travel to various places.

The online taxi services market in India was valued at INR 30.72 billion in FY 2020 and is predicted to increase at a CAGR of 12.93 percent between FY 2021 and FY 2025, reaching INR 55.15 billion by FY 2025. Ease of availability, access and low travel cost rates give customers the desired flexibility and comfort while generating revenue for auto/finance/taxicab companies and job possibilities. *Taxis play an important role as a mode of transportation for many people in different cities in India.* The cab aggregators have recently changed the market and addressed all the major problems like the availability of the cabs at right time, behaviour of the drivers, security and tracking the vehicles using the technology.



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STRUCTURE OF TAXI INDUSTRY IN INDIA

In Indian taxi Industry is divided into organized and un-organized business. Many individual vehicle owners who also possess commercial licence started cab services in smaller cities of the country as unorganized business venture. Organized segment comprises of large cab aggregators with structured processes including trained drivers and well set up office with high leverage of relevant technology. Organized rental cab in India was introduced in 2004 with MERU but the real significant structural change came in 2010 with the Internet / mobile app-based cab aggregators entering the market which made easy availability of rental cab and convenient travel at an affordable cost a reality.



The growth of cab aggregation industry to a large extent can be attributed to the evolution and fast growth of information technology and IT enabled services industry which brought in the shift culture of work where employees were required to commute at various odd hours of the day. The growth was also fuelled by the swift and broad penetration of internet and mobile phones in India over the last few decades.

CURRENT SCENARIO AND ISSUES

In view of the emerging opportunities in Indian economy driven by vast opportunities many cab operators are getting into this business with the pack being currently led by Ola and Uber which have established a robust brand and position for themselves and other players are making all efforts to cope up and garner a reasonable market share.

ISSUES

(a) Aggregator Perspective

- ⊙ **Non availability of cab:** The demand for hired cabs is rising and many times the aggregators are not able to meet the demand of customers due to non availability of vehicle at a particular time / place.
- ⊙ **Scarcity of Resources :**The cab aggregators lack adequate resources for providing efficient services to the customers such as non -availability of trained drivers and inability to provide professional behavioural training to them leading to complaints from the customers
- ⊙ **Slower Data Connection :**The mobile and internet service quality at times does not allow a customer to use the hired cab services easily and that leads to unfavourable effect on the

industry as a whole

- ⊙ **Lack of proper regulatory laws:** There are no uniform regulations governing the working of cab aggregators in India across various states.
- ⊙ **App crashes:** Sometime the app crashes due to rush of customer bookings at the same time
- ⊙ **Cash Burn:** Both Ola and Uber are offering huge discounts and other incentives to the drivers and the customers leading to cash burn
- ⊙ **Increased Operating Costs:** There has been an increase in operating costs due to rising fuel cost and other initiatives taken by the companies to attract customers.

(b) Customer Perspective

- ⊙ **Booking by App only:** The cab customers who do not possess a smart phone or

some other high end mobile phone are facing problems in booking and using the services provided by cab aggregators

- ⊙ **Surge / Higher pricing:** These companies are charging higher prices during peak hours. This is called surge pricing. Customers feel cheated due to high cab charges levied by aggregators at certain times of the day.
- ⊙ **Pre-bookings not honoured:** Many a times pre bookings are not honoured by the aggregators due to non-availability of vehicle / driver which creates problems for the customers
- ⊙ **Service Rejections / Driver denials:** Many a times the cab does not arrive at the required location after booking confirmation and the booking is subsequently cancelled due to various reasons
- ⊙ **Pick up guidance:** Cab takes a longer than expected time to reach the pick up destination as the driver is not familiar with the GPS and thus not able to navigate properly
- ⊙ **Hygiene:** There are instances of complaints from the customers regarding cleanliness and hygiene issues while they used the cab services

ROLE OF GOVERNMENT

Current Indian aggregator taxi market more or less is in oligopolistic state due to presence of a few cab aggregators. There is an urgent need to convert this oligopolistic market to a competitive market with involvement of people at large.

In this oligopolistic travel car service market the role of the Government is very vital. The

market is huge and the number of beneficiaries befitting from Government intervention are also going to be very large. We suggest that the Government to provide efficient, reliable and cost effective solution through co-operative model. It shall perfectly fit into twin goals of the Government - 'Expansion of Co-operative movement' and 'Make in India'.

The Indian Government has huge digital capabilities which have been very effectively leveraged during corona epidemics. India has NavIC, GPS equivalent Indian system to navigate and provide accurate location and we have already demonstrated a worldwide successful cooperative model- AMUL.

PROPOSED CO-OPERATIVE MODEL

Cooperatives are organized around the architecture of co-operation, trust, equality; they consider self responsibility and social responsibility as most important factors. While exploring and looking at more efficient and cost effective alternate model for the cab aggregators it is found that co-operative model can revolutionize this industry by offering various social and economic benefits. The concepts of cooperation envisages a number of people coming together, joining hands, pooling resources and then reap the benefits of scalability, economy and profitability. The Government has announced rolling out of a new cooperative policy and work with the states to strengthen the cooperative movement. The cooperative movement in India is a well tested model which is still relevant in current times and situation.

The following three tier structure is proposed for building a reliable, efficient and sustainable travel car services in India:

- ⊙ Travel car service operators co-operative at the village level
- ⊙ Federation of travel car service providers at the district level
- ⊙ Federation of travel car service providers at State level

The co-operative model would be beneficial for the members as under:

- ⊙ Profits of travel car service providers would be shared by members
- ⊙ The travel car service providers would be eligible to apply and get loans for financing of their vehicles from banks at cheaper interest rates
- ⊙ The members would be encouraged to go for electric vehicles in line with the Government thinking of phasing out fuel based travel cars over the next few years
- ⊙ Further, It can introduce NAVIC through these cars which will lead to Indians' data with India only
- ⊙ The maintenance of the travel cars would be taken care of by the co-operative through centralized support services which would be more timely, cost efficient and reliable
- ⊙ The drivers of the travel cars would be provided proper training – driving, maintenance of vehicles, dealing with customers
- ⊙ This will be a model which will also promote and fulfil the motto of 'Make in India' as this would be a business model based on the concept and structure of co-operatives which is in tune with the culture and philosophy of Indian ethos
- ⊙ The cooperative would be enabled to forge tie up with

the vehicle manufacturers for buying and trading of vehicles at better terms due to scale of potential deals

- ⊙ This model will generate huge employment opportunities for the people of the country specially in the tier Two and Three tier cities and rural areas
- ⊙ This will also make the entire travel car service providers industry more cost efficient and sustainable
- ⊙ In cooperatives, taxi owners would agree to bring the best practice in terms of quality and customer care.
- ⊙ This will also serve the goal of 'Make in India'. Profits will remain in India or say growth will be shared by Indians

Co – operative Taxi ecosystem around the world

The co-operative taxi ecosystem has been operating in other countries also. In Portland, Oregon, the Cooperative Union Taxi, was founded in 2012. Green Taxi Cooperative founded in Denver, Colorado in 2015, has over 1,000 drivers as member-owners. According to Abdi Buni, one of the co-founders, what drivers take home from the cooperative is much higher than what they would otherwise. Other successful taxi cooperatives include Union Cab in Madison, Wisconsin, Coop Taxi in Montreal, Canada, and COOP Taxi in Seoul, South Korea.

ROLE OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament for facilitating development of an efficient and cost

effective economy. The proposed co –operative model for the travel car services in India is a revolutionary idea which can catalyse the growing economy as travel and movement of people are critical aspects of any developmental process. The Institute has capabilities to hand hold and facilitate developing a co- operative structure for taxi operators in India and then operationalize the same by creating awareness and competency building through its wide reach of infrastructure and knowledge resources. The Institute can partner with the Government to bring about the proposed change with a dedicated team of CMA professionals assigned for the task to create a lively and highly beneficial travel car services ecosystem in the country. MA

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INVENTORY VALUATION UNDER INCOME TAX ACT BY COST ACCOUNTANTS INQUIRY BEFORE ASSESSMENT: AMENDMENT IN SECTION 142(2A) OF INCOME TAX ACT

Abstract

For the first time ever recognition to Cost Accountants has been given for inventory valuation under Income Tax Act.

Budget 2023 introduced the concept of Inventory Valuation by Cost Accountants under Section 142(2A) of the Income Tax Act as part of assessment proceedings whenever required. The purpose of the introduction of new provision is to ensure that assessees work out the Inventory valuation in a systematic & transparent manner and do not defer the payment of due taxes. Having a robust costing system would certainly help the assesses from any complications in future in case any such Inventory Valuation exercise is undertaken by the income tax department. Undoubtedly, regular monitoring of the costing and inventory valuation system in terms of ICDS 2 and other relevant ICDS should be undertaken for an effective inventory valuation.

With rising complexities in businesses and increasing digitization and online platforms for reporting of various business activities for statutory purposes, the time has arrived to touch the untouched areas to have transparency at some level for all stakeholders including tax authorities, bankers, investors, top management of business houses and others. In the present era of reporting of transactions, the data pertaining to supply/receipt of goods or services is captured on the Government sites through various types of returns/filings. Most of the data/documents relating to the management/working of the organizations are made available to the stakeholders through various Government websites. However, data regarding the inventory valuation which has direct impact on the profitability of the organization and which is core to the sanctioning of the working capital loans was ignored and the required attention was not paid to the inventory valuation. It was difficult to verify the valuation of the inventory because of the complexity involved in the valuation process and the valuation as provided by the management is normally accepted by the auditors and authorities. But times are changing and so are the requirements of the revenue authorities.



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The Finance Act, 2023 has introduced the concept of inventory valuation by Cost Accountants under section 142(2A) of the Income Tax Act as part of assessment proceedings whenever required.

The Finance Act, 2023 (Act No. 8 of 2023) has been notified on 31st Mar 2023 making it a reality now.

For the first time ever recognition to Cost Accountants has been given for inventory valuation under Income Tax Act and that too under the provision related to Special Audit.

Salient features of the new provision specifically relating to inventory valuation under section 142(2A) are summed up hereunder.

- a. Introduction of audit of inventory valuation during the assessment proceedings before assessment.
- b. Cost Accountants given the responsibility to review/audit and submit report on inventory valuation
- c. Opportunity of being heard to be given to the assessee before assigning the work to any Cost Accountant.
- d. Before assigning the inventory valuation to any Cost Accountant the following factors need to be looked into by AO:
 - a. nature and complexity of the accounts
 - b. volume of the accounts
 - c. doubts about the correctness of the accounts
 - d. multiplicity of transactions in the accounts
 - e. specialised nature of business activity of the assessee
 - f. the interests of the revenue
- e. Exclusion of the period for conducting inventory valuation review in computing the period of limitation for completion of assessment, reassessment and re-computation
- f. The CBDT has been vested with the powers to make rules relating to the form of report of inventory valuation

For the purpose of inventory valuation, the cost or net realisable value, whichever is less, is used. The assessee needs to have proper costing of the products before finalizing the financials.

The use of product level costing as backup of HSN codewise costing duly approved by the Board of Directors will certainly add authenticity to the inventory valuations. In case of assessee not covered under section 148 of the Companies Act, the costing at product level will be required to be maintained for applying ICDS 2 or other related ICDS.

Under-valuation of inventories may result in under payment of due income tax. Realising the need for proper inventory valuation, the assessing officer, may at any time during assessment proceedings call for inventory valuation with prior approval of senior officials. However, before proceeding further for inventory valuation, opportunity of being heard has to be given by the assessing officer to the assessee.

The Government has woken up regarding the issue of deference or avoidance of income taxes using inventory valuation at will as no proper mechanism was in place to monitor the valuation of inventory and slight tinkering with the inventory figures may result in revenue loss to the income tax department. Amendment of section 142(2A) with regard to the inventory valuation verification will definitely bring in discipline among the assessee to take inventory valuation seriously. Costing of the products in an integral part of the Inventory valuation exercise and it may result in implementation of costing systems in the company which will ultimately benefit the company in the long run. Assessee are required to comply with various Income Computation and Disclosures Standards, primarily ICDS-2, for the manufacturing/trading concerns. The new mechanism will ensure compliance with inventory valuation related ICDSs in letter and spirit.

The amendment has vested the power with the Assessing Officers to seek the help of duly empanelled Cost Accountants in case he finds it difficult to verify the inventory valuation during the assessment proceedings.

The CBDT, Ministry of Finance, Government of India has prescribed Form 6C as Inventory Valuation report recently for public comments. Assessee will be required to get the inventory valued by Cost Accountants and submit the report to the Department. It means the onus of the filing of the report with CBDT is on the assessee. The inventory valuation format consists of two parts = one is report of the Cost Accountants and the other part contains Annexures 1 to 13.

The thirteen Annexures relate to the following:

Information of the Assessee

1. Address (Head Office and branches)
2. Date of incorporation
3. Nature of business
4. Details of principal products
5. Details of books of accounts maintained with respect to inventory
6. Method of accounting employed with respect to inventory maintained. Indicate whether there is any change from the method of valuation employed with respect to inventory maintained in the immediately two preceding previous years
7. Method of valuation of opening and closing stock
8. Summarized Details of Financial Results

9. In respect of items manufactured, full quantitative details of raw materials and finished products

(i) Details of raw material for the year under reporting

(ii) (a) Quantitative details in respect of items manufactured / traded by the assessee

* (b) Quantitative adjustments -

10. (i) Has the assessee conducted physical verification of raw materials, stores and finished products, etc. or the goods dealt in mentioned above?

(ii) Details of discrepancies, if any

11. (i) Whether valuation is in conformity with the Income Computation and Disclosure Standards notified under sub-section (2) of section 145 of the Income Tax Act, 1961

(ii) Details of discrepancies, if any

12. Details of inventory valuation for the year under reporting by the Cost Accountant (wherever ICDS II is applicable) –

(i) Valuation of finished goods/ stock-in-trade

(ii) Valuation of work-in-progress (WIP)

(iii) Valuation of raw materials

(iv) Valuation of by-products

(v) Valuation of Intermediate products (IMP)

(vi) Valuation of other stores

(vii) Summary of Inventory valuation for the reporting year

13. Details of inventory valuation for the year under reporting by the Cost Accountant (wherever ICDS II is not applicable) –

A. Inventory valuation for assessee engaged in construction contracts which are dealt with by the Income Computation and Disclosure Standard III

(i) Valuation of completed units ready for sale

(ii) Valuation of construction work-in-progress

(iii) Valuation of construction materials

(iv) Valuation of construction fittings

(v) Summary of inventory valuation for the reporting year for construction contracts

The expenses of the inventory valuation will be borne by the Central Government. The assessee is required not to file only the Annexures or report.

Under the Income Tax Act, “cost accountant” means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act.

Inventory valuation under section 142(2A) can be conducted for any of the assessee as and when considered necessary by the Assessing Officer keeping in view the various factors as given above.

For an effective inventory valuation certainly an effective costing system should be in place and regular monitoring of the costing and inventory valuation system in terms of ICDS 2 specifically where applicable should be undertaken. It will certainly help the assessee from any complication that may arise in future in case any such inventory valuation exercise is undertaken by the Income Tax Department. **MA**

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MODELLING NIFTY VOLATILITY: APPLICATION OF HYBRID GARCH MODELS

Abstract

In this study, the financial time series data on Nifty and India VIX have been used for estimating and forecasting volatility of returns on Nifty. Daily returns on Nifty are found to be negatively skewed and leptokurtic in nature. The daily return data are found to be stationary and show presence of ARCH effects. Volatility of daily return is found to be time-varying in nature. Leverage effects are found to be present and the same is reconfirmed by the shapes of the news impact curves. For evaluating the forecasting power of volatility models, an exogenous variable in the form of a lagged value of the India VIX, a proxy for implied volatility estimate, was included in the basic GARCH and GJR GARCH equations to obtain hybrid versions of these models. The experiment produced mixed results in terms of improvements in the predictive powers of the hybrid models. For the hybrid Basic-GARCH model, the predictive power improved while the predictive power weakened, though marginally, for the hybrid GJR GARCH model.

INTRODUCTION

Modeling volatility has been increasingly assuming prominence amidst academicians, researchers, and investment professionals. Volatility of a financial asset primarily stems from the uncertainty or risk colligated with the changes in that asset's value. The historical volatility models assume homoskedasticity of variance. However, empirical evidence suggest otherwise. Therefore, one needs to explore economic models that factor in heteroskedasticity of variance.

Volatility often gets clustered for financial time series. Such a demeanour of a time series is technically termed as autoregressive conditional heteroskedasticity (ARCH), (Engle, 1982). More specifically, a financial time series banks on its own past values (*i.e.*, they are autoregressive



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and conditional) and exhibits variance that changes with time. It is often observed that the volatility of return on equity indices is time-varying and dependent on its own past values. Therefore, autoregressive conditional

heteroskedastic models can be used for modeling or estimating stock market volatility. In the generalized ARCH (GARCH) model, the conditional variance is estimated based on its previous own lags (Bollerslev, 1986).

GARCH volatility models are broadly categorised into symmetric and asymmetric models based on how they respond to positive and negative shocks. A symmetric model responds symmetrically (i.e., linearly) to shocks regardless of their signs. An asymmetric model, on the contrary, reacts asymmetrically (i.e., non-linearly) to shocks based on their signs. Often, it is reasoned that a positive shock causes less volatility than a negative shock of a similar magnitude. Such asymmetries are results of leverage effects (Glosten, Jagannathan and Runkle, 1993).

Another approach towards modeling volatility comes from implied volatility models. Volatility of a variable as implied by its current price is ex-ante in nature and thus often considered superior than volatility that is ex-post in nature (Dumas et al., 2002). A pivotal question for the researchers interested in volatility modeling is the relative predictive power of volatility models, whether implied or econometric. As a result, they often compare the forecasts from an econometric volatility model with those obtained from an implied volatility model. Empirical results from the Indian market show that implied volatility models outperform other models in this regard (Shaikh and Padhi, 2014).

Yet another approach to volatility modeling is to use hybrid models. A lagged value of the implied volatility series can be added to the GARCH models to get hybrid or encompassing versions of these models. Such hybrid or encompassing models are expected to be superior in terms of their predictive power (Day and Lewis, 1992). To improve the predictive power of the volatility models, hybrid volatility models can be built factoring in exogenous variables in the standard GARCH models, such as EGARCH-SVI model that factors in search volume index (SVI) from Google Trend into the standard EGARCH model (Risteski and Sadoghi, 2013) and MSGARCH model that factors in Markov regime-switching into standard GARCH model (Naik and Mohan, 2021).

Notably, many studies have been done on symmetric and asymmetric models using financial data in developed countries. However, the number of insightful studies that use hybrid GARCH models that factor in exogenous variables into standard GARCH models for volatility modeling in emerging equity markets especially on the Indian equity market is very few. Therefore, there is a distinct gap between the studies done abroad and those done in India on hybrid GARCH models. Hence, this study attempts to build hybrid volatility models by incorporating India VIX, an apt proxy for implied volatility for Indian

stock market, as an exogenous variable in the basic-GARCH and GJR-GARCH models for estimating and forecasting volatility in daily returns on Nifty, a proxy for Indian equity index.

OBJECTIVES OF THE STUDY

- i. To study the stylized facts about the Nifty returns
- ii. To estimate the parameters of basic-GARCH and GJR-GARCH models using the Nifty return data
- iii. To construct hybrid GARCH models by incorporating a lagged value of India VIX in the basic-GARCH and GJR-GARCH models
- iv. To compare the forecasting power of the basic-GARCH and GJR-GARCH models with that of their hybrid versions

DATA AND METHODOLOGY

Sources of Data

The financial time series data on Nifty, a proxy for the Indian equity index, and India VIX, a proxy for implied volatility, from April 1, 2008 to June 30, 2020 have been analysed in this study. The reference period includes adequate data points pertaining to the global financial debacle of 2008 and the Covid 19 crisis. The relevant data have been collected from the Meta Stock Professional database. The total sample consists of 3,005 data points. For the purpose of forecasting, the total data points have been divided into two parts—in-sample (first 2,000 data points) and out-of-sample (last 1,005 data points). For estimation of the model parameters, the in-sample data points have been used whereas the out-of-sample data points have been used for forecasting.

Methodology

First, the properties of daily market return on Nifty have been examined to test stationarity and then the incidence of volatility clustering and presence of ARCH effects have been tested. For this purpose, the daily Nifty returns (r_t) is defined as:

$$r_t = \ln(\text{Nifty}_t / \text{Nifty}_{t-1}) \dots\dots\dots (1)$$

On confirmation of volatility clustering and ARCH effects, basic GARCH and GJR GARCH models have been fitted to the daily Nifty return data by estimating the model parameters as per the maximum likelihood method.

The basic GARCH model is of the following form:

$$h_t = \omega + \alpha r_{t-1}^2 + \beta h_{t-1} \dots\dots\dots (2)$$

Where, h_t and h_{t-1} refer to the variance of Nifty return

at time t and time t-1 respectively while r_{t-1}^2 refers to the squared Nifty return at time t-1.

The GJR-GARCH model is of the following form:

$$h_t = \omega + \alpha r_{t-1}^2 + \beta h_{t-1} + \gamma r_{t-1}^2 I_{t-1} \dots \dots \dots (3)$$

where,

$$I_{t-1} = 1 \text{ if } r_{t-1} < 0 \\ = 0 \text{ otherwise}$$

To build a hybrid conditional volatility model, a squared lagged value of India VIX, an apt proxy for implied volatility (σ_{t-1}^2), has been added as an explanatory variable to Basic-GARCH and GJR-GARCH models.

The hybrid Basic-GARCH equation is of the following form:

$$h_t = \omega + \alpha r_{t-1}^2 + \beta h_{t-1} + \delta \sigma_{t-1}^2 \dots \dots \dots (4)$$

The hybrid GJR-GARCH equation takes the following form:

$$h_t = \omega + \alpha r_{t-1}^2 + \beta h_{t-1} + \gamma r_{t-1}^2 I_{t-1} + \delta \sigma_{t-1}^2 \dots \dots \dots (5)$$

Subsequently, the models have been evaluated based on their forecasting power by regressing the actual variance (realised variance) over the forecasted variance obtained from the competing GARCH models. The regression equation used for this purpose is as follows:

$$ah_{t+1} = b_0 + b_1 fh_t + e_{t+1} \dots \dots \dots (6)$$

where, ah_{t+1} refers to the actual variance at time t + 1, and fh_t denotes the forecasted variance at time t. In this study, squared daily Nifty returns have been taken as the proxies for the actual variances (*Andersen and Bollerslev, 1998*).

DATA ANALYSIS

This section first delineates the properties of daily returns on Nifty and then attempts to fit suitable GARCH models for volatility in daily returns on Nifty.

Properties of Nifty Returns

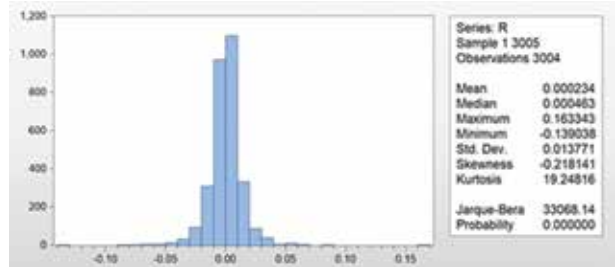
Figure 1 presents the summary statistics and histogram of r_t . Returns are found to be negatively skewed (-0.22) and are not normally distributed as evident from kurtosis (19.23) and Jarque-Bera statistic of 33068.14, which is statistically significant at 1 per cent. Before proceeding further, it is imperative to test the return series for stationarity. To do so, the ADF test has been used. From Table 1, it can be stated that the hypothesis of r_t having a unit root is rejected as the test statistic of -53.22 is statistically significant at

1%. In other words, the return series is stationary.

Volatility Clustering

As the stationarity of the data is confirmed, further time series analysis can be done. Figure 2 depicts volatility clustering. From Table 2, it follows that the joint hypothesis of zero serial correlations of the squared returns is rejected as the Q statistic is statistically insignificant at lag 1 through lag 5. Thus, it can be concluded that there is presence of volatility clustering. From Table 3, it can be observed that both the LM (289.68) and F (64) statistics are statistically significant at 1%, which confirms the existence of ARCH effects in the return series.

FIGURE 1: HISTOGRAM AND SUMMARY STATISTICS OF r_t



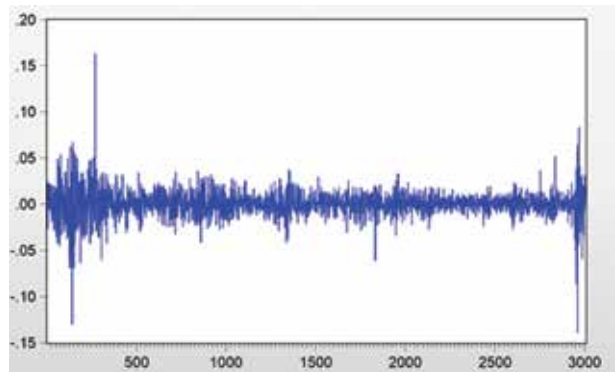
Source: Author's own calculations

TABLE 1: ADF UNIT ROOT TEST ON r_t

	t-Statistic	Probability
ADF test statistic	-53.21693	0.0001
Test critical values:		
1% level	-3.432338	
5% level	-2.862304	
10% level	-2.567221	

Source: Author's own calculations

FIGURE 2: VOLATILITY CLUSTERING OF DAILY RETURN OF NIFTY



Source: Author's own calculations

TABLE 2: CORRELOGRAM AND LJUNG AND BOX Q STATISTICS OF SQUARED RETURNS

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob
		1 0.029	0.029	2.5104	0.113
		2 -0.013	-0.013	2.9861	0.225
		3 0.002	0.003	3.0014	0.391
		4 -0.020	-0.021	4.2523	0.373
		5 0.025	0.026	6.0753	0.299
		6 -0.076	-0.078	23.603	0.001
		7 0.063	0.069	35.423	0.000
		8 0.044	0.037	41.237	0.000
		9 0.003	0.004	41.266	0.000
		10 0.038	0.035	45.541	0.000
		11 -0.024	-0.020	47.301	0.000
		12 0.034	0.030	50.880	0.000
		13 0.007	0.013	51.046	0.000
		14 0.011	0.015	51.420	0.000
		15 -0.000	-0.009	51.420	0.000

Source: Author’s own calculations

TABLE 3: HETEROSKEDASTICITY TEST: ARCH

	Coefficients	Test Statistics	Probability
F		64.00100	0.0000
Obs. * R-squared (LM)		289.6751	0.0000
Squared residual at lag 1	0.046055	2.548512 (t)	0.0109
Squared residual at lag 2	0.155221	8.622873 (t)	0.0000
Squared residual at lag 3	0.073941	4.068391 (t)	0.0000
Squared residual at lag 4	0.098048	5.446379 (t)	0.0000
Squared residual at lag 5	0.150270	8.315320 (t)	0.0000

Source: Author’s own calculations

Fitting GARCH Models

Once volatility clustering and presence of ARCH effects are confirmed, the focus can be shifted towards determining suitable GARCH models. First, the parameters of the basic GARCH model are estimated; then the series h_t for Nifty is computed and plotted in Figure 3. From Table 4, it follows that all the parameters (*i.e.*, ω , α and β) are statistically significant at 1 per cent.

One of the serious limitations of a basic-GARCH model is that it factors in only the symmetric responses. This happens because the conditional variance in equation 2 does not depend on signs of the lagged residuals. Rather, the magnitudes of the lagged residuals drive the conditional variance. However, it is often observed that volatility gets impacted asymmetrically in response to shocks of different signs. This happens due to leverage effects. The basic-GARCH model fails to capture these leverage effects. The GJR-GARCH model, however, factors in possible

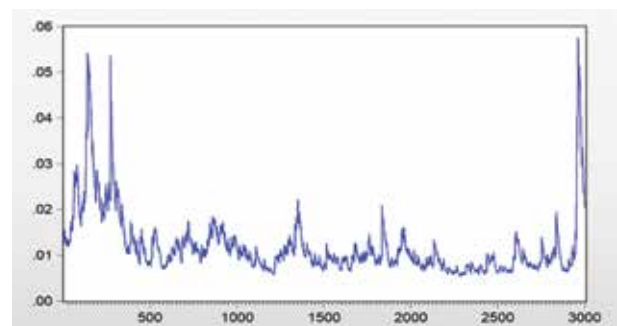
asymmetries. Table 5 lists the parameters and the variance equation (equation 3) while Figure 4 plots the GJR-GARCH volatility. The news impact curve (*Pagan and Schwert, 1990*) depicts the degree of asymmetry in volatility. Figure 5 shows the basic-GARCH news impact curve (blue line) which is symmetrical while the GJR-GARCH news impact curve (orange line) is asymmetrical.

TABLE 4: BASIC-GARCH PARAMETERS

Parameters	Coefficients	Test Statistics	Probability
ω	0.000001	5.245711	0.0000
α	0.091711	12.32823	0.0000
β	0.902410	116.3448	0.0000

Source: Author’s own calculations

FIGURE 3: BASIC-GARCH VOLATILITY OF NIFTY



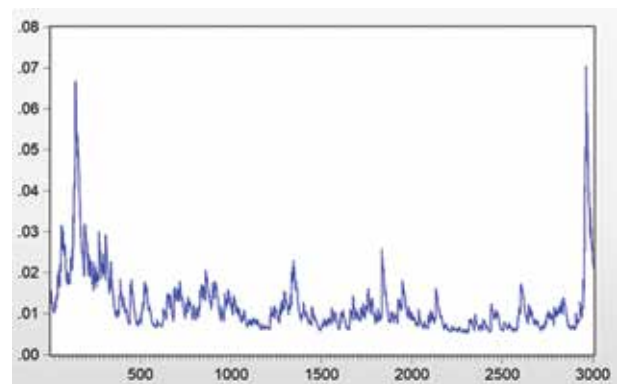
Source: Author’s own calculations

TABLE 5: GJR-GARCH PARAMETERS

Parameters	Coefficients	Test Statistics	Probability
ω	0.000002	6.077342	0.0000
α	0.022655	4.324965	0.0000
β	0.905538	10.89155	0.0000
γ	0.128148	117.2300	0.0000

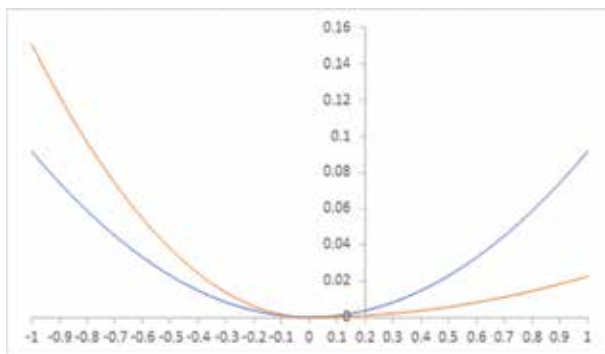
Source: Author’s own calculations

FIGURE 4: GJR-GARCH VOLATILITY OF NIFTY



Source: Author’s own calculations

FIGURE 5: NEWS IMPACT CURVES: GARCH-BLUE; GJR GARCH-ORANGE



Source: Author’s own calculations

TABLE 6: IN-SAMPLE PARAMETER ESTIMATION

Basic-GARCH			
Parameters	Coefficients	Test Statistics	Probability
ω	0.000002	4.647924	0.0000
α	0.072140	7.855398	0.0000
β	0.919405	94.31560	0.0000
GJR-GARCH			
ω	0.000002	4.440417	0.0000
α	0.027298	4.136216	0.0000
β	0.916100	96.85275	0.0000
γ	0.097308	6.878924	0.0000
Hybrid Basic-GARCH			
ω	-0.000010	-2.240283	0.0251
α	0.034067	4.123512	0.0000
β	0.893312	49.54649	0.0000
δ	0.061355	4.673579	0.0000
Hybrid GJR-GARCH			
ω	-0.000010	-2.535468	0.0112
α	-0.019055	-14.57577	0.0000
β	0.891940	62.11974	0.0000
γ	0.105696	7.553146	0.0000
δ	0.061982	6.738068	0.0000

Source: Author’s own calculations

Volatility Forecasting

Table 6 shows all the parameters estimated based on sample data points are statistically significant. Using the parameters estimated in-sample, the forecast of the next day’s volatility has been made. The coefficients of b_1 are

statistically significant for all the forecasting models (refer Table 7), which implies all the models have explanatory powers.

TABLE 7: SUMMARY OF REGRESSION OUTPUTS

Basic-GARCH:			
	Coefficients	Test Statistics	Probability
b_1	0.9334	12.8826	0.0000
R^2	0.1421		
GJR-GARCH			
b_1	0.7765	14.1918	0.0000
R^2	0.1674		
Hybrid Basic-GARCH			
b_1	0.1082	13.8500	0.0000
R^2	0.1607		
Hybrid GJR-GARCH			
b_1	0.1078	14.0936	0.0000
R^2	0.1654		

Source: Author’s own calculations

FINDINGS AND CONCLUSIONS

The major findings of the study are as follows:

- ⊙ Daily Nifty returns series is found to be negatively skewed and is leptokurtic in nature.
- ⊙ Volatility clustering is found to be present in daily returns.
- ⊙ The daily Nifty returns data have been found to be stationary and show presence of ARCH effects.
- ⊙ A strong indication of time-varying volatility is found in daily returns on Nifty.
- ⊙ Leverage effects are found to be present and the same is reconfirmed by the shapes of the news impact curves.
- ⊙ Daily return plot shows two extreme dips while volatility plots show two extreme spikes--one in 2008 during the financial crisis and again in first quarter of 2020 due the Covid 19 crisis. The magnitude of such fluctuations in daily return and volatility is larger for Covid 19 crisis than for the financial crisis in 2008.
- ⊙ Predictive power of hybrid basic-GARCH model ($R^2 = 0.1607$) is found to be more than the basic-GARCH model ($R^2 = 0.1421$).
- ⊙ Predictive power of hybrid GJR-GARCH model ($R^2 = 0.1654$) is found to be lower, though marginally, than that of the GJ- GARCH model ($R^2 = 0.1674$).

- ⊙ Thus, factoring in India VIX as one of the variance-regressors produces mixed results. It improves the predictive power for the symmetric model while it deteriorates the predictive power, though marginally, for the asymmetric model.
- ⊙ R^2 values for all the models are on the lower side (14.21 to 16.74 per cent) indicating that predicting volatility is always a daunting task.

In conclusion, it can be said that the experiment of modeling Nifty return volatility using hybrid GARCH models yielded mixed results in terms of enhancements in the forecasting powers of the hybrid models. In case of the hybrid basic-GARCH model, the forecasting power got augmented while the forecasting power got enfeebled, though slightly, in case of the hybrid GJR-GARCH model.

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NEW INFORMATION TECHNOLOGY INITIATIVES

1. Introduction of Forgot Password Facility in Members Online System

Earlier the members were writing emails to the Membership Department in case they forget their membership password, and this takes lot of time to get their password. With the introduction of this facility, if a member forgets his membership login password, he can get this on his registered email ids by putting their membership number and clicking on "Forgot Password" button.

Note: In case the members do not have their email address in the membership database, to avail this new facility, the members are requested to register their email address with the membership database by filling M8 (Address Change) application form online / by post.

2. Introduction of OTP Based login in Members Online System

Earlier the members were allowed to login in the members online system by using their membership password only. With the introduction of this facility the members can login to their Member's Online System by using the One-time password (OTP) sent to their registered mobile phones.

Note: In case the members do not have their mobile phones in the membership database, to avail this new facility, the members are requested to register their mobile phones with the membership database by filling M8 (Address Change) application form online. Kindly also ensure that the registered mobile number is not DND activated.

3. Revamp of Helpdesk Portal

The Helpdesk Portal has been revamped with some new features like Audit Trail and better User Interface.

4. Website Review

Complete review of the ICMAI website has been done from IT end.

GREENWASH

Abstract

Greenwashing is designed “to make people believe that your company is doing more to protect the environment than it really is.” Greenwashing is a marketing gimmick intended to create an illusion of assumed ecological obligation. There are several definitions of greenwashing. Experts have identified seven sins of greenwashing detailed herein below. The significant importance of green finance in facilitating the attainment of the set out goals of sustainable economy can hardly be undermined. Absence of a consensual definition of ‘what is green’ has been acting as an obstacle to scaling up green finance. Green finance taxonomies have the potential to play a significant role in scaling up the volume of green finance and in consummation of Paris Accord and in attaining the sustainable development goals set out by the UN. A well-defined and interoperable green taxonomy facilitates green finance to grow faster and sub-serve the process of attainment of environmental and sustainability goals. In the midst of fast happening structural changes in financial market there is urgency to ensure greater transparency and integrity therein if formation of green bubble is to be avoided.

INTRODUCTION

Greenwashing is a term used to describe a misleading, untrue, or false action or set of untrue claims made by an entity about the positive impact of its services and products have on the environment. The term ‘greenwashing’ owes its origin to environmentalist Jay Westervelt who first used the term in his article published in 1986 wherein he criticised the common practice then prevalent in hotels asking the guest to reuse towels to help conserve energy. He pointed out that those hotels actually did little towards environmental improvement and thus the towel reuse request amounted to Greenwashing is designed “to make people believe that your company is doing more to protect the environment than it really is.”[Cambridge Dictionary]. The term “green” has relevance to matters involving climate related issues. The connotation of the term “greenwashing” extends also to the



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wider sustainability context.

Greenwashing is a marketing gimmick intended to create an illusion of assumed ecological obligation. Green propaganda does not always signify that the company is sincerely committed to environmental upgradation and protection. For this reason, the concept of greenwashing is generally used by the activists to label the companies preaching environmental obligation and commitments but without actually pursuing activities and practices commensurately. However, not every “green” company is involved in greenwashing. Some economic agents and their products scrupulously are consistent with desired attributes of being truly ‘green’ without camouflage or deceit.

The increasing demand acts as impetus for the economic agents to evolve green marketing strategies to showcase their decent corporate profile and their commitments to social responsibility. In this backdrop the green market is growing at faster pace. With enlarging green markets, the phenomenon of greenwashing is also proliferating. The phenomenon may be defined as “the inter-section of two firm behaviours: poor environmental performance and positive communication about environmental performance”. However, the issue being grappled with is to enumerate the activities and assets and required attributes thereof to be considered for being eligible to be classified as green? Absence of a consensual definition has been acting as an obstacle to scaling up of green finance.

There are several definitions of green in varied perspectives. Transparency in disclosure of data/ information on the environmental impact of activities of entities is demanded by the stakeholders and the society at large. Ideally the communication must be dynamic, through use of unambiguous and detailed expressions in simple to understand language to effectively communicate the associated definitive and anticipated environmental benefits.

In 2015 the United Nations General Assembly (UNGA) set out the Sustainable Development Goals (2015 to 2030) elucidating the inter-connectedness and indivisibility thereof towards achievement of sustainable development at the global level. Seventeen goals have been set out by of UNGA to address the crucial sustainable developmental

challenges facing the world , including poverty, inequality, climate change, environmental degradation, peace, and justice.

SEVEN SINS OF GREENWASHING

Veiled trade-off: A claim that a product is 'green' based on a limited set of attributes ignoring important environmental issues.

No proof: An environmental claim that cannot be convincingly proved by readily accessible supporting data/information or by accreditation by third-party of high market standing.

Elusiveness: Vaguely defined claims without necessary supporting details and specifics with the intention to mislead the customer as to the real meanings thereof.

Revering false labels: Use of false suggestion or certification like image, to take the customer for a ride as to the genuineness and authenticity of green certification process.

Irrelevance: An innocuous environmental claim which is actually unimportant or not useful for consumers in quest for environmentally superior products

Lesser of two evils: A claim which may be true within the product category, but that risks distracting the consumer from the greater environmental impacts of the category.

Misrepresentation: Exaggerating the claimed environmental benefits

TAXONOMY FOR GREEN FINANCE

There is general agreement on the positive key role of green finance in facilitating transition to a more sustainable economy. Investors have been exhibiting increasing interest in environment embedded investments. But the issue being grappled with is evolving a definition of activities and assets which may be labelled as green. Green labels and ESG ratings are often not sufficiently clear on the assured environmental benefits and offer little comfort that benefits would ultimately fructify. BIS findings have confirmed that for bonds labelled as green carbon efficiency and effective mitigation

of emission GHG on the part of the concerned issuers cannot be presumed. Absence of a consensual definition has been acting as an obstacle to scaling up of green finance.

A green finance taxonomy is intended to set out standards to evaluate the extent of support that may be expected from financial asset in attainment of given sustainability including environmental goals. It is intended to facilitate the decision making process of investors and other stake holders in identification of the type of attributes /information needed to gauge the sustainability benefits embedded to an asset and in classification of assets based on their capacity to deliver given sustainability goals.

A green taxonomy helps in identifying the activities or investments that would facilitate attainment of environmental goals, helping in deciding optimal allocation of capital for priority environmentally sustainable projects. Considering the diverse needs and contexts of emerging economies, the definitions and standards should be economy specific instead of one-size-fits-all. What is needed is a taxonomy subserving the environmental objectives consistent with the concerned country's sustainable development priorities and agenda. The World Bank has developed a common language on environmental issues which can be used by the financial sector in their decision making process involved in raising funds , originating credits and investment for perceived and embedded climate risks. But little attention has been paid towards development of taxonomy for green finance and attainment of sustainable economy.

Green finance taxonomies have the potential to play a significant role in increasing the volume of green finance and facilitate consummation goals enshrined in Paris Accord and the UN sustainable development goals. A well-defined taxonomy facilitates authentication of true green attributes embedded to an asset and thereby tends to reduce the risk of greenwashing. A good taxonomy acts as a light house to investors / stakeholders emitting signals to guide their decision-making process in identification of non-financial benefits embedded to a

given asset. Green finance taxonomies should enable avoiding the trap of "greenwashing" creating illusions of associated apparent sustainability benefits which are actually non-existent in reality.

Well defined and well-articulated Taxonomies only cannot stop entities from committing green frauds. But well defined taxonomies if in place would render detection of such frauds easier. The practice of second-party and third party verifications/reviews is in vogue in European bond market. However, lack of standardisation of verification processes across different providers persists. This issue needs to be ironed out. As the size of the green finance market grows, policymakers need to have in their arsenal smarter policy options to facilitate verification and discourage ingenious greenwashing bids. Notwithstanding high precision being attained in measuring environmental performance, aggregation might result in greenwashing by according lower weights to poorly performing areas or offset by better performance in other areas. Endeavor should be such that specific taxonomies (or certification processes) map to specific green/sustainability objectives. Where a single taxonomy classifies activities or entities based on the achievement of multiple objectives (viz., GHG emission reduction and social inclusion) it is fraught with greater risk of clever greenwashing. This is on account of reduced market transparency arising out of complex weighting schemes to aggregate the objectives. To mitigate the risk of greenwashing which deceptively proclaims favourable labelling within the framework of a taxonomy, a high-quality and consistent verification process must be in place. Supervisors and regulators should prescribe the objectives and uniform standards to be adhered to by agencies while conducting the certification and verification processes. Ex post assessment of performance should also be conducted.

Developed countries have greater environmental consciousness of their people. The regulation in place is at a higher level of sophistication compared to that in developing countries. In US,

the country at the highest level of environmental pollution, regulation of greenwashing is limited and fraught with uncertainty of actual regulatory enforcement as when needs therefore would arise. Existence of non-binding regulatory guidelines would tend to dilute consumer protection against the injurious effects of greenwashing. There are none or insufficient regulations in developing countries where the common man, by and large, have no or little concern about the need and merits of environmental care.

In India in the absence of a national green taxonomy for standardisation of green finance and identification of activities eligible for being reckoned as green investment, there is likelihood of varied interpretation of green finance, information asymmetry and consequential accentuation of risk of greenwashing.

Sustainable development demands quick actions. The delay in formulating a green taxonomy by India entails the risk of being deprived of substantial green capital. Therefore, India must devote attention to speed up its green growth in various sectors by formulating its own green taxonomy in alignment with its economic objectives, development agenda and environmental commitment.

Financial sector regulators like RBI, SEBI & IFSCA have made some efforts to evolve a definition of 'green.' However, the approaches adopted by them have been incoherent. The Department of Economic Affairs of GOI has constituted a Task Force on Sustainable Finance in 2021, which reportedly have submitted a draft on Green Taxonomy for being adopted by India. It is, however, still a work in progress.

The BIS Innovation Hub Hong Kong Centre successfully proved that retail green bonds can be tokenised. Its project Genesis 2.0 explored the technical feasibility of the end-to-end digitisation of green bonds with carbon forwards attached (also known as mitigation outcome interests). This has the potential to improve the transparency, objectivity and environmental integrity of the green bond market. It will address green washing by exploring the use of

Greenwashing is a marketing gimmick intended to create an illusion of assumed ecological obligation

blockchain, smart contracts and other technologies for the tracking, delivery and transfer of Mitigation Outcome Interests (verification of carbon credits complying with the Paris Agreement), digitally attached to the green bond.

CONCLUSION

Green classifications and ESG labelling generally do not carry definitive assurance about the intended environmental benefits and afford none too encouraging assurance that benefits will truly accrue. Part of the problem arises due to green labels being based on easily verifiable inputs but not with easily verifiable outputs or substantive outcomes. Green labelling often is no guarantee that the issuer is carbon efficient and would be reducing GHG emission over time. There is lack of alignment of these labelling with specific policy objectives viz., reduction of GHG emission by entities / adherence to Paris Agreement. Wide variety of inputs is used by the providers to work out their ESG ratings. Therefore, ESG ratings show low correlations across different providers. The potential confusion around ESG ratings eases the scope for possible greenwashing.

The pivotal role of financial system in speeding up the transition to an economy with reduced carbon foot prints on sustainable footings and protect our ecosystem can hardly be over emphasised. Appropriate policy can deter green-washing in three ways:

- ⊙ By evolving appropriate taxonomies with configurations in complete alignment with important policy goals viz., reduction of GHG emission, reduced carbon foot prints of economic agents, attainment of sustainable developmental goals, consummation of Paris

agreement in letter and spirit etc.

- ⊙ Develop yard stick to help investors to understand the specific environmental benefits that would likely accrue out of assets classified as "green";
- ⊙ Put in place a certification and verification mechanism which would effectively afford comfort and assurance to the stakeholders that assured environmental benefits will actually accrue.

With the expansion of green markets and concomitant spurt in greenwashing phenomena, a trust deficit has been arising as the customers are facing difficulties in identifying a true green claim. This is giving rise to increasing green scepticism which might impede the pace of green marketing and as a consequence true green claims might suffer from greater scepticism. In the midst of fast structural changes in financial market there is an urgency to ensure greater transparency and integrity therein if formation of green bubble is to be avoided.

Climate change is a global challenge of making this earth a safe dwelling for mankind. India, the second largest GHG emitter having highest population has unavoidable substantial interest in global integrated action to address potential dangers facing the environmental ecosystems and human societies. To fulfil India's commitments to sustainable developments in tandem with the other global players, a huge capital outlay would be needed. To garner the required capital India has to take recourse among other sources, to cross border funds. To attract foreign investors India must have in place credible and effective frame work of green taxonomy and responsive surveillance system at the earliest. MA

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MULTI-PRODUCT FIRMS: MATHEMATICAL DERIVATION OF COMPOSITE BREAK-EVEN POINT

Abstract

Break-even analysis is a popular tool used for the purpose of planning and decision making. In a single product setting, the computations are simple and easy to understand. But in a multi-product setting, the calculations are based on a crucial assumption, i.e., the sales mix does not change. In this article, an attempt is made to present the mathematical derivation of composite break-even point in units as well as monetary terms.

INTRODUCTION

Break-even analysis is a very powerful tool for the purpose of planning and decision making. *Stetler (1962)* indicates how break-even analysis is valuable in different ways. He highlights that the greatest value is in relation to planning and managerial control. Break-even analysis is helpful in pointing out the existence of gradual, unplanned changes in operations, checking the soundness of budget planning, and evaluating alternative courses of action.

Break-even point calculations are popularly used by entrepreneurs and decision makers while evaluating the feasibility of business projects. Business proposals are often evaluated using popular techniques like net present value (NPV) and internal rate of return (IRR), but the break-even point is also computed in such cases. This is because NPV and IRR calculations are based on some assumed level of capacity. But it is not appropriate to ignore the fact that the business environment is uncertain. Hence the assumed capacity level may not be attained. In such a situation, it is extremely important to know the capacity level where the business will be in a position to recover its total cost. This emphasizes the importance of measuring the break-even level.

In simple words, break-even level refers to the level of sales where total sales revenue is just sufficient to recover total costs (see Figure 1). That is at the break-even point:

$$\text{Total sales revenue} = \text{Total cost}$$

$$\text{Total sales revenue} = \text{Total variable cost} + \text{Total fixed cost}$$

$$\text{Total sales revenue} - \text{Total variable cost} = \text{Total fixed cost}$$



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$$\text{Total contribution} = \text{Total fixed cost} \dots\dots\dots(1)$$

In other words, at the break-even point, the total contribution is just sufficient to cover the total fixed cost. As a result, there is no profit, no loss.

FIGURE 1



If 'C' and 'Q' denote contribution per unit and quantity sold of a product then equation (1) can be written as follows:

$$C \times Q = \text{Total fixed cost}$$

$$\text{i.e., } Q = \text{Total fixed cost}/C$$

i.e., Break-even quantity = Total fixed cost/Contribution per unit

The above discussion relates to a simple scenario where the business under consideration is dealing with a single product. But in real life, the situation might be different. It is important to take into consideration the fact that a particular plant may be equipped to produce more than one product or more products of different qualities. Even in cases where only one product of one quality is produced, one cannot be sure that the production is homogeneous (Meij, 1953). Meij rightly points out that heterogeneity can be caused by the structure of demand. Factors that can lead to heterogeneity even in a technically homogeneous situation include the different sizes of orders, different times at which goods are to be delivered, etc. Therefore, it is important to study the applicability of break-even analysis to a firm dealing in multiple products.

In this article, an attempt is made to extend the understanding of break-even analysis from a single-product setting to a multi-product setting. In the case of a business dealing in multiple products, break-even analysis is a little more complex because different products usually sell at different prices and incur different costs. As a result, the break-even point depends on the sales mix.

BREAK-EVEN ANALYSIS AND MULTI-PRODUCT FIRMS

Consider a business enterprise dealing in multiple products. Though the primary goal of a business is to maximize profits, it is extremely important to know the point where the business will be in a position to recover its total costs. From this perspective, it becomes crucial to look at the break-even level of sales. As stated in equation (1), at the break-even point, the total contribution is just sufficient to cover the total fixed cost. We can extend this simple understanding of the concept of break-even point to a multi-product firm. In most multi-product firms, different products share common facilities. As a result, they have common fixed costs. Therefore, the overall break-even or composite break-even point is calculated for a firm dealing in several products. The break-even is calculated for a specific sales mix and if the sales mix changes, then the overall break-even also changes.

CASE OF A FIRM DEALING IN 'N' PRODUCTS

Let us consider a business dealing in 'n' types of products. As discussed above, at break-even point:-

$$\text{Total contribution} = \text{Total fixed cost}$$

$$\text{i.e., } \sum_{i=1}^n (C_i \times Q_i) = TFC \dots \dots \dots (2)$$

Where, C_i indicates contribution per unit of i^{th} product

Q_i denotes units sold of i^{th} product

$(C_i \times Q_i)$ Indicates total contribution of i^{th} product

TFC is the total fixed cost of the multi-product firm

Multiplying and dividing the left-hand side of equation (2) by the total number of units sold, it can be re-written as follows:

$$\left(\sum_{i=1}^n Q_i \right) \times \frac{\sum_{i=1}^n (C_i \times Q_i)}{\sum_{i=1}^n Q_i} = TFC$$

$$\left(\sum_{i=1}^n Q_i \right) \times \text{Composite contribution per unit} = TFC$$

$$\sum_{i=1}^n Q_i = \frac{TFC}{\text{Composite contribution per unit}}$$

$$\text{Composite break even point (in units)} = \frac{\text{Total Fixed Cost}}{\text{Composite contribution per unit}} \dots \dots \dots (3)$$

Here, composite contribution per unit is simply the weighted contribution margin, i.e., the weighted average of the contribution margin of all the products using sales mix as weights. In this case, the sales mix is measured in terms of the proportion of units in the sales mix. The composite BEP (in units) indicates the total number of units of all the products to be sold to reach the break-even point. Now, the number of units of each product to be sold to break-even can be computed based on the given sales mix used for measuring composite contribution per unit.

Equation (3) shows composite BEP calculation in terms of 'units'. The same can also be computed in monetary terms. For this, let us go back to equation (2):

$$\sum_{i=1}^n (C_i \times Q_i) = TFC \dots \dots \dots (2)$$

Equation (2) can be rewritten as follows:

$$\left(\sum_{i=1}^n (SP_i \times Q_i) \right) \times \frac{\sum_{i=1}^n (C_i \times Q_i)}{\sum_{i=1}^n (SP_i \times Q_i)} = TFC$$

Where, SP_i indicates the selling price of i^{th} product

$$\left(\sum_{i=1}^n (SP_i \times Q_i) \right) \times \frac{\text{Total contribution from all the products}}{\text{Total sales revenue from all the products}} = TFC$$

$$\left(\sum_{i=1}^n (SP_i \times Q_i) \right) \times \text{Composite } \frac{P}{V} \text{ ratio} = TFC$$

$$\sum_{i=1}^n (SP_i \times Q_i) = \frac{TFC}{\text{Composite } \frac{P}{V} \text{ ratio}}$$

$$\text{Composite break even point (in monetary terms)} = \frac{\text{Total Fixed Cost}}{\text{Composite } \frac{P}{V} \text{ ratio}}$$

Let us also take a closer look at composite P/V ratio. Here, the composite P/V ratio is nothing but the weighted average of the P/V ratios of all the products using sales mix as weights. In this case, the sales mix is measured in terms of the proportion of sales revenue. So, for ‘n’ products, the formula for composite P/V ratio can also be written as follows:

$$\text{Composite P/V Ratio} = \frac{\sum_{i=1}^n (\text{P/V Ratio}_i)(SP_i \times Q_i)}{\sum_{i=1}^n (SP_i \times Q_i)}$$

Where, P/V Ratio_i indicates P/V Ratio of ith product

(SP_i × Q_i) Indicates sales revenue of ith product

The composite break-even point (in monetary terms) measures the total sales revenue from all the products to be earned to break even. Now, the sales revenue to be earned at this point from each product can be calculated based on the given sales mix measured in terms of proportion of sales revenue.

CONCLUDING REMARKS

The above discussion presents the simple mathematical derivation of break-even point in case of a business dealing in multiple products. It is important to pay attention to the fact that the above mathematical analysis is based on the crucial assumption that sales mix remains constant. The discussion here talks about break-even level in ‘units’ as well ‘monetary terms’. But as pointed out by Meij (1953), break-even point is usually measured to figure out the amount of money or the degree of occupation where sales revenue equals total cost. From this perspective, a firm may not calculate the quantity to be sold; instead composite break-even computation in monetary terms will suffice. MA

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IMPACT OF IND AS IMPLEMENTATION - A STUDY ON PROFITABILITY OF SELECT INDIAN COMPANIES

Abstract

To be attuned with best global practices it has become imperative to align disclosures and reporting of corporate with International Standards. Thus after a series of efforts, when the Ministry of Corporate Affairs (MCA) on 16th February, 2015 issued a notification for Indian Accounting Standards (Ind AS), India witnessed the dawn of a fresh era in reporting reforms. This was envisaged to help Indian companies to attract foreign investors and to repose their confidence in the Indian accounting system. More so, this being the initial stage, an individual cannot consider this to be totally conducive to the Indian economy. Also, it is important to calculate the effect of the implementation workout on financial statements of the firm. This research study has been directed to comprehend the implementation of Ind AS on the profitability of select Indian firms as per roadmap of Ind AS implementation. The study also attempts to identify the reasons of changes in profitability due to the application of Ind AS.

INTRODUCTION

Foreign direct investment (FDI) is a prerequisite for any economy to go global. It is imperative among nations to follow a harmonized system of reporting practices to attract foreign investors. This is also a reality that complete harmonization may be difficult to achieve in totality due to various economic, political and social factors. In the Indian context, for better harmonization to ensure acceptability and transparency in reporting practices, The Institute of Chartered Accountants of India (ICAI) initiated the practice of converging of Accounting Standards applicable in India with International Financial Reporting Standards (IFRS). Originally converged Standards were proposed to be implemented from 2011, but due to various factors it was deferred. Finally, the Companies (Indian Accounting Standards) Rules, 2015 covering the revised roadmap to implement



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Ind AS were issued by the Ministry of Corporate Affairs. This led to the process of Ind AS implementation in India.

LITERATURE REVIEW

Bhargava and Shikha (2013) in their analysis of the impact of IFRS concluded that new Standards being fair valuation principle based will improve the quality of disclosures. It will also enhance international comparison of financial statements and enhance the performance of Indian corporate.

Achalapathi & Bhanu Sireesha (2015) in their analysis corroborated that IFRS adoption resulted in significant variation in liquidity ratios and valuation ratios as disclosed in financial statements.

Kantayya & Panduranga (2017) made a comprehensive investigation of financials presented in Indian GAAP (I-GAAP) and IFRS of IT companies and established that there were quantitative variances in

the financials prepared under the two frameworks.

Jani & Gogri (2018) analyzed the consequence of using Ind AS upon corporate governance practices and observed that this will be a value addition in corporate governance.

OBJECTIVES OF THE PRESENT STUDY

The present study was carried out to fulfill the following objectives:

1. To analyze the impact of Ind AS implementation with regard to profitability of select Indian companies.
2. To identify the reasons impacting the profitability of select Indian companies after Ind AS implementation.

METHODOLOGY OF THE

STUDY

The present research is designed with the help of secondary data from financial statements compiled from the published annual reports of BSE 30 companies. Since Ind AS was not applicable for banks, insurance companies and NBFC in the first phase, such companies were not included in the sample and accordingly nine companies were excluded. Accordingly the data for the adoption year 2016-2017 and comparative year 2015-16 was collected using the selected companies' annual reports for analysis. The figures of AS were collected using the published annual reports for the year 2015-2016 and the figures of Ind AS were collected from the comparatives using the published annual reports for the year 2016-2017.

TABLE 1: SAMPLE COMPANIES SELECTED FOR THE STUDY

Sl. No.	Name of the Business Corporation	Sl. No.	Name of the Business Corporation
1	Bharti Airtel Limited	11	Bajaj Auto Limited
2	ITC Limited	12	Hero MotoCorp Limited
3	Larsen & Toubro Limited	13	Mahindra & Mahindra Limited
4	Maruti Suzuki India Limited	14	Tata Motors Limited
5	NTPC Limited	15	HCL Technologies Limited
6	Oil & Natural Gas Corporation Limited	16	Infosys Limited
7	Sun Pharmaceutical Industries Limited	17	Tech Mahindra Limited
8	Tata Steel Limited	18	Hindustan Unilever Limited
9	Tata Consultancy Services Limited	19	Vedanta Limited
10	Asian Paints Limited	20	Power Grid Corporation of India Limited
		21	Reliance Industries Limited

ROADMAP OF CONVERGENCE TO IND AS

The MCA issued a revised road map on 16th February, 2015 for the application of Ind AS in which Ind AS application was made voluntary from 1st April, 2015 and mandatory with effect from 1st April, 2016 for certain class of companies excluding banks,

insurance companies and NBFCs. Under the first phase, all companies which had a total value of Rs. 500 Crore or more were mandatorily required to implement Ind AS from 1st day of April, 2016.

ANALYSIS OF PROFIT AFTER TAX BEFORE & AFTER IND AS

IMPLEMENTATION

Profit after tax (PAT) refers to the measure of business firm's profitability after the payment of corporate taxes and disclosed in the financial statements. It is an indicator of the financial performance of a business firm.

TABLE 2: VARIATIONS IN PROFIT AFTER TAX FIGURES OF SELECTED COMPANIES AS PER AS & IND AS

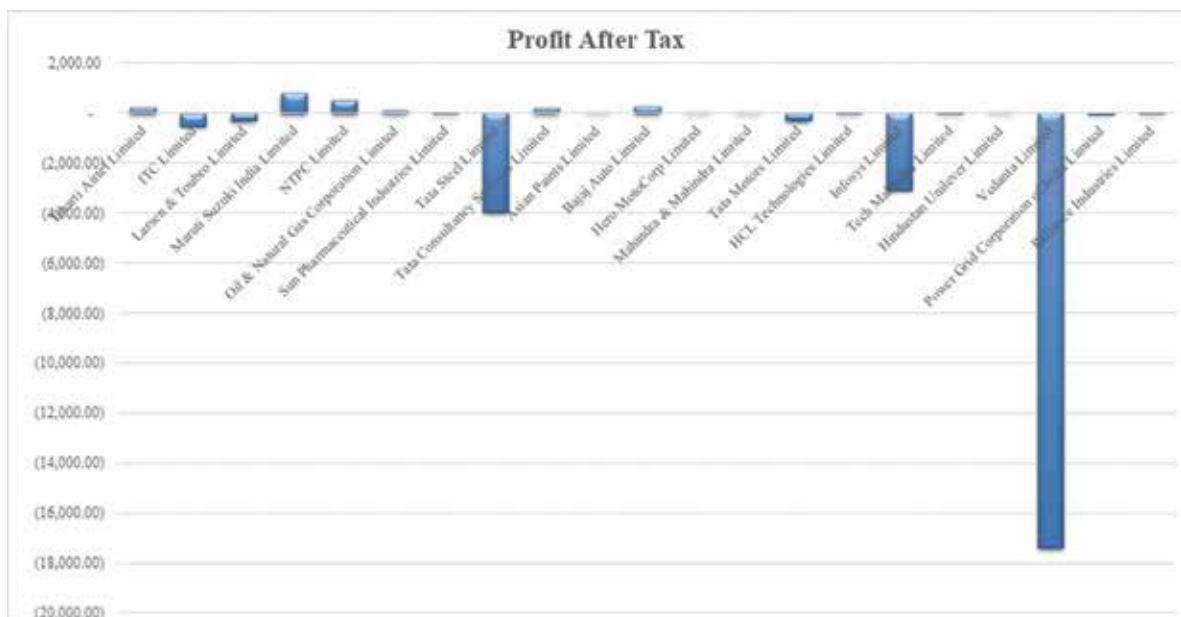
Sl. No.	Name of the selected Company	Profit After Tax (₹ in Crores)			
		AS	Ind AS	Difference	% (Diff/AS) x100
1	Bharti Airtel Limited	7,546.50	7,780.30	233.80	3.10
2	ITC Limited	9,844.71	9,328.37	(516.34)	(5.24)
3	Larsen & Toubro Limited	5,311.46	4,999.58	(311.88)	(5.87)
4	Maruti Suzuki India Limited	4,571.40	5,364.30	792.90	17.34
5	NTPC Limited	10,242.91	10,769.60	526.69	5.14
6	Oil & Natural Gas Corporation Limited	16,003.65	16,139.93	136.29	0.85
7	Sun Pharmaceutical Industries Limited	(1,073.36)	(1,087.51)	(14.15)	1.32
8	Tata Steel Limited	4,900.95	955.65	(3,945.30)	(80.50)
9	Tata Consultancy Services Limited	22,882.70	23,075.00	192.30	0.84
10	Asian Paints Limited	1,597.43	1,622.81	25.38	1.59
11	Bajaj Auto Limited	3,652.41	3,929.67	277.26	7.59
12	Hero MotoCorp Limited	3,132.37	3,160.19	27.82	0.89
13	Mahindra & Mahindra Limited	3,167.48	3,204.57	37.09	1.17
14	Tata Motors Limited	234.23	(62.30)	(296.53)	(126.60)
15	HCL Technologies Limited	4,733.68	4,719.08	(14.60)	(0.31)
16	Infosys Limited	15,786.00	12,693.00	(3,093.00)	(19.59)
17	Tech Mahindra Limited	3,220.00	3,172.80	(47.20)	(1.47)
18	Hindustan Unilever Limited	4,082.37	4,137.00	54.63	1.34
19	Vedanta Limited	5,471.88	(11,906.23)	(17,378.11)	(317.59)
20	Power Grid Corporation of India Limited	6,026.72	5,948.50	(78.22)	(1.30)
21	Reliance Industries Limited	27,417.00	27,384.00	(33.00)	(0.12)

Source: Published Audited Financial Statements of Selected Companies for the year 2015-2016 & 2016-2017

PICTORIAL REPRESENTATION

The above analysis has been presented by way of a pictorial presentation:

FIG. 1: VARIATIONS IN PROFIT AFTER TAX (PAT) FIGURES OF SELECTED COMPANIES UNDER STUDY



Source: Published Audited Financial Statements of selected Companies for the year 2015-2016 & 2016-2017

HYPOTHESIS TESTING

The researcher has compiled the data pertaining to pre and post implementation of Ind AS for the F.Y. 2015-16 of sample companies with respect to profit after tax and to assess the significance, paired T-Test

has been used. A null hypothesis for the purpose of analysis of secondary data has been formulated.

Hypothesis: Profit after Tax (PAT)

H_0 : No significant impact exists in the profit after tax (PAT)

figures of sample companies post implementation of Ind AS.

The above hypothesis examines the effect of implementation of Ind AS on the PAT of sample companies.

TABLE 3: T- TEST VALUES OF PROFIT AFTER TAX (PAT) OF SELECTED COMPANIES

Profit After Tax (PAT)	N	Mean	Standard Deviation	Std. Error of Mean	Mean Difference	t	df	Sig. (P-Value)
AS	21	7559.64	7297.51	1592.45	1115.44	1.314	20	0.204
IND AS	21	6444.21	8414.86	1836.27				

The mean of AS values is 7559.64 and Ind AS values is 6444.21. Mean difference of both AS and Ind AS values is 1115.44. The standard deviation values for AS is 7297.51 and the same for Ind AS is 8414.86. The difference between AS and Ind AS values for PAT discloses that there is no significant difference at 5 per cent level. The calculated $t = 1.314$, ($P = 0.204$) is smaller than tabulated value of $t = 2.086$ at $df = 20$. Thus, we conclude that there is no significant impact in the profit after tax figures of sample firms post implementation of Ind AS.

A detailed analysis with respect to published annual audited financial statements of the selected companies has been carried out to understand the reasons for changes in the reported profit after tax figures post implementation of Ind AS.

TABLE 4: ANALYSIS OF CHANGES IN PROFIT AFTER TAX (PAT) FIGURES OF SELECTED COMPANIES

Sl. No	Name of the selected company	Change in profit after tax post implementation (₹ in Crores)	Reasons for changes in profit after tax figures
1	Bharti Airtel Limited	233.80	effect of consequential deferred tax implications due to adjustments to asset retirement obligations, foreign exchange gains & losses etc.
2	ITC Limited	(516.34)	Investments made in mutual funds earlier classified as non-current asset and carried at cost have been quantified at fair value by using profit or loss.
3	Larsen & Toubro Limited	(311.88)	Projects executed through unincorporated joint ventures (UJV) have been classified under Ind AS.
4	Maruti Suzuki India Limited	792.90	Deferred tax has been identified on the basis of persisting adjustments leading to transition to Ind AS.
5	NTPC Limited	526.69	Sale of electricity has been shown as inclusive of electricity duty under Ind AS.
6	Oil & Natural Gas Corporation Limited	136.29	Earlier dry dock expenses were amortised and shown as other expenditure but now the same have been capitalised as component of rigs and vessels.
7	Sun Pharmaceutical Industries Limited	(14.15)	Under Ind AS, long term provisions have been measured at present value and provision for doubtful debts has been created based on the specific value for incurred losses.
8	Tata Steel Limited	(3,945.30)	On sale of investments in quoted equity instruments, profit or loss recognised under AS have been reversed.
9	Tata Consultancy Services Limited	192.30	The company has chosen to adopt Ind AS 16 from the date of acquisition of PPE and the change in method of depreciation has been prospectively applied as a change in estimate.
10	Asian Paints Limited	25.38	Re-measurement benefit of defined benefit plans under Ind AS has resulted in the increase in PBT.

Sl. No	Name of the selected company	Change in profit after tax post implementation (₹ in Crores)	Reasons for changes in profit after tax figures
11	Bajaj Auto Limited	277.26	Fair valuation principle of investments in fixed maturity plans and other mutual funds have resulted in deviations in fair values and recognised in the profit and loss.
12	Hero MotoCorp Limited	27.82	Under Ind AS leasehold land has been considered as operating lease as opposed to fixed assets under AS.
13	Mahindra & Mahindra Limited	37.09	Actuarial gains and losses and return on plan assets etc. are booked in other comprehensive income instead of profit or loss.
14	Tata Motors Limited	(296.53)	Investment in mutual funds earlier classified as non-current assets and carried at cost has been measured at fair value through profit or Loss.
15	HCL Technologies Limited	(14.60)	Interest income on long term lease deposit and rent expense has been recorded in profit and loss and has been treated as tax expense and hence resulted in change in PAT.
16	Infosys Limited	(3,093.00)	Under Ind AS, gain on transfer of business between entities under similar control which is an exceptional Item has been reversed and has been taken to business transfer reserve account.
17	Tech Mahindra Limited	(47.20)	Change in the method of valuation of Stock compensation cost from intrinsic value method to fair value method.
18	Hindustan Unilever Limited	54.63	Fair valuation of plan asset has resulted in re measurement gain/ (loss) and has been accordingly recorded in profit and loss.
19	Vedanta Limited	(17,378.11)	Impairment of oil and gas assets and investment in subsidiaries has been recognised due to fall in oil prices resulting in change in profit before tax.
20	Power Grid Corporation of India Limited	(78.22)	Retention money on capital expenditure have been recognised at fair value. Now spares have been capitalised meeting the criteria of qualifying assets.
21	Reliance Industries Limited	(33.00)	Change in accounting policy from full cost method to successful efforts method has resulted in depletion and write offs and is booked in profit and loss.

Source: Published Annual Financial Statements of Sample Companies for the year 2015-2016 & 2016-2017

CONCLUSION

Profitability of companies implementing Ind AS has been affected due to various adjustments carried out in accordance with exemptions specified in Ind AS 101. While many companies have availed the exemptions, few companies did not opt for all the exemptions provided. As a result there were changes seen in the profitability figures of the selected companies under study. However, after conducting a statistical analysis it is found that impact is not significant in the profit after tax (PAT) figures of sample companies post implementation of Ind AS. Hence the researcher has found that the profitability of the companies did not see a significant

change post implementation. **MA**

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PREDICTIVE ANALYTICS AND THE ENHANCED STRATEGIC ROLE OF MANAGEMENT ACCOUNTANTS

Abstract

In the changing business environment, Management Accountants are taking on increasing responsibilities and their roles are undergoing significant changes. Management Accountants have come a long way from supporting tactical decisions to actively participating in strategic initiatives. Technological advances have enhanced the scope of Management Accountants by pushing them to get out of their traditional roles and play an active role in implementing technological solutions that were previously disregarded as expensive and unnecessary. Management Accountants are also expected to render services that help businesses design a forward-looking approach so that they can remain competitive. In this context, the role played by predictive analytics is pertinent and can help Management Accountants make meaningful contributions towards strategic initiatives.

INTRODUCTION

In *data analytics*, data is examined to get insights and identify trends. This helps businesses in formulating well-informed strategies and making meaningful decisions. The main types of data analytics are:

- ⊙ Descriptive analytics -helps describe what exactly happened.
- ⊙ Diagnostic analytics- helps to identify the reasons why it happened.
- ⊙ Prescriptive analytics- helps to prescribe the next steps.
- ⊙ Predictive analytics (PA) - helps to predict what is likely to happen going forward.

In predictive analytics, past data is used to forecast future trends and scenarios so that strategies can be formulated to navigate through these scenarios when they arise. Regression analysis, decision trees, time series analysis and neural networks are the common predictive analytics models used by businesses.



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- ⊙ **Regression analysis** helps to determine the relationship between two or more variables. For example, a business can use regression analysis to determine how additional advertising spend will impact the sales volumes or how a price change will impact the sales volume.
- ⊙ **Decision trees**, as the name suggests, look like trees, with the branches representing choices, and the leaves of the branches representing the outcomes or results of the decisions. A couple of examples of decisions where a decision tree is used are whether an expansion opportunity should be pursued or not depending on its pay-off or whether a borrower is likely to repay the loan or commit a default in repaying the loan.
- ⊙ **Time series analysis** is used to look at past trends and extrapolate from there to predict the future. Time series analysis is a well-known technique employed in the budget creation process.
- ⊙ **Neural networks** are typically used where there is no mathematical formula available for analysing data. They are helpful in situations where a business needs to establish non-linear relationships in the datasets. A very good example of the usage of neural networks is in making predictions about stock markets. Another example where a neural network is used is a recommendation engine (think of Amazon or YouTube which will throw suggestions at you based on your choices made in the past). (Krysiak, 2021)

PREDICTIVE ANALYTICS AND ROLE OF MANAGEMENT ACCOUNTANTS

Management Accountants put predictive analytics to good use in several ways so that businesses can manage and control costs, forecast revenues and remain profitable while making optimum use of available cash and other resources.

In manufacturing environments, Management Accountants can provide valuable data which can be used by predictive analytics tools to take pre-emptive actions and avoid situations that could cause the business to lose money on avoidable expenditures. If machinery experiences a breakdown during the course of the manufacturing process, the product quality will be sub-optimal and there will be repair costs. With timely and relevant data at hand, predictive analytics tools can be used to identify the threshold or the criteria that would indicate an impending breakdown of machinery. Once algorithms are ready to predict the likely time that a piece of machinery is expected to experience a breakdown, an alert will be triggered so that the machine can be stopped and serviced before it breaks down and churns out bad quality products. (Cote, 2021) This helps with saving the time that would otherwise be wasted in churning out bad quality products and helps reduce the costs tied to such output and the machinery repair costs. Aircraft engine maker Rolls-Royce Holdings PLC uses its predictive analytics platform, called Intelligent Engine, to monitor its engines and tailor its maintenance schedule to ensure that optimization is done for an engine's life and this has helped extend the time between maintenance for engines. Because of this, the company has been able to reduce its spares and parts inventory. This inventory reduction has translated into cost savings and a lower amount of cash is blocked into spares and parts inventory. (Olavsrud, 2021) The company's Intelligent Engine platform takes data pertaining to how the pilot flies the aircraft, how it is operated, how the operational funding gets done, what conditions the aircraft is flying in, among a variety of other data. Some of the required data can be gathered from management accounting reports, especially the data pertaining to operational funding. This data can be used by predictive analytics models for engine optimization. Food and beverage company PepsiCo experienced bizarre supply chain signals during the early days of COVID-19 pandemic because consumers started hoarding food staples in order to survive during the lockdown. PepsiCo started using machine learning and predictive analytics to predict stockouts. This helped the company send alerts to retailers so that retailers could stock up products before running into a stockout situation. (Olavsrud, 2021)

In the hospitality sector, staffing requirements need to be forecasted with precision. Being overstaffed will be unnecessarily expensive as salaries are required to be paid

Retailers can use predictive analytics to identify high-value customers and minimize the cost of acquiring customers

to staff that show up for work even when there is not much customer demand and limited revenue being generated. Being understaffed will lead to overworked staff which may cause them to make mistakes while serving customers and lead to bad experiences for customers. Irrate customers asking for refunds will lead to a drag on profits and bad customer reviews will hurt the business in the future. Therefore, businesses operating in the hospitality sector need to be adequately staffed. These staffing needs can be forecasted using predictive analytics tools. For instance, hotels can perform multiple regression analysis (which takes several factors into account) and use the results of this analysis to forecast the expected number of check-ins for a given day. (Cote, 2021) Based on this, hotels can determine the number of staff members that need to be present during those set periods of time (shifts) on days when customer influx is expected to be high. As a branch of accounting, management accounting can provide lots of relevant data that would become useful in performing multiple regression analysis.

Retailers can use predictive analytics to identify high-value customers and minimize the cost of acquiring customers. Customers interact with businesses using offline channels and online channels such as websites, apps, brick-and-mortar stores, etc. These interactions generate a lot of data regarding the customer, the product, the stores, etc. and the various data points can be correlated. This helps retailers in identifying products which are expected to do well, identifying customers that are a good fit and customers that are not a good fit, increase revenues through better targeted campaigns and spend funds in a much better manner for acquiring and retaining customers. (Mandiwala, n.d.) Since management accounting reports can be customized to include non-financial data besides financial data, it is easier for Management Accountants to help business owners with relevant data that would help with ensuring that decisions are driven by objective data.

Businesses can also use predictive analytics to plan their campaigns targeted at customers. For instance, if a lead engages with a certain number of offerings, it may cause the lead to get converted to an actual customer. This relationship can be determined using regression analysis and customized management accounting reports play a significant role in providing data for regression analysis. (Cote, 2021) By employing predictive analytics for behavioural targeting, businesses can ensure that they spend on ad campaigns only when required and to the extent required. Because customers have a life cycle, businesses

can benefit from calculating customer lifetime value (CLV) which predicts the value (expressed as net profit) that a customer is expected to generate across the customer's life cycle. Since CLV is a financial metric, management accounting reports can be tailored to provide relevant information to help with computing the CLV.

Regardless of the industry that a business operates in, budgets become important when the business grows. Budgets help in planning actual business operations and controlling activities that consume resources. It often happens that data is available but is not used in an optimal manner while creating budgets. Because of this, budgets often fail to spot subtle trends and account for the effects of cyclical fluctuations and seasonality issues. Because of this, budgets are far from being precise. As a consequence, several expense line items in the budgets may be incorrectly estimated and the difference between budgeted amounts and actual amounts for these expense line items may be significant. While some difference is always expected and justified because no one can predict the future with full accuracy, significant differences indicate the failure on the part of the budgeting activity in helping a business to plan its operations and control its activities. Usage of predictive analytics in a budget creation exercise can help in creating a much more precise budget. Management Accountants can provide historical data that can be used in performing time series analysis. As a predictive analytics tool, time series analysis can aid the budget creation process.

CONCLUSION

Despite a limited number of examples having been mentioned in the paragraphs above, it is clear that the role of Management Accountants has been significantly altered by predictive analytics. There are several ways in which predictive analytics can be used by businesses and when predictive analytics models require relevant data, the Management Accountants can play a significant

role in garnering and presenting the required data. This increases the importance of Management Accountants in the implementation of strategies that involve usage of predictive analytics. **MA**

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CONGRATULATIONS



Our Heartiest congratulations to CMA Nav Ratan Gupta on being taken over the charge of the post of Director (Finance) of Bridge & Roof Company Limited, a PSU under the Ministry of Heavy Industries with effect from 20.04.2023.

Prior to this assignment he was serving as Chief General Manager in Grid Controller of India Limited (Erstwhile POSOCO). He had also worked in Power Grid Corporation of India Ltd in various places in various capacities.

He is a Law Graduate and is a Fellow Member of The Institute of Cost Accountants of India.

We wish CMA Nav Ratan Gupta the very best for his future endeavors.

SHARED SERVICES ORGANISATION: A CULTURE THAT FOSTERS GROWTH, EFFICIENCY AND SUSTAINABLE VALUE CREATION

Abstract

In today's competitive environment corporates are under tremendous pressure to explore ways and means to operate their support functions more efficiently at lower cost while maintaining high standard of controls and compliances. This article explains as how a shared services organisation (SSO) model is helpful in achieving this objective. Further, it provides an understanding of the SSO concept, it's key benefits and critical steps of implementation.

WHAT IS SSO

During mid-nineties internet availability killed the distance between two locations and people realised that it can change the way they work. Because of internet connectivity it became possible for organisations to move their work to another low-cost location and improve the overall profitability. Thus, the concept of moving common processes used across various business units to a common location came into vogue. Organisations started focusing on their core business while their support functions are either outsourced or managed by internal SSO.

In an SSO model, support functions and related resources (people and technology) are centralised for all business units under one roof unlike the conventional model where each business unit has its own independent business processes and resources.

SSO is to consolidate various business processes that are used by multiple business units of the same corporation with an objective to gain operational efficiency by continuous improvement and standardization of these business processes. It also enables higher value service delivery to the internal customers at reduced costs while maintaining the highest standard of process controls and compliances.

During last two decades the SSO concept has become very popular and many MNC's and domestic companies have established this model. Acceptability of this model among Indian companies is increasing day by day as they have realised that SSO can play an important role in improving efficiency, productivity and overall growth.



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DIFFERENCE BETWEEN SSO AND BPO

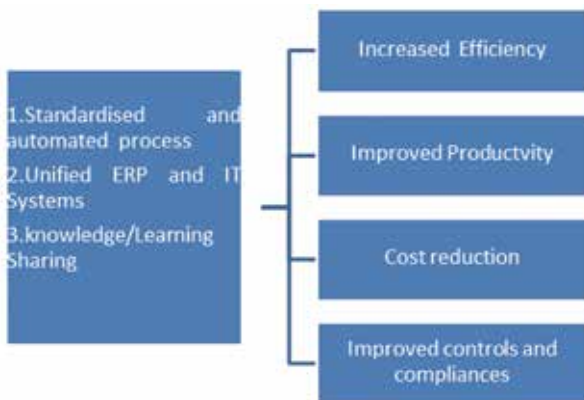
Shared services organisation and business process outsourcing (BPO) are different concept although they are often confused.

SSO is fully in-house or captive shared services model which is clearly aligned with company's business objective, ethics and work culture. On the other hand, BPO is a concept where third party vendors provide services to the corporation.

KEY BENEFITS OF SSO

- 1. Process Standardisation:** In SSO, the processes followed by different business units across the organisation get migrated under one roof and reviewed extensively to ensure that they get standardised over a period of time.

- Unified IT Systems and Controls:** Application of unified IT systems and controls across all business processes helps in the process automation/ service excellence.
- Cost Reduction:** Elimination of duplicate efforts and processes in silos helps in reducing the operational cost. Standard business processes across single organizational ways helps in optimizing head counts, enables economies of scale and improved service delivery.
- Better compliances and decision making:** Centralised data base eases out periodical corporate reporting, data analysis and decision making and also provides directions to improve compliances.
- Improved productivity:** Standardisation of processes and culture of continuous process improvements helps in enhancing productivity.
- Cohesive work environment:** sharing of learning experience under one roof helps in improving the knowledge and skills of the team and creates a cohesive work environment.
- Greater flexibility:** It brings flexibility to handle different scales of transactions volume during ups and down in the business and while dealing with M&A.



DISADVANTAGE OF SSO

- Each business might have its unique business needs and requirements and therefore “one size may not fit to all”

SSO is fully in-house or captive shared services model which is clearly aligned with company's business objective

- Resistance towards change management
- Service disruption during process migration
- Additional investment

FUNCTIONS INCLUDED IN SSO



All the above functions can get migrated into shared services organisation over a period of time. Most of the organisations migrate these functions one by one in sequence and generally migration starts with the finance function.

FINANCE SHARED SERVICES CENTRE (FSSC)

Many organisations are having their finance operations in multiple locations including different countries and following different ERP systems, customized processes and varied practices leading to lot of inefficiency in the operations.

FSSC delivers services to internal customers by consolidating, standardizing and automating the various accounting process under one roof. Possible sub functions of atypical FSSC are explained thus:



HOW THE FSSC MODEL IS IMPLEMENTED

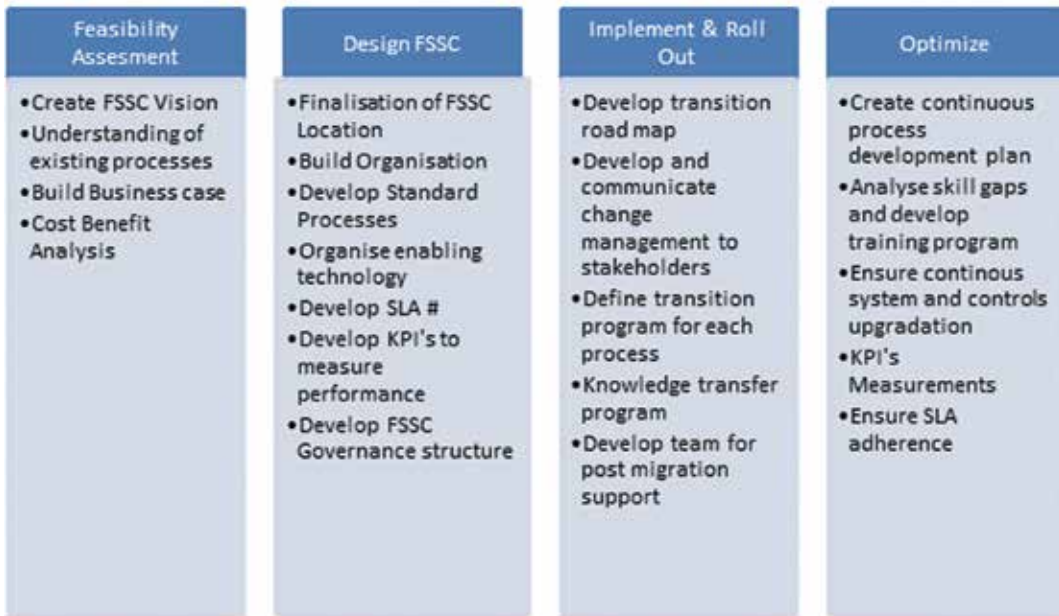
There is no right or wrong method to implement the FSSC model. Generally, four phases of FSSC implementation are being practiced by many organisations:

- Feasibility assessment
- Design of FSSC

3. Implementation and roll out

4. Optimise

Each phase is time bound and the scope of activities (indicative) to be completed under each phase is depicted in the following chart.



Service level agreement (SLA) is an agreement between FSSC and its customer which clearly defines the services to be offered and cost to be charged to its customers. Besides, it includes agreed turnaround time (TAT) and quality parameters of deliveries to measure the performance.

CONCLUSION

In today's competitive environment there is constant pressure on corporate leaders to add value by improving various business processes and reduce business operation

cost while maintaining highest standard of controls and compliances. In such a scenario adoption of the SSO concept may be the best way to propel the businesses forward. **MA**

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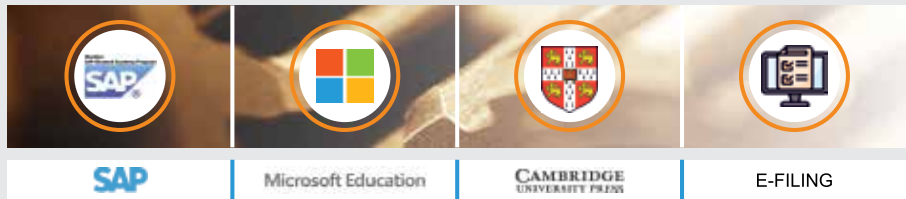
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Down The Memory Lane

September, 2013



Chief Guest, Shri M. J. Joseph, ICAS, Additional Secretary to Ministry of Corporate Affairs, CMA (Dr.) A S Durga Prasad, Vice President of the Institute, CMA M Gopalakrishnan, Past President and Council Member alongwith other Council Members and Regional Council Members lighting the lamp at the Seminar on Corporate Governance and Companies Act, 2013 on 15th September, 2013 in Bangalore



Visit by Hon'ble Chief Minister, Govt. of West Bengal, Smt. Mamata Banerjee at the stall arranged by EIRC in MSME Synergy 2013 at Milan Mela, Kolkata, during 16th-21st September, 2013



MoU between the three Institutes on the occasion of establishing Centre of Excellence on 12th September, 2013 at Ajmer

September, 2003



Members Meet with the President and Vice President, ICWAI, Hyderabad. Seen from left: A. Chandra Sekhar, Treasurer; S. Gopalan, Chairman, SIRC; Bibhananda Majumdar, Vice-President, Dr. K.L. Jaisingh, President, D.L.S. Sreshti, Chairman, Hyderabad Chapter, B.V. Ramana Murty, CCM and Past President, K.Ch. A.V. S. N. Murthy, SIRC Member, C. Sudhir Babu, Secretary Hyderabad

Down The Memory Lane

September, 1993



U.P. Mathur, Director, Deptt. of Co. Affairs, addressing the gathering a Professional Development Meeting on Companies Amendment Bill,1993 organized by the SIRC. (L to R) A.N. Raman, G. Govindan, Registrar of Companies, V. Kalyanaraman and S.B. Mathur

September, 1983



A happy consummation: ICWAI-ICSI agreement on mutual exemption of papers in ICWAI and ICSI examinations being signed.



Shri B.P. Agrawalla, Minister of Finance, Govt. of Orissa, delivering his Silver Jubilee Inaugural Address at Silver Jubilee Celebration of Cuttack Bhubaneswar Chapter

September, 1973



Meeting of the Bokaro Chapter held on the 13th September,1973. From Right to Left: Shri N.K. Prasad, Director of Studies, ICWAI; Shri Shyamal Banerjee, Past President of the Institute and Shri C.K. Ramakrishnan, Secretary, Bokaro Chapter of Cost Accountants

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

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NEWS FROM THE INSTITUTE



EASTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
BHUBANESWAR CHAPTER



The Chapter organized several career awareness programmes at Ganesh Commerce Point, Bhubaneswar during June, July and August 2023.



The Chapter conducted a seminar on the theme “Contemporary issues related to litigation under GST Laws” on 7th July, 2023 at CMA Bhawan to commemorate GST Day. Shri Abhinav Yadav, IRS, Addl. Commissioner, GST (Audit), Bhubaneswar was the Chief Guest and inaugurated the seminar. CMA CS (Dr.) Suresh Chandra Mohanty, Past President of the Institute and an Insolvency Professional addressed the participants as Special Guest while CMA Niranjan Swain, Past Chairman of the Chapter and Regional Council and Advocate & Tax Consultant, Bhubaneswar highlighted various issues related to litigation under GST Laws as the resource person. CMA Sarat Kumar Behera, Vice-Chairman of the Chapter conducted the programme. CMA Surya Narayan Tripathy, Chairman of the Chapter earlier delivered the welcome address and CMA Ramesh Chandra Patra, Secretary of the Chapter proposed a formal vote of thanks at the conclusion.



The Chapter conducted a seminar on “Paradigm Shift – Income Tax” to commemorate the Income Tax Day (Ayakar Diwas) on 24.07.23 at the Chapter premises. Shri Mora Bhupal Reddy, IRS, Principal Chief Commissioner of Income Tax, Bhubaneswar inaugurated the seminar as Chief Guest. CMA Bhagaban Parida, Head of Finance, Odisha Coal & Power Ltd was the resource person. CMA Avinash Kotni, Member of the Managing Committee of the Chapter facilitated the programme. CMA Surya Narayan Tripathy, Chairman of the Chapter earlier delivered the welcome address while, CMA Sarat Kumar Behera, Vice-Chairman delivered the keynote address. CMA Ramesh Chandra Patra, Secretary of the Chapter proposed a Vote of Thanks.



A mentoring session on the theme “Yes, We Can” was organised by the Chapter on 12.08.23 at CMA Bhawan to motivate and counsel the June 23 session foundation pass students of the Chapter. CMA Pravakar Mohanty, Past President of the Institute and Former Director (Finance), OHPC & OPGC Ltd. was the Chief Guest. CMA Surya Narayan Tripathy, Chairman of the Chapter, CMA Sarat Kumar Behera, Vice Chairman, CMA Ramesh Chandra Patra, Secretary, CMA Avinash Kotni, Chairman, Career Counseling & Students Facilitation Committee were among those who graced the programme and addressed to the students.



The Chapter celebrated the 77th Independence Day on 15th August at its premises in commemoration of “Azadi Ka Amrit Mahotsav”. CMA Damodara Mishra, Past Chairman of the Chapter & Treasurer, ICAI-EIRC unfurled the National Flag as chief guest in the presence of CMA Surya Narayan Tripathy, Chairman and Other Managing Committee Members of the Chapter. On this occasion the Chapter organized a debate and quiz competition which was conducted by CMA Avinash Kotni, Chairman, Career Counseling and Students Facilitation Committee with the help of CMA Pragyan Priyadarshini Pati, Member of the Chapter. CMA Surya Narayan Tripathy, Chairman of the Chapter, CMA Damodar Mishra, Treasurer, EIRC, CMA Niranjana Sahoo, Past Chairman of the Chapter, CMA Debasish Saha, Past Chairman of the Chapter and EIRC, CMA Sarat Kumar Behera, Vice Chairman & Chairman, Coaching Committee of the Chapter and CMA Satya Sundar Mahasuar, Member of the Managing Committee of the Chapter were the Jury members. The best performers shall be awarded prizes at the annual function of the Chapter.



As per the course curriculum the Chapter organized 7 days mandatory Industry Orientation Programme from 16.08.2023 till 22.08.2023.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SOUTH ODISHA CHAPTER

The Chapter organised an evening Talk on 23.08.2023 at Chapter Conference Hall, Old Christian Street, Berhampur, on the topic “Credit Linkage to MSME by Banks and Role of Professionals”. Shri Bijay Kumar Mohanty, CFO, TPSODL, Berhampur occupied the dais as Chief Guest and Shri Prasanta Kumar Behera, Regional Manager, SBI, Zonal Office, Berhampur as a Chief Speaker and delivered in detail on the topic as a Resource Person. Shri Behera elaborately explained the role of Banks in MSME sectors and plays major role towards financing to enhance the liquidity position of MSME. He also explained the role of financial professionals for growth and survivable of this service towards economic growth and viability and emphasised the need of more aggressive policy by govt. to improve way of integration to catch up the speed of growth. Shri Bijay Kumar Mohanty, Chief Finance Officer, TPSODL, Berhampur graced the occasion as Chief Guest and highlighted over various aspects of the topic, CMA Dharmendra Kumar Padhy, Chairman of the Chapter welcomed all the guests and invitees. CMA Narasingha Chandra Kar, Secretary of the Chapter discussed on the topic about MSME’s shone of growth in

rural as well as urban sector. CMA Ashwini Kumar Patro, Chairman, Professional Development Committee welcomed and introduced the guests and CMA N. C. Kar, Secretary, extended formal Vote of Thanks.



NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JODHPUR CHAPTER



The Chapter observed the 77th Independence Day with a celebration that encapsulated the spirit of freedom, unity, and progress. The event was held at CMA Bhawan, Jodhpur. The celebrations kicked off with a patriotic flag-hoisting ceremony, where the Indian tricolour was unfurled with utmost respect and reverence by newly elected Central Council Member, CMA Rajendra Singh Bhati and Chapter Chairman, CMA Anil Maheshwari in the presence of the members of the Managing Committee of the Chapter. CMA Rajendra Singh Bhati Central Council Member and others shared their insights on topics ranging from economic progress and financial empowerment to sustainable development and the role of cost accountants in shaping the nation’s future. The celebration served as a reminder of our responsibility towards building a prosperous and self-reliant India. CMA Prafull Mohnot, Treasurer of the Chapter delivered a thought-provoking talk that underscored the significance of independence, not only in a historical context but also in the modern era. The celebration concluded with a renewed pledge to contribute to the nation’s progress

by upholding ethical practices, fostering innovation, and championing financial transparency with a thank you note addressing the entire gathering. The Chapter extended its heartfelt gratitude to all those present and also the Members and Staff who made this event a resounding success. The Chapter remained committed to its mission of promoting excellence in cost accounting and contributing to the nation's growth and development.

SOUTHERN INDIA REGIONAL COUNCIL

SIRC of ICMAI organized a function on 14 August for the inauguration of oral coaching classes when a Regional Professional Enrichment Seminar was also conducted at Rani Seethai Hall, Anna Salai, Chennai. CMA Pooja Kulkarni, I.A.S., Special Secretary to Government Industries, Investment Promotion & Commerce Department, Government of Tamil Nadu was the Chief Guest. CMA Divya Abhishek, Chairperson SIRC in her inaugural address spoke on the topic "Women Empowerment – Value Enhancement & Inclusive Growth" and also appreciated the students for choosing cost and management accountancy course, which is the most employable course in the country. In the Inaugural session CMA (Dr.) V. Murali, Council Member, ICMAI, addressed the students on the topic "Winning Communication Skills". Dr. Abhishek Murali, addressed on the topic "Tips for Sure Success in Examinations - Practical Approach". CA K.M. Padmanabhan, Corporate Trainer, Former Director ONGC & RINL spoke on "Positive Attitude, Self Confidence & Focus – Success Mantra". Mr. P.S. Vasudevan, International Corporate Trainer & Life Coach, addressed on the topic "Personality Development & Goal setting". CMA V. Pattabhi Ram, Author & Eminent Faculty, lectured on the topic "How to Transform from CMA to CEO". As part of the programme, launching of new official website of SIRC of ICMAI was done and SIRC oral coaching toppers and AIR rank holder students were honoured. CMA (Dr.) V. Murali, Council Member, ICMAI proposed a Vote of Thanks at the end.

The SIRC celebrated the 77th Independence Day at its premises on 15th August, 2022. CMA Divya Abhishek, Chairperson SIRC hoisted the National Flag and gave the Independence Day speech. CMA (Dr.) V. Murali, Council Member, ICMAI and CMA Rajesh Sai Iyer, Regional Council Member also spoke on the occasion. Senior Members, Faculty, Staff Members of SIRC and students participated in the function.

The Chapter organized two Career Counseling Programs



in August 2023 at various colleges in Chennai.

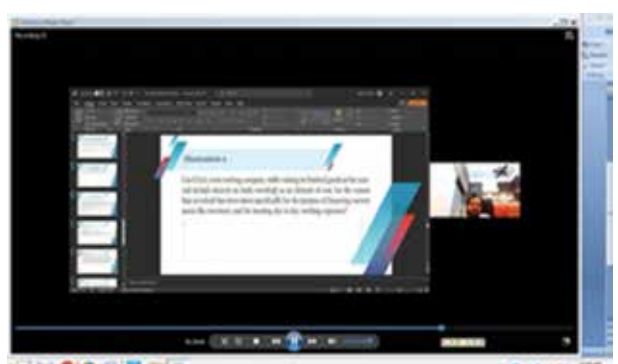
The Chapter organized a Professional Development Program on the topic: "Corporate Governance – Role of CMAs" on

23.08.2023 at The Presidency Club, Egmore, Chennai. The speakers were CMA Divya Abhishek, Chairperson, SIRC of ICAI, CMA (Dr.) V. Murali, Council Member, ICAI & Chairman, Corporate Laws Committee, and ICAI.

A Memorandum of Understanding was signed on 26.08.2023 between The Institute of Cost Accountants of India, Southern India Regional Council and Shree Chandraprabhu Jain College, Minjur.

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TRIVANDRUM CHAPTER**

The Chapter in association with ICAI Kozhikode Malappuram Chapter conducted a webinar on “Inventory Valuation under Income Tax Act” in Microsoft platform on 30th July 2023. The session was inaugurated by CMA H Padmanabhan, Former Vice President, ICAI and the session was handled by CMA (Dr.) Ashish P Thatte, Central Council Member, and ICAI. The meeting was chaired by CMA Shireen C, Chairperson, and ICAI-Kozhikode Chapter. CMA Hima R S Nair, Managing Committee Member, ICAI Trivandrum Chapter was the host of the programme.



The inauguration of the 93rd Oral coaching batch of the chapter was held on 7th August 2023. The function was chaired by CMA Nidhish Raju, Secretary of the Chapter. The batch was inaugurated by Sri Abraham Renn, IRS, Director, State Lotteries & Addl. Commissioner, Kerala State Goods & Services Tax Department. CMA Pranav Jayan, Treasurer, CMA Prasanth Kumar M S, Academic, Coaching & Infrastructure Committee Chairman, MC members, members, faculties, students and their parents attended the program. Intermediate passed students were felicitated in the function and CMA A K Suresh memorial endowment prize for meritorious student for CMA Intermediate and Final Examination was also awarded in the function.

The Chapter celebrated 77th Independence Day of the nation on 15.08.2023. CMA Vishnu M V Nair, Vice Chairman of the chapter hoisted the National Flag at 9.00 a.m. CMA Nidhish Raju, Secretary, Members, students and staff attended the flag hoisting ceremony.



FLAG HOSTING CEREMONY ON INDEPENDENCE DAY 2023 BY CMA VISHNU M V NAIR(VICE-CHAIRMAN) & CMA NIDHISH RAJU (SECRETARY) AT ICMAI TRIVANDRUM CHAPTER



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TIRUCHIRAPALLI CHAPTER**

The Chapter organized a Professional Development program titled “Recent Changes in the Income Tax Act –AY 2023-2024” on 15/08/2023 at its premises. CMA P Manoharan, Chairman, Trichy Chapter welcomed the gathering. CMA P S M Hameed, Past Chairman SIRC and General Manager/Finance (Retd),

BHEL, Bangalore, CMA K Rajagopal Past Chairman SIRC, advised the students to actively engage the PD program apart from class room studies. CMA T Anandasayanam, General Manager/Finance, BHEL Tiruchirappalli, interacted with the members and students and suggested to organize PD programs on a continuous basis to keep abreast of latest developments. The Chief Guest CA Pradeep Chenthilkumar, Partner S Chenthilkumar & Co, Chartered Accountants, Tiruchirappalli made a presentation with respect to Changes in the Income Tax Act for the AY 2023-2024, covering aspects such as income from salary, house property, capital gains arising from sales of properties, securities, gold, etc., income from business or profession special reference to presumptive taxation opted by small business houses and professionals and provisions relating to MSME, charitable and religious trusts etc. The Chief Guest, CA Pradeep also briefed about tax benefits extended to Agniveer Corpus Fund, TDS provisions relating to cooperative societies, online gaming, EPF withdrawal and also TCS provisions for remittances on study abroad and foreign tour, etc. He also stated that a provision has been included to empower the Assessing Officer to require a cost audit for inventory valuation before assessment. In view of this the scope for CMAs has been widened. He also covered provisions relating to set off and carry forward of losses relating to share transfer to PSUs, banking co and start ups. The Chief Guest shared the details relating to processing of with all income statement (AIS) and Form 26AS by Income Tax Dept. He cautioned the practising members for filing return of clients with proper documents obtained from the assessee for claiming deductions and exemptions to avoid reprisal from Income Tax dept. at a later date. The practising members, members fraternity and students interacted with the Chief Guest. The program ended with a Vote of Thanks proposed by CMA N Shanmugasundaram, Chapter Secretary.



The Chapter celebrated the 77th Independence Day on 15/08/2023 at its premises with fervor and pride. The National Flag was hoisted by CMA P S M Hameed, Past Chairman SIRC and General Manager/Finance (Retd), BHEL, Bangalore. Large number of member, students and staffs attended the event. The event ended with National Anthem.



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
MYSURU CHAPTER**

The Chapter celebrated the Independence Day on August 15, 2023 at its premises.



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
BENGALURU CHAPTER**

A Professional Development Programme was organized by the Chapter on July 24, 2023 where Shri K.Devarthna Kumar, Principal Commissioner of Income Tax, CMA Devarajulu B. Chairman BCCA, CMA Abhijeet S Jain, Secretary BCCA, CMA Rajesh Devi Reddy, Treasurer & PD Chairman BCCA were the speakers.

“CSR and Its Implementation” was the subject of discussion at the meeting held at the Chapter premises on August 4, 2023. CMA Vivek Mishra, Practicing Cost Accountant, CMA Abhijeet S Jain, Secretary BCCA and CMA Rajesh Devi Reddy, Treasurer & PD Chairman BCCA were the speakers.

The Chapter organized a programme on 18.08.2023 on “Forensic Audit & Role of Accountant” at its premises. CMA (Dr.) Gurudath A S, Vice Chairman, BCCA, CMA Devarajulu B. Chairman, BCCA, CMA Abhijeet S Jain, Secretary BCCA, CMA Rajesh Devi Reddy, Treasurer & PD Chairman BCCA



were the speakers on the occasion.

The Chapter organized the 77th Independence Day celebrations at its premises on 15 August.

The inauguration of the 114th batch of oral coaching

classes was done at MLA Academy of Higher Learning, Malleshwaram, Bengaluru on August 11, 2023. CMA Murali V., GM (Finance), Bharat Electronics Limited, CMA Devarajulu B., Chairman BCCA, CMA Abhijeet S Jain, Secretary BCCA, CMA Rajesh Devi Reddy, Treasurer & PD Chairman BCCA, CMA (Dr.) Gurudath A.S. Vice Chairman, CMA Govada Chalapathi Rao, Chairman, Coaching, CMA Raghavendra B K., Member, CMA Gunumala R., Member were the speakers.

Various career counselling programmes were organized by the Chapter on different dates of July 2023.

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
MADURAI CHAPTER**

A career awareness programme for CMA and CAT courses was conducted by the chapter in association with the PG department of Commerce, Ananda College, Devakottai. The event was held on 22 August 2023. Rev. Fr. S. John Vasantha Kumar, Principal, presided over the function. Ms. Milba, 3rd year student welcomed the gathering. CMA R.K.Bapulal, Chairman of the Chapter participated in the event and addressed the student about CMA courses and opportunities. CMA (Dr.) S.Kumararajan, Academic Committee Member of the chapter addressed the students on the procedural aspects of joining the courses including CAT and the syllabus etc. The function ended with the Vote of Thanks by Mr. M.Sivabalaji, HOD of the Department of Commerce.



WESTERN INDIA REGIONAL COUNCIL

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
INDORE DEWAS CHAPTER**

The Chapter celebrated the 77th Independence Day with great pomp and show. On this occasion, in the presence of a large number of members and students, the national flag was hoisted by the senior member of the Chapter, CMA YS Tibrewala. He and Chapter Chairman CMA Rahul Jain congratulated all the members and students on the occasion of 77th Independence Day. CMA Vijay Joshi called upon the students to participate enthusiastically in all the programmes organized by the Chapter. Chapter's Secretary CMA Pankaj Raizada expressed his gratitude. The program was conducted by CMA Ravindra Dubey.

The Chapter commenced oral coaching for CMA students at its premises 303, Sham Tower, RNT Marg. The inauguration

function chaired by CMA Vijay Joshi. The programme was organized under the hospitality of Prof. Mukesh Brahmhatt. CMA Nirmal Singh Kushwaha was the special guest at the programme. CMA Vijay Joshi gave information about profession and CMA career. Prof. Mukesh Brahmhatt enlightened students as to how to prepare for the professional exams. CMA Nirmal Singh Kushwaha and CMA Ravindra Dubey shared inspirational anecdotes of their professional career. The recent CMA Foundation pass out students were also felicitated on this occasion. The guests congratulated all the successful students and wished them the best for their bright future. Chapter Chairman, CMA Rahul Jain, Executive Committee Members CMA Ravindra Dubey, CMA Yash Vagreacha, Student member, Saurabh Bhimsaria and faculty of various subjects were present on the occasion. The programme was conducted by CMA Rajat Gupta.



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
NAVI MUMBAI CHAPTER**

The inauguration of the oral coaching classes being conducted by the Chapter was held through a Google meet webinar on 13th August 2023. The Chief Guest was CMA Debasish Mitra, GM Finance, KRCL. The Classes were scheduled to commence from 17th August 2023 for Foundation, Intermediate and Final for December 2023 exams and will be conducted online for 3 months and offline for 1 month. The programme commenced with the Chairman of the Chapter CMA Vaidyanathan Iyer welcoming the dignitaries and introducing the Chief Guest and Guest of

Honour Ms Shubhada Nayak, Principal KB Patil College and welcoming them to the function. The lighting of the lamp was also done online by the hands of the dignitaries amidst the soulful rendering of the Institute Anthem which set the vibrant mood for the rest of the function. The Chairman briefed the students and other members present, on the oral coaching course curriculum and communication from HO directly to students regarding schedule of skill training comprising of SAP training, Microsoft training, Cambridge soft skills training, E-Filing organized for the benefit of the students. He conducted an online demo on our website and further explained the flow chart of CMA course covering practical training Scheme and IOTP training and the various requirements. He also briefed the students on the campus placements conducted by HQ with a very good salary package for fresh CMAs. The attitude of the students towards the CMA course is of utmost concern and confidence and positive attitude is the key to success along with hard work from the beginning. He then introduced the faculty members appointed for oral coaching classes and welcomed them. Some of the faculty members then gave a pep talk to the students and asserted that hard work and consistent efforts on the part of the students will lead to success. Members and students listened with rapt attention. CMA Anil Mishra proposed the Vote of Thanks and the program concluded with the National Anthem.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
AHMEDABAD CHAPTER

The Chapter felicitated President of the Institute, CMA Ashwin G. Dalwadi on 29th July 2023. Committee Members, Members of the Chapter, staff, faculties and students were present at the programme. CMA Uttam Bhandari, Chairman of the Chapter & Staff members of Ahmedabad felicitated the president by offering memento and bouquet.

The 77th Independence day flag hoisting ceremony & blood donation camp was organized on 15/08/2023 at its premises. CMA Uttam Bhandari, Chairman, CMA Nikunj Shah, Vice Chairman, CMA Bhaumik Gajjar, Secretary, CMA Mitesh Prajapati, Jt. Secretary & Treasurer, other Management Committee Members, Members, Students and staff members were present. Flag hoisting was followed by National Anthem. A blood donation camp was also a part of event and a large numbers of students and members participated in the blood donation camp.

The Chapter organized a CEP on Draft Form No.6C of the IT Act 1961 regarding inventory valuation on 24th August 2023. The discussion took place in the presence of President CMA Ashwin G. Dalwadi. CMA Malhar Dalwadi, Chairman of PD committee welcomed the President and other members. Senior Member of Chapter CMA J B Mistri felicitated the President by offering a bouquet. Large number of members participated in the programme. CMA Bhaumik Gajjar, Secretary proposed Vote of Thanks.





**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
PIMPRI CHINCHWAD AKURDI CHAPTER**

Career Counseling Program held on 3rd August 2023 at SNBP College. On August 3, 2023, the chapter organized a Career Counseling Program for students at the College of Arts, Science & Commerce in Pimpri, Pune. Professor Ramesh extended a warm welcome and introduced the guest speakers, Chairman CMA Sagar Prakash Malpure, and Secretary CMA Pradeep Sahasrabudhe, both representing the Chapter. CMA Sagar Malpure delivered a comprehensive presentation on the CMA Course, offering guidance to 12th-grade commerce students regarding their future career prospects. During the interactive career counseling session, CMA Pradeep Sahasrabudhe skillfully addressed the queries raised by the students, providing clarity and valuable information.

On August 5, 2023, the Chapter conducted the inaugural function of the 25th Batch of Oral Coaching at Pimpri-Chinchwad, Pune. The Inaugural Ceremony commenced with the auspicious lighting of the lamp by esteemed personalities, including Honorable Shri Ajay Kulkarni, Commissioner of Income Tax, Pune; CMA Harshad Deshpande, Central Council Member of the ICMAI; CMA Mahendra Bhombe, Regional Council Member; CMA Hemant Shaligram, Assistant Vice President, Kirloskar Brothers; CMA Dhwanee Buch, Vice President, Garware Technical Fibres Limited; CMA Gopal Bhutada, Senior General Manager, Business Finance, Tata Motors Ltd. CMA Shripad Bedarkar, President, Maharashtra Tax Practitioners Association, as well as Chairman CMA Sagar Malpure, Vice Chairman CMA Ajit Shinde, Treasurer CMA

Kunal Wakte, PD Committee Chairman CMA Guruprasad Kulkarni, and other esteemed members of the managing committee. In his address, Commissioner Shri Ajay Kulkarni extended heartfelt congratulations to all the students for choosing CMA as their career path and offered guidance for their future endeavors. Other distinguished guests also shared their valuable insights with the students, inspiring them for their future careers. CMA Sagar Prakash Malpure, Chairman of the chapter, expressed his pleasure at inaugurating the 25th batch of Oral Coaching by the chapter. The program concluded with a heartfelt Vote of Thanks, marking a memorable and inspiring event.

On August 12, 2023, the Chapter conducted an insightful webinar titled 'Liquidity Management in Maharatna Central Public Sector Enterprises in India after the Liberalization Period: A Study of POWERGRID' via Google Meet. The event was graciously inaugurated by CMA Guruprasad Kulkarni, Chairman of the P D Committee at the chapter, who also introduced our esteemed guest speakers for the day: Dr. Sunil Kumar Yadav, Assistant Professor in the Department of Commerce and Head of the Department at Egra Sarada Shashi Bhusan College, Purba Medinipur, West Bengal, and Miss Rupa Yadav, Assistant Professor in the Department of Commerce at New Alipore College, Kolkata. The seminar was presented by Dr. Sunil Kumar Yadav and Miss Rupa Yadav covered a range of insightful topics, including Introduction to the subject matter, a thorough review of related literature etc. Dr. Yadav's presentation delved into the eligibility criteria for the grant of Miniratna, Navaratna, and Maharatna Company statuses. The webinar provided invaluable insights into the complex dynamics of liquidity management in India's central public sector enterprises, particularly in the context of POWERGRID.

On August 15, 2023, the chapter joyously celebrated India's 76th Independence Day at CMA Bhawan, Pimpri, Pune. The event commenced with the flag hoisting by CMA Sagar Malpure, Chairman of the Chapter, followed by the resonating strains of the National Anthem.

On August 26, 2023, the chapter hosted an enlightening webinar titled 'Insurtech - Revolutionary Scope and Growth with reference to India' via MS Teams. The webinar commenced with a gracious inauguration by CMA Ajit Shinde, Vice Chairman of the Managing Committee at the Chapter. In addition to opening the event, he had the honor of introducing our distinguished guest speaker for the day: Dr. Shweta Jain, IQAC Coordinator, Research Head, and Associate Professor in the Faculty of Finance at Pratibha Institute of Business Management, Chinchwad. The seminar delved into the transformative potential of insurers in today's digital landscape. It emphasized how insurers can play a pivotal role by actively participating in the co-creation and adaptation of their services. By collaborating with digital platforms and Insurtech companies, insurers can pave the way for more customized management and a substantial expansion of insurance coverage in India.

On August 26, 2023, the Chapter participated in CAREER MELA at Indira National School, Wakad, Pune. Various organizations participated in the career mela. The faculty member CMA Lalitha Deepak and staff member Mr. Vikas

Adawade represented the Chapter. The program commenced with an informative video clip about the CMA Course. Many students from 11th and 12th standards visited the career mela with their parents at the desk of the PCA Chapter.



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
PUNE CHAPTER**

On the occasion of celebration of Institute’s Foundation Day, the Chapter formed PCCA Art Circle on 28th May 2023. Main purpose of this Art Circle is to give scope of various arts, skills & talents of students and members & develop cultural activities.



CMA (Dr.) D.V Joshi, Former President ICAI & CMA Amit A. Apte, Former President ICAI lighted up the

lamp along with Members on occasion of Foundation Day celebration & Inauguration of PCCA Art Circle.

The chapter arranged Career Counselling Program, at Modern College of Arts, Science and Commerce Business Administration campus for students on 27th July 2023. Prof. Shreya Vaidya of Modern College coordinated for arrangement of this session. CMA Amey Tikale, Managing Committee Member of ICAI Pune Chapter was speaker for Career Counselling Program. He shared his experience & describes the importance for CMA Course for bright future in Costing. Mr. Sandip Joshi, staff member of Pune Chapter explained the course structure in brief to the students like documents required, fees structure to the students. Prof. Bhagyshree of Modern College of Arts, Science and Commerce Business Administration welcomed the Speaker CMA Amey Tikale and other participants at Career Counseling program on 27.07.2023.



The Chapter & Commerce Department of Jedhe College jointly arranged Career Counselling Program for FY B.Com Students, at Shri Shivaji Maratha Societies Samaj Bhusan Baburao Alias Appasaheb Jedhe Arts, Commerce & Science College, Pune, on 10th August 2023. CMA Amey Tikale, Managing Committee Member of ICAI- Pune Chapter was Speaker for Career Counselling Program. He shared his experience & describes the importance of CMA Course for bright future as Cost Accountant in corporate life and as in practice in various fields like Cost Auditor, GST Consultant, Taxation, Internal Auditor, and in Banking sector etc. From ICAI-Pune Chapter Administration Mr. Sandip Joshi, Asst Admin Officer gave information regarding Course & Fees structure, Admission process for CMA course in brief to the students. Principal Prof. (Dr.) Smita Dhumal, Dr. Ashok Mojad HOD Commerce Dept. and other staff members of College coordinated this career counselling session.



ICMAI-Pune Chapter & Commerce Department of St.Meera's College, Pune arranged informative session at College premise on 24th August 2023 for Commerce Students. The theme for the session was "Role of a Cost Accountant". Speakers for the program were CMA Rahul Chincholkar-Manging Committee Member & CMA Amey Tikale Chairman, Students coordination Committee ICMAI-Pune Chapter. Prof. (Dr.) Dimple Buche from St. Meera's college took special efforts for the success of the session.



ICMAI-Pune Chapter arranged Faculty Meet of Oral Coaching Centres on 12th August 2023 at CMA Bhawan, Karvenagar, Pune to discuss various issues of common interest with members of the Managing Committee. CMA Chaitanya Mohrir, Chairman, WIRC-ICMAI was Chief Guest. CMA Rahul Chincholkar, Managing Committee Member ICMAI-Pune Chapter welcomed the Chief Guest and faculty members of ICMAI-Pune Chapter's various coaching centres. CMA Nagesh Bhagane Chairman – ICMAI Pune Chapter & CMA Himanshu Dave Chairman, Coaching Committee, discussed various points regarding New Syllabus 2022, Students requirements from faculty and from chapter. CMA Rahul Chincholkar-Managing Committee Member ICMAI-Pune Chapter briefed planning for session planning for completing the Syllabus. Faculties of various batches of Foundation, Intermediate and Final were present for the Faculty. CMA Amey Tikale Chairman, Students coordination Committee -ICMAI-Pune Chapter delivered Vote of Thanks.



The District Collector & District Electoral Officer of Pune organized Tree Plantation Drive 14th August 2023 in association with Worship earth Foundation, ICMAI- Pune Chapter and other some social organizations at Vandevi Tekadi, near Vandevi Mandir, Karvenagar, Pune. Viloo Poonawala Foundation, Momo Panda, Bharatiya Yuvak Kalyan and Vyayam Kendra, Shree Dnyanyog Seva Trust, Rotary Club of Pune Mid-East, Lions Club Pune Sahakarnagar also sponsored the drive. Additional Chief Secretary & Chief Electoral Officer, Maharashtra, Shri Shrikant Deshpande addressed the students of colleges and participants of various organizations and explained importance of Tree plantations for bright environment for human being. CMA Nagesh Bhagane, Chairman, ICMAI-Pune Chapter felicitated Chief Guest Shri Shrikant Deshpande, Additional Chief Secretary & Chief Electoral Officer, Maharashtra. CMA Nilesh Kekan, Vice Chairman, ICMAI-Pune Chapter felicitated Chief Guest Smt. Minal Kalaskar, Dy.DEO, Election Branch, Collector Office, Pune District along with CMA Members, Students & Staff of ICMAI- Pune Chapter.



Independence Day was celebrated with great enthusiasm by ICMAI-Pune Chapter at CMA Bhawan premises. The programme began with the Newly elected ICMAI-WIRC Chairman CMA Chaitanya Mohrir & ICMAI Pune Chapter Chairman CMA Nagesh Bhagane by hoisting the National flag in the presence of CCM CMA Neeraj Joshi & Managing Committee members of ICMAI Pune Chapter.



The Chapter started Offline Oral Coaching batches from 17th August 2023 for Session 02 (July to December 2023) at CMA Bhawan for Foundation, Intermediate & Final courses, at Laxminagar-Parvati for Intermediate and at Ness Wadia College for Foundation and Intermediate course. CMA Himanshu Dave, Chairman, Coaching Committee, CMA Amey Tikale, Chairman, Students coordination Committee, CMA Nilesh Kekan, Vice Chairman & CMA Shrikant Ippalpalli, Secretary ICMAI-Pune Chapter welcomed students & gave them important tips about how to successfully complete the CMA course at various coaching centres. The Chapter arranged Live Chandrayaan3 Landing Program on 23rd August 2023 at Pune Chapter's CMA Bhawan premises.



The Chapter arranged CEP on the topic “Brainstorming panel discussion on “Draft - Inventory Valuation Report Format” on 24th August 2023, at CMA Bhawan, Pune Chapter premises. CMA Shrikant Ippalpalli Hon. Secretary ICMAI-Pune Chapter welcomed Speakers, Members & Students. Panellist for the program was CMA Amit A. Apte, Past President, CMA (Dr.) Sanjay Bhargave, Past CCM, CMA Neeraj D. Joshi, CCM, CMA Chaitanya Mohrir, Chairman-WIRC. All participating members & Speakers discussed various points regarding Format & prepared suggestions on Draft inventory valuation formats. CMA Tanuja Mantrawadi Managing Committee Member of ICMAI-Pune Chapter proposed Vote of Thanks.



The Chapter arranged Student's Day 2023 program on 27th August 2023 at CMA Bhawan-Auditorium of ICMAI-Pune Chapter, Karvenagar premises to felicitate successful students of December 2023 Exam. CMA Amey Tikale welcomed the Chief Guest, Dignitaries, students, parents and all participants of the program. Program began with Goddess Saraswati puja & Lighting of the lamp with auspicious hands of Chief Guest & dignitaries. CMA Nagesh Bhagane Chairman-ICMAI-Pune Chapter took overviews of various programs conducted by ICMAI-Pune Chapter for students, facilities available for students in Pune Chapter like Library facility, Classroom Reading facility, availability of Computer Lab to students for their Mock Test practice etc., other than these facilities he mentioned that chapter organises various sports tournaments, Students Day program, Blood Donation Camp, Tree Plantation Drive, PCCA Art Circle etc. for the development of students. At the end of his speech he appeals to all students to participate in every chapter program. CMA Shrikant Ippalpalli, Hon. Secretary ICMAI-Pune Chapter introduced Chief Guest & dignitaries. CMA Nagesh Bhagane Chairman-ICMAI-Pune Chapter felicitated to Chief Guest CMA (Dr.) Tarun Agarwal. CMA Nilesh Kekan-Vice Chairman ICMAI Pune Chapter felicitated to CMA Chaitanya Mohrir Chairman WIRC. CMA Amey Tikale Chairman Students coordination Committee ICMAI Pune Chapter felicitated CMA Amit A. Apte, Former President - ICMAI. CMA (Dr.) Tarun Agarwal, Director, National Insurance Academy, Pune was Chief Guest for the program. He told his success story for achievements of Goals in life. His gracious presence was a true inspiration to the students. CMA Amit A. Apte, Former President - ICMAI, CMA Chaitanya Mohrir Chairman WIRC were also guests for the program, they also addressed to the Students. CMA Amey Tikale announced Scholarship & Loan scheme of ICMAI Pune Chapter for Inter & Final Students. Vote of Thanks delivered by CMA Nilesh Kekan, Vice Chairman, ICMAI Pune Chapter.



Direct & Indirect Tax Updates - August 2023

DIRECT TAXES

- **Notification No. 54/2023 Dated 1st August 2023:** In exercise of the powers conferred by proviso to clause (a) of sub-section (2) and sub-section (4) of section 35D read with section 295 of the Income-tax Act 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), after rule 6ABBA, the following rule shall be inserted:

“6ABBB. Form of statement to be furnished regarding preliminary expenses incurred under section 35D”.

(1) The statement containing particulars of expenditure required to be furnished under proviso to clause (a) of subsection (2) of section 35D by the assessee shall be in Form No. 3AF for each previous year.

(2) Form No. 3AF shall be furnished one month prior to the due date for furnishing the return of income as specified under sub-section (1) of section 139.

(3) Form No. 3AF shall be furnished to the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, or any person authorised by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).

(4) Form No. 3AF, shall be furnished electronically,— (i) under digital signature, if the return of income is required to be furnished under digital signature; (ii) through electronic verification code in a case not covered under clause (i).

(5) The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), as the case may be, shall specify the procedures for furnishing Form No. 3AF and shall also be responsible for formulating and evolving appropriate security, archival and retrieval policies in relation to the form so furnished.

(6) The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), as the case may be, or any person authorised by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) shall forward Form No. 3AF to the Assessing Officer.

- **Notification No. 55/2023 Dated 1st August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, Joint Electricity Regulatory Commission (for the State of Goa and Union Territories except Delhi), Gurugram (PAN: AAAJJ0668D), a commission constituted by the Government of India, in respect of the following specified income arising to that Commission:

(a) petition fees; (b) license fees; (c) other income in respect of reimbursement of Ombudsman expenses / and profit on sale/ disposal of assets; and (d) interest earned

on (a) to (c) above.

The provisions of this notification shall be effective subject to the conditions that Joint Electricity Regulatory Commission, (for the State of Goa and Union Territories except Delhi), Gurugram - (a) shall not engage in any commercial activity; (b) activities and the nature of the specified income remain unchanged throughout the financial years; and (c) shall file returns of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 56/2023 Dated 1st August 2023:** In exercise of the powers conferred by clause (48) of section 2 of the Income-tax Act, 1961 (43 of 1961), read with clause (ii), clause (iii) and clause (v) of sub-rule (3) and sub-rule (6) of rule 8B of the Income-tax Rules, 1962, the Central Government hereby specifies the bond with the following particulars as zero coupon bond for the purposes of the said clause (48) of section 2 of the said Act.

(a) name of the bond -Ten Year Zero Coupon Bond of REC Ltd. (b) period of life of bond -ten years one months (c) the time schedule of the issue - to be issued on or before the 31st day of March of bond 2025 (d) the amount to be paid on - 1 lakh rupees for each bond maturity or redemption of the bond (e) the discount - Rs. 2517.85 crores (f) the number of the bonds to - five lakhs may be issued.

- **Notification No. 57/2023 Dated 1st August 2023:** In exercise of the powers conferred by sub-section (1F) of section 197A read with clause (c) of sub-section (2) of section 80LA, of the Income-tax Act, 1961 (43 of 1961) (hereinafter the Income-tax Act), the Central Government hereby specifies that no deduction of tax shall be made under section 194-I of the Income-tax Act on payment in the nature of lease rent or supplemental lease rent, as the case may be, made by a person (hereinafter referred as ‘lessee’) to a person being a Unit of an International Financial Services Centre (hereinafter referred as ‘lessor’) for lease of a ship subject to the following:

(a) The lessor shall (i) furnish a statement-cum-declaration in Form No.1 to the lessee giving details of previous years relevant to the ten consecutive assessment years for which the lessor opts for claiming deduction under sub-sections (1A) and (2) of section 80LA of the Income-tax Act; and (ii) such statement-cum-declaration shall be furnished and verified in the manner specified in Form No.1, for each previous year relevant to the ten consecutive assessment years for which the lessor opts for claiming deduction under sub-sections (1A) and (2) of section 80LA of the Income-tax Act.

(b) The lessee shall (i) not deduct tax on payment made or credited to lessor after the date of receipt of copy of statement-cum declaration in Form No. 1 from the lessor; and (ii) also furnish the particulars of all the payments made to lessor on which tax has not been deducted in view of this notification in the statement of deduction of tax referred to in sub-section (3) of section 200 of the Income-tax Act read with rule 31A of the Income-tax Rules, 1962.

The above relaxation shall be available to the lessor only during the said previous years relevant to the ten consecutive assessment years as declared by the lessor in Form No. 1 for which deduction under section 80LA is being opted. The lessee shall be liable to deduct tax on payment of lease rent for any other year.

This notification shall come into force from 1st day of September, 2023.

- **Notification No. 58/2023 Dated 9th August 2023:** In exercise of the powers conferred by section 295 read with sub-section (2) of section 92CB of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962, in rule 10TD, in sub-rule (3B), for the words and figures “assessment years 2020- 21, 2021-22 and 2022-23”, the words and figures “assessment years 2020-21, 2021-22, 2022-23 and 2023-24” shall be substituted.

- **Notification No. 59/2023 Dated 10th August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘Chandigarh Building and Other Construction Workers Welfare Board, Chandigarh’ (PAN AALC0595J), a Board constituted by the Administrator, Union territory, Chandigarh, in respect of the following specified income arising to the said Board:

(a) Proceeds of the Cess collected under the Building & Other Construction Workers Welfare Cess Act, 1996 (28 of 1996) and rules made there under (b) Contribution and registration fees paid by the Beneficiaries under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and rules made there under and (c) Interest earned on (a) & (b) above.

This notification shall be effective subject to the conditions that Chandigarh Building and Other Construction Workers Welfare Board, Chandigarh (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 60/2023 Dated 10th August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘State Pollution Control Board Odisha’ (PAN AAALS2490J), a Board constituted by the State Government of Odisha, in respect of the following specified income arising to that Board.

(a) Regulatory charges under different Environmental Acts & Rules there under (b) Penalties & Levies collected under governing statutes (c) Grant-in-aid received from Central & State Governments (d) Grant in Aid received on behalf of Central & State Governments in the capacity of nodal agency (e) Share of contributions received for carrying out environmental studies & research (f) Miscel-

laneous income, like sale of scrap, profit on sale of assets, RTI application fees, forfeiture of Bank Guarantee, tender fees, examination fees, analysis charges and empanelment of consultant fees etc. and (g) Interest earned on (a) to (f) above.

This notification shall be effective subject to the conditions that State Pollution Control Board Odisha (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 61/2023 Dated 16th August 2023:** In the Income-tax Rules, 1962, after rule 11UAC, the following rules shall be inserted:

11UACA Computation of income chargeable to tax under clause (xiii) of sub-section (2) of section 56. - For the purpose of clause (xiii) of sub-section (2) of section 56, where any person receives at any time during any previous year any sum under a life insurance policy, then, the income chargeable to tax under the said clause during the previous year in which such sum is received shall be computed in the following manner:

(i) where the sum is received for the first time under the life insurance policy during the previous year (hereinafter referred to as first previous year), the income chargeable to tax in the first previous year shall be computed in accordance with the formula: A-B where

A = the sum or aggregate of sum received under the life insurance policy during the first previous year; and B = the aggregate of the premium paid during the term of the life insurance policy till the date of receipt of the sum in the first previous year that has not been claimed as deduction under any other provision of the Act.

(ii) where the sum is received under the life insurance policy during the previous year subsequent to the first previous year (hereinafter referred to as subsequent previous year), the income chargeable to tax in the subsequent previous year shall be computed in accordance to the formula: C-D where

C = the sum or aggregate of sum received under the life insurance policy during the subsequent previous year; and D = the aggregate of the premium paid during the term of the life insurance policy till the date of receipt of the sum in the subsequent previous year not being premium which – (a) has been claimed as deduction under any other provision of the Act; or (b) is included in amount ‘B’ or amount ‘D’ of this rule in any of the previous year or years.

- **Notification No. 62/2023 Dated 16th August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, ‘Urban Improvement Trust Udaipur’, (PAN AAALU0072E), a Trust constituted by the State Government of Rajasthan, in respect of the following specified income arising to that Trust:

(a) Grants received from the State Government (b) Mon-

eys received from the disposal of land, building and other properties (c) Moneys received by way of rent/lease of land, building and other properties (d) Moneys received by way of fees, interest or any other charges received under the Rajasthan Urban Improvement Trust Act, 1959 (e) Interest earned on (a) to (d) above; and (f) Interest on Loans received from the State Government.

This notification shall be effective subject to the conditions that Urban Improvement Trust Udaipur (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 63/2023 Dated 16th August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, 'Haryana Water Resources (Conservation, Regulation and Management) Authority' (PAN AADAH3590A), an Authority established by the State Government of Haryana, in respect of the following specified income arising to that Authority:

(a) grants received from State Government of Haryana (b) application fee & Tariff fee received from users and (c) interest earned on (a) & (b) above.

This notification shall be effective subject to the conditions that Haryana Water Resources (Conservation, Regulation and Management) Authority: (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 64/2023 Dated 17th August 2023:** In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), for rule 26, the following rule shall be substituted:

“ Rate of exchange for the purpose of deduction of tax at source on income payable in foreign currency” - For the purpose of deduction of tax at source on any income payable in foreign currency, the rate of exchange for the calculation of the value in rupees of such income payable:

(i) to an assessee outside India (ii) to a Unit located in an International Financial Services Centre (iii) by a Unit located in an International Financial Services Centre to an assessee in India.

shall be the telegraphic transfer buying rate of such currency as on the date on which the tax is required to be deducted at source under the provisions of Chapter XVIII B by the person responsible for paying such income.

- **Notification No. 65/2023 Dated 18th August 2023:** In the Income-tax Rules, 1962, in rule 3, for sub-rule (1), the following shall be substituted: (1) The value of residential accommodation provided by the employer, for the purpose of sub-clauses (i) and (ii) of sub-section (2) of section 17, during the previous year shall be determined

on the basis provided in the table I.

Provided that nothing contained in this sub-rule shall apply to any accommodation temporarily provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site, or a dam site or a power generation site or an off-shore site (i) which, having plinth area not exceeding 1000 square feet, is located not less than eight kilometres away from the local limits of any municipality or a cantonment board; or (ii) which is located in a remote area.

Provided further that where on account of his transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value with reference to the Table above for a period not exceeding ninety days and thereafter the value of perquisite shall be charged for both such accommodations in accordance with the Table.

Provided also that where the accommodation is owned by the employer and the same accommodation is continued to be provided to the same employee for more than one previous year, the amount calculated in accordance with SL. No.2(a) or 2(b) shall not exceed the amount so calculated for the first previous year, as multiplied by the amount which is a ratio of the Cost Inflation Index for the previous year for which the amount is calculated and the Cost Inflation Index for the previous year in which the accommodation was initially provided to the employee.

- **Notification No. 66/2023 Dated 23rd August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, 'District Mineral Foundation Trust' as specified in the schedule to this notification, constituted by Government in exercise of powers conferred under section 9(B) of the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (10 of 2015) as a 'class of Authority', in respect of the following specified income arising to that Authority.

(a) Contribution by lease Holder to DMF as per the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 (b) Interest received from lease holders for late payment (c) Any Penalty charged to lease holder (d) Income from Interest on fund available under DMF (e) Interest received on Saving Bank Accounts and (f) Interest received on Excess Fund invested in Term Deposit.

This notification shall be effective subject to the conditions that each of the District Mineral Foundation Trust- (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 67/2023 Dated 23rd August 2023:** In exercise of the powers conferred by clause (46) of section

10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, Punjab Building and Other Construction Welfare Board (PAN: AAALP0698P), a body constituted by the State Government of Punjab, in respect of the following specified income arising to that Board.

- (a) Labour Cess collection (b) Contribution collection and (c) Interest earned on (a) and (b) above.

The provisions of this notification shall be effective subject to the conditions that Punjab Building and Other Construction Welfare Board (a) shall not engage in any commercial activity (b) activities and the nature of the specified income remain unchanged throughout the financial years and (c) shall file returns of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

- **Notification No. 68/2023 Dated 23rd August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, 'Unique Identification Authority of India'(PAN AAAGU0182Q), a statutory Authority established under the provisions of the AADHAAR Act, 2016 by the Govt. of India, in respect of the following specified income arising to the said Authority.

- (a) Grants/Subsidies received from Central Government (b) Fees/ Subscriptions including RTI Fee, Tender Fee, Sale of Scrap, PVC card, etc (c) Authentication, Enrolment and Updation service charges received (d) Term/Fixed Deposits; and (e) Interest earned on (a) to (d) above.

This notification shall be effective subject to the conditions that Unique Identification Authority of India (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 69/2023 Dated 23rd August 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, 'Swasthya Sathi Samiti', Kolkata(PAN: AAQA-S4322J), a body established by Government of West Bengal, in respect of the following specified income arising to that Body:

- (a) Grant received from the Government of West Bengal and (b) Interest income received from bank.

This notification shall be effective subject to the conditions that Swasthya Sathi Samiti, Kolkata,- (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 70/2023 Dated 28th August 2023:** In the Income-tax Rules, 1962 (hereinafter referred as the

Principal Rules), after rule 12F, the following rule shall be inserted:

“Procedure to requisition services under sub-section (2) and to make a reference under sub-section (9D) of section 132” - Every Principal Chief Commissioner or the Chief Commissioner or the Principal Director General or the Director General, as the case may be, may approve (i) any person or entity whose services may be requisitioned for the purposes of clause (ii) of sub-section (2) of section 132 or (ii) any person or entity or registered valuer to whom reference may be made for the purposes of clause (ii) of sub-section (9D) of section 132, on the basis of an application made by such person or entity or registered valuer, or on a reference made by Joint Director or Joint Commissioner or Additional Director or Additional Commissioner or Director or Commissioner or Principal Director or Principal Commissioner, or on his own motion.

- **Notification No. 72/2023 Dated 29th August 2023:** In line 1 of page 6 of the Gazette Notification G.S.R. No. 615 (E) dated 18.08.2023, after the words “Provided also that where the accommodation is owned” and before the words “by the employer and the same accommodation is”, the words “or taken on lease or rent” shall be inserted.

- **Notification No. 73/2023 Dated 30th August 2023:** In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), after rule 133, the following rule shall be inserted:

“Application under sub-section (20) of section 155 regarding credit of tax deduction at source.”

(1) The application required to be made by the assessee under sub-section (20) of section 155 shall be in Form No. 71. (2) Form No. 71 shall be furnished to the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) or the person authorised by the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems). (3) Form No. 71, shall be furnished electronically, — (i) under digital signature, if the return of income is required to be furnished under digital signature; (ii) through electronic verification code in a case not covered under clause (i).

- **Circular No. 15/2023 Dated 16th August 2023:** Guidelines under clause (10D) of section 10 of the Income-tax Act, 1961. Clause (10D) of section 10 of the Income-tax Act, 1961 (the Act) provides for income-tax exemption on any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy subject to certain exclusions.

INDIRECT TAXES

GST

- **NOTIFICATION No. 37/2023 – Central Tax Dated 4th August 2023:** In exercise of the powers conferred by section 148 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the said Act), the Central Government, on the recommendations of the Council, hereby notifies the electronic commerce operator

who is required to collect tax at source under section 52 as the class of persons who shall follow the following special procedure in respect of supply of goods made through it by the persons exempted from obtaining registration (hereinafter referred to as the said person) in accordance with the notification issued under sub-section (2) of section 23 vide notification number 34/2023- Central Tax, dated the 31st July, 2023.

(i) the electronic commerce operator shall allow the supply of goods through it by the said person only if enrolment number has been allotted on the common portal to the said person (ii) the electronic commerce operator shall not allow any inter-State supply of goods through it by the said person (iii) the electronic commerce operator shall not collect tax at source under sub-section (1) of section 52 in respect of supply of goods made through it by the said person and (iv) the electronic commerce operator shall furnish the details of supplies of goods made through it by the said person in the statement in FORM GSTR-8 electronically on the common portal.

Where multiple electronic commerce operators are involved in a single supply of goods through electronic commerce operator platform, “the electronic commerce operator” shall mean the electronic commerce operator who finally releases the payment to the said person for the said supply made by the said person through him.

This notification shall come into force with effect from the 1st day of October, 2023.

- **NOTIFICATION No. 38/2023 – Central Tax Dated 4th August 2023:** In rule 10A, for the portion beginning with the words and figure “as soon as may be, but not later than forty-five days” and ending with the words “in order to comply with any other provision” the following shall be substituted, namely:- “within a period of thirty days from the date of grant of registration, or before furnishing the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1or using invoice furnishing facility, whichever is earlier, furnish information with respect to details of bank account on the common portal”.

In the said rules, in rule 21A, (i) for sub-rule (2A), the following sub-rule shall be substituted, namely: “(2A) Where,- (a) a comparison of the returns furnished by a registered person under section 39 with the details of outward supplies furnished in FORM GSTR-1 or the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their FORM GSTR-1, or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the Act or the rules made there under, leading to cancellation of registration of the said person, or

(b) there is a contravention of the provisions of rule 10A by the registered person

the registration of such person shall be suspended and the said person shall be intimated in FORM GST REG-

31, electronically, on the common portal, or by sending a communication to his e-mail address provided at the time of registration or as amended from time to time, highlighting the said differences, anomalies or non-compliances and asking him to explain, within a period of thirty days, as to why his registration shall not be cancelled.

- **NOTIFICATION No. 39/2023 – Central Tax Dated 17th August 2023:** Seeks to amend Notification No. 02/2017-Central Tax dated 19.06.2017. In exercise of the powers under section 3 read with section 5 of the Central Goods and Services Tax Act, 2017 (12 of 2017) and section 3 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), the Central Government, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 02/2017-Central Tax, dated the 19th June, 2017.
- **NOTIFICATION No. 40/2023 – Central Tax Dated 17th August 2023:** In exercise of the powers conferred by section 5 of the Central Goods and Services Tax Act, 2017 (12 of 2017) and section 3 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), the Board, hereby appoint officers mentioned in column (5) of the Table below to act as the Authority to exercise the powers and discharge the duties conferred or imposed on officers mentioned in column (4) of the said Table in respect of notice mentioned in column (2) of the said Table for the purpose of adjudication of notice mentioned in column (3) of the said Table.
- **NOTIFICATION No. 41/2023 – Central Tax Dated 25th August 2023:** In exercise of the powers conferred by the proviso to sub-section (1) of section 37 read with section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner, on the recommendations of the Council, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 83/2020 –Central Tax, dated the 10th November, 2020. In the said notification, in the fourth proviso:(i) for the words, letter and figure tax periods April 2023, May 2023 and June 2023, the words, letter and figure tax periods April 2023, May 2023, June 2023 and July 2023 shall be substituted (ii) for the words, letters and figure thirty-first day of July, 2023, the words, letter and figure twenty-fifth day of August, 2023 shall be substituted.

This notification shall be deemed to have come into force with effect from the 31st day of July, 2023.

- **NOTIFICATION No. 42/2023 – Central Tax Dated 25th August 2023:** In exercise of the powers conferred by sub-section (6) of section 39 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner, on the recommendations of the Council, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2023 –Central Tax, dated the 24th May, 2023. (i) for the words, letter and fig-

ure months of April, 2023, May, 2023 and June, 2023 the words, letter and figure months of April, 2023, May, 2023, June, 2023 and July, 2023 shall be substituted (ii) for the words, letters and figure thirty-first day of July, 2023, the words, letter and figure twenty-fifth day of August, 2023 shall be substituted.

This notification shall be deemed to have come into force with effect from the 31st day of July, 2023.

- **NOTIFICATION No. 43/2023 – Central Tax Dated 25th August 2023:** In exercise of the powers conferred by sub-section (6) of section 39 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner, on the recommendations of the Council, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 20/2023 Central Tax, dated the 17th July, 2023 namely: or the words, letters and figure thirty-first day of July, 2023, the words, letter and figure twenty-fifth day of August, 2023 shall be substituted.

This notification shall be deemed to have come into force with effect from the 31st day of July, 2023.

- **NOTIFICATION No. 44/2023 – Central Tax Dated 25th August 2023:** In exercise of the powers conferred by sub-section (6) of section 39 read with section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner hereby makes the following further amendment in notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 26/2019 – Central Tax, dated the 28th June, 2019. In the said notification, in the first paragraph, in the fifth proviso: (i) for the words, letter and figure “months of April 2023, May 2023 and June 2023” the words, letter and figure “months of April 2023, May 2023, June 2023 and July 2023” shall be substituted (ii) for the words, letters and figure “thirty-first day of July, 2023”, the words, letter and figure “twenty-fifth day of August, 2023” shall be substituted.

This notification shall be deemed to have come into force with effect from the 31st day of July, 2023.

- **Circular No. 200/12/2023-GST dated 1st August 2023:** Clarification regarding GST rates and classification of certain goods based on the recommendations of the GST Council in its 50th meeting held on 11th July, 2023: (i) Un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion (ii). Fish Soluble Paste (iii). Desiccated coconut (iv). Biomass briquettes (v). Imitation zari thread or yarn known by any name in trade parlance (vi). Supply of raw cotton by agriculturist to cooperatives (vii). Plates, cups made from areca leaves (viii). Goods falling under HSN heading 9021
- **Circular No. 201/12/2023-GST dated 1st August 2023:** Clarifications regarding applicability of GST on certain services.

CENTRAL EXCISE


- **Notification No. 26/2023-Central Excise dated 14th Au-**

gust 2023: In exercise of the powers conferred by section 5A of the Central Excise Act, 1944 (1 of 1944) read with section 147 of the Finance Act, 2002 (20 of 2002), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 18/2022-Central Excise, dated the 19th July, 2022. In the said notification, in the Table, (i) against S. No. 1, for the entry in column (4), the entry “Rs. 7,100 per tonne” shall be substituted (ii) against S. No. 2, for the entry in column (4), the entry “Rs. 2 per litre” shall be substituted. This notification shall come into force on the 15th day of August, 2023.

- **Notification No. 27/2023-Central Excise dated 14th August 2023:** In exercise of the powers conferred by section 5A of the Central Excise Act, 1944 (1 of 1944) read with section 147 of Finance Act, 2002 (20 of 2002), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 04/2022-Central Excise, dated the 30th June, 2022. (I) against S.No. 2, for the entry in column (4), the entry “ Rs. 5.50 per litre ” shall be substituted.

This notification shall come into force on the 15th day of August, 2023.

CUSTOMS

- **Notification No. 47/2023-Customs dated 19th August 2023:** Seeks to amend Second Schedule to the Customs Tariff Act to prescribe export duty on onions.
- **Notification No. 48/2023-Customs dated 19th August 2023:** Seeks to prescribe an effective export duty of 40% on onions till 31st December 2023.
- **Notification No. 49/2023-Customs dated 25th August 2023:** Seeks to levy export duty on parboiled rice by including it in 2nd Schedule of Customs Tariff Act.
- **Notification No. 50/2023-Customs dated 25th August 2023:** Seeks to amend notification No. 55/2022-Customs dated 31.10.2022, to provide conditional exemption on certain variety of rice.
- **Notification No. 51/2023-Customs dated 31st August 2023:** Seeks to amend No. 11/2021-Customs, dated the 1st February, 2021 to exempt LPG, Liquefied Propane and Liquefied Butane from levy of AIDC.
- **Circular No. 19/ 2023-Customs dated 2nd August 2023:** Expansion of automatic LEO facility in ECCS.
- **Circular No. 20/ 2023-Customs dated 7th August 2023:** Authorization of Booking Post Offices and their corresponding Foreign Post Offices in terms of the Postal Export (Electronic Declaration and Processing) Regulations, 2022. 

Sources: incometax.gov.in, cbic.gov.in

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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OBJECTIVE

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LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-

BENEFITS

- ⊙ **Income Tax Benefit under section 80G**
- ⊙ **Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.**
- ⊙ **Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.**

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- ⊙ Cancer / Malignancy
- ⊙ Coronary Artery Bypass Graft Surgery
- ⊙ Stroke / Cerebral Attack / Paralysis
- ⊙ Heart Valve Replacement Surgery
- ⊙ Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- ⊙ Major Organ Transplant
- ⊙ Hemophilia
- ⊙ Thalassaemia
- ⊙ Neurological Diseases
- ⊙ Flue Blown acquired Immune Deficiency Syndrome
- ⊙ Multiple sclerosis
- ⊙ Tuberculosis / Bronchopneumonia/ Pleurisy
- ⊙ Permanent disablement
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