VVR

An Institute for IAS Examination

An Associate of IMS (Institute of Mathematical Sciences)

GENERAL STUDIES

CURRENT
ECONOMY
(PART - 1)

ECONOMIC SURVEY 2012-13	UNION BUDGET 2013-14	BUDGET GLOSSARY

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UNION BUDGET, 2013-14
ECONOMIC SURVEY: 2012-13 (SUMMARY)

Background: The Growth Challenge

After recovering quickly from the global financial crisis, the Indian economy has decelerated (growing at 6.2% and an estimated 5% in 2011-12 and 2012-13 respectively) due to a combination of both external and domestic factors. The boost to demand given by the monetary and fiscal stimulus following the crisis, coupled with supply-side constraints led to higher inflation and a powerful monetary response, that slowed down consumption. The annual growth of private final consumption expenditure declined considerably to 4% in 2012-13, from 8% in the previous year. Corporate and infrastructure investment also slowed as a result of policy bottlenecks and a tighter monetary stance, with corporate sector investment declining by 2.8 percentage points of GDP in 2011-12. Faltering global growth due to the Euro crisis and uncertainty over the resolution of fiscal problems in the United States; and a weak monsoon, at least in its early phase, were further hits to a slowing economy.

The growth slowdown implied that revenues could not keep pace with spending, putting pressure on the fiscal deficit targets. Household financial savings also fell sharply to 8% of GDP in 2011-12 from 10.4% in the previous year. With both government and private savings shrinking significantly with only a moderate fall in overall investment, the current account deficit (CAD) — the investment that cannot be financed by domestic savings but has to be financed from abroad – widened to 4.2% of GDP in 2011-12, and to 4.6 percent of GDP in the first half of 2012-13. WPI inflation has come down in recent months (6.6% y-o-y in January 2013 from a high of 9.9% in October 2011), but CPI inflation continues to be in double-digits (10.8% y-o-y in January) owing to high food inflation, and high weightage of food in the CPI basket. A high fiscal deficit, falling investment, falling savings, a high current account deficit, and high consumer price inflation all suggest the urgent need for macroeconomic stabilization.

Way Forward: Rebalancing Towards Investment

The way forward lies in policies to achieve the following objectives:

- Reviving growth and rebalancing national spending from consumption to investment
  - Increase government savings, especially by reducing distortionary subsidies
  - Increase opportunities for savers to get strong real returns on financial investment
  - Remove bottlenecks to investment and job creation
  - Reduce costs for borrowers for raising financing
- Combating inflation both through monetary and supply side measures2

Several measures have been announced in recent months, which aim at restoring the fiscal health of the government, shrinking CAD, increasing investments and improving the growth rate. These include raising diesel prices (by Rs. 5/litre in September, and a further permitted hike in January of 40-50 paise a litre per month for retail customers and nearly Rs 11 for bulk consumers), which will help reduce subsidies and government spending, thus reducing the fiscal deficit and also helping contain the import bill. The reform measures also comprise setting up the Cabinet Committee on Investment headed by the Prime Minister to fast-track mega projects of over Rs 1,000 crore; a plan to restructure the debts of state power distribution companies, which includes incentives for them to charge reasonable tariffs;

movement towards a land acquisition bill that will clarify and make the process of land acquisition fairer; permitting FDI in a number of areas including multi-brand retail, power exchanges, and civil aviation; increasing investment in irrigation, warehousing and cold storage; and undertaking programmes to improve the production of protein foods.

Going forward, credible budgetary plans for fiscal consolidation, along with augmented agricultural production should lead to lower inflation and give the RBI room to reduce policy rates. With improved sentiment, measures toward further easing of regulatory and financial impediments to investment, and with the global economy likely to recover somewhat in 2013, we expect the outlook to improve and growth to be in the range of 6.1-6.7 percent in 2013-14. The range of possible outcomes is wider than usual given the uncertainty surrounding the timing and size of the economic rebound.

Medium Term: Seizing the Demographic Dividend

Even though the current environment may be difficult, the future holds promise for India provided we can seize the "demographic dividend" — nearly half the additions to the Indian labour force over the period 2011-30 will be in the age group 30-49. The central medium-run question addressed in Chapter 2 is: where will good jobs come from?

More than half of our population depends on agriculture, but the experience of other countries suggests that the number of people dependent on agriculture needs to shrink if the per capita income in agriculture is to go up substantially. Under an assumption of unchanged policies and parameters, even if India's share of employment in agriculture declines over the next decade as China's did at a similar stage of development, and even if more youth enter the labor force as we reap the demographic dividend, India may be able to place almost all those entering the labor force in jobs by 2020. This suggests little cause for alarm.

But the chapter goes on to suggest two reasons why we should be concerned and increase the emphasis on policies to create good jobs. First, small changes in assumed parameters lead to alarmingly large shortfalls of jobs. For example, as more women receive a good education and look for jobs outside the household, labor participation rates naturally increase. With even a small increase in such participation rates, the number of missing jobs can increase substantially – into the tens of millions.

Second, even if everyone gets jobs, too few people are getting jobs in the highly productive service sector, while too many are getting jobs in the low productivity segments of industry. The challenge is to create the conditions for faster growth of good productive jobs outside of agriculture, especially in organized manufacturing, and in services, even while improving productivity in agriculture.

The chapter calls for reforms in various areas:

- Examining carefully the regulations that govern business so that the costs of entry and exit are reduced.
- In particular, business should not have the incentive to stay small and, instead, should be incentivized to grow and create jobs.
- Ensuring adequate protection and minimum safety net for informal workers.
- Building infrastructure like the industrial regions in the DMIC that can be easily used by MSMEs with minimal overhead and set up costs.
- Expanding access to finance.
- Building human capital, including vocational training and apprenticeship programs.
- The benefit of rising to the challenge is decades of strong inclusive growth.

Other Important Messages

Chapter 3 on Public Finance calls for a widening of the tax base, and prioritization of expenditure as key ingredients of a credible medium-term fiscal consolidation plan. Two potential/ongoing reforms are noteworthy: implementation of GST on the revenue side and direct benefit transfer schemes on the expenditure side can entail greater economic efficiency as well as better government finances.

Chapter 4 on Prices and Monetary Management highlights the recent moderation in WPI inflation. It notes that WPI inflation has been declining across commodity groups. Against 72 commodities, accounting for a weight of 13.8 percent reporting inflation of 20 percent or above in Q2 of 2011-12, the number declined to 29 commodities with a weight of 5.5. percent in Q2 of 2012-13. The Chapter calls for joint efforts of both RBI (to control the interest-sensitive components of demand) and the government (through credible fiscal consolidation and supply side measures) in the fight against inflation.

Chapter 5 summarizes the steps that have been taken on financial-sector reform, and the opportunities that India has in this area. The chapter notes the high level of gross NPAs of the banking sector, which increased from 2.36 per cent of total credit advanced in March, 2011 to 3.57 per cent of total credit advanced in September, 2012. While some of the jump in NPAs is because of a change in the method of recognition, stress also stems from the slow growth and project delays. A revival of growth will help contain NPAs, but going forward, more attention will have to be paid to whether projects are adequately capitalized up front given the risks, and whether distress resolution systems work effectively in recapitalizing distressed assets and putting them back to work.

Chapters 6 and 7 on Balance of Payments and International Trade respectively, argue that the high and rising current account deficit (and in particular, the trade deficit which was higher than 10% of GDP in the first half of 2012-13) presents serious challenges. While the room to increase exports in the short run may be limited, steps to attract more FDI, and FIIs towards longer-term rupee instruments, may be needed. In addition, we need steps to increase the attractiveness of financial assets so that households are less inclined to invest in gold.

Chapter 8 on Agriculture presents evidence to show that while we have performed well in terms of output growth, the same is not true in terms of agricultural yields or productivity. To improve agricultural growth, there is need for stable and consistent policies where markets play an appropriate role, private investment in infrastructure is stepped up, food price, food stock management and food distribution improves, and a predictable trade policy is adopted for agriculture.

Chapter 9 on Industry quantifies the sharp slowdown in the industrial sector (particularly manufacturing and capital goods) in recent years (from a growth rate of 9.2% in 2010-11 to 3.1 percent in the current year). The chapter, however, argues that with improved business sentiments and investor perception and a partial rebound in industrial activity in other developing countries, industrial growth is expected to improve in the next financial year.

Chapter 10 on Services argues that despite the slowdown, the sector has shown more resilience to worsening external conditions than agriculture and industry.

Chapters 11 and 12 highlight the challenges in the context of finding the requisite resources to achieve sustainable growth. The key issues to be addressed in the evolving international arrangements following the 2012 Rio Summit relate to fair burden sharing, and equitable access to global atmospheric resources. The need to raise additional resources for sustainable development calls for greater cooperation, action, and innovation, provision of finance and technology for developing countries, and institutions and mechanisms for capacity building.

Finally, Chapter 13 supports the Twelfth Plan initiative for "Faster, More Inclusive and More Sustainable Growth", and calls for targeted policies for the poor, with minimal leakages. To achieve greater inclusive development, the share of central government expenditure (Plan and Non-plan) on social services and rural development was increased from 14.8% in 2007-08 to 17.4% in 2012-13 (BE). Current initiatives like the Direct Benefit Transfer (DBT) scheme along with the Unique Identification Number (AADHAR) system can check leakages and help translate outlays into outcomes.

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"Kalangathu Kanda Vinaikkan Thulangkathu
Thookkang Kadinthu Seyal"

(What clearly eye discerns as right, with steadfast will
And mind unslumbering, that should man fulfil)

- Saint Tiruvalluvar

Key Features of Budget 2013-2014

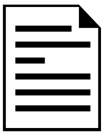
THE ECONOMY AND THE CHALLENGES

- ❑ Getting back to potential growth rate of 8 percent is the challenge facing the country.
- ❑ Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in 2011 to 3.2 per cent in 2012.
- ❑ However, no reason for gloom or pessimism. Of the large countries of the world only China and Indonesia growing faster than India in 2012-13. In 2013-14, only China projected to grow faster than India.
- ❑ Between 2004 and 2008, and again in 2009-10 and 2010-11 the growth rate was over 8 per cent and crossed 9 per cent in four of those six years.
- ❑ 11th Plan period had average growth rate of 8 percent, highest during any Plan period, entirely under the UPA Government.
- ❑ High growth rate can again be achieved through cooperation.
- ❑ 'Higher growth leading to inclusive and sustainable development' to be the *mool mantra*.
- ❑ Government believes in inclusive development with emphasis on improving human development indicators specially of women, the scheduled castes, the scheduled tribes, the minorities and some backward classes. This Budget to be a testimony to that commitment.

Fiscal Deficit, Current Account Deficit and Inflation

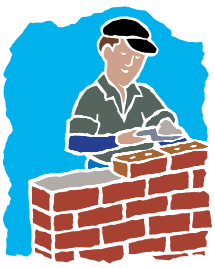
- ❑ The purpose of Budget to create economic space and find resources to achieve the objective of inclusive development.
- ❑ Dr Vijay Kelkar Committee made its recommendations to Government in September 2012. A new fiscal consolidation path with fiscal deficit at 5.3 per cent of GDP this year and 4.8 per cent of GDP in 2013-14 announced by the Government.
- ❑ Foreign investment in an imperative in view of the high current account deficit (CAD). FII, FDI and ECB three main source of CAD Financing. Foreign investment that is consistant with our economic objectives to be encouraged.
- ❑ Development must be economically and ecologically sustainable and democratically legitimate.
- ❑ Battle against inflation must be fought on all fronts. Efforts in the past few months have brought down headline WPI inflation to about 7 per cent and core inflation to about 4.2 percent.

- Food inflation is worrying but all possible steps to be taken to augment the supply side to meet the growing demand for food items.
- Government expenditure has both good and bad consequences and trick is to find the correct level of Government expenditure.
- Faced with huge fiscal deficit, Government expenditure rationalised in 2012-13. Some economic space retrieved. Space to be used to further Government's socio-economic objectives.



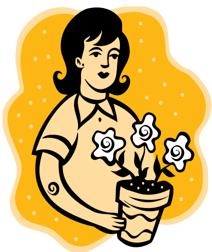
THE PLAN AND BUDGETARY ALLOCATIONS

- Revised Estimates (RE) of the expenditure in 2012-13 at 96 per cent of the Budget Estimates (BE) due to slowdown and austerity measures.
- During 2013-14, BE of total expenditure of ₹ 16,65,297 crore and of Plan Expenditure at ₹ 5,55,322 crore.
- Plan Expenditure in 2013-14 to grow at 29.4 per cent over Revised Estimates for the current year.
- All flagship programmes fully and adequately funded and sufficient funds provided to each Ministry or Department consistent with their capacity to spend funds.
- Budget for 2013-14 to have one overarching goal of creating opportunities for our youth to acquire education and skills that will get them decent jobs or self-employment.



SC, ST, Women and Children

- Allocations for Scheduled Caste Sub Plan and Tribal Sub Plan increased substantially over the allocations of the current year. Funds allocated to these Sub Plans cannot be diverted.
- ₹ 97,134 crore allocated for programmes relating to women and ₹ 77,236 crore allocated for programmes relating to children.
- Ministry of Women and Child Development to design schemes that will address the concerns of women belonging to the most vulnerable groups, including single women and widows. An additional sum of ₹ 200 crore proposed to be provided to the Ministry to begin work.



Minorities

- An increase of 12 per cent over the BE and 60 per cent over the RE of 2012-13 to Ministry of Minority Affairs.
- Allocation of ₹ 160 crore to the corpus of Maulana Azad Education Foundation to raise its corpus to ₹ 1,500 crore during 12th Plan period.

Disabled Persons

- A sum of ₹ 110 crore to the Department of Disablity Affairs for ADIP scheme in 2013-14 against RE 2012-13 of ₹ 75 crore.

Health and Education

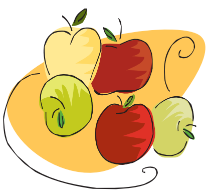
- ❑ Health for all and education to all remains priority.
- ❑ ₹ 37,330 crore allocated to the Ministry of Health & Family Welfare.
- ❑ New National Health Mission will get an allocation of ₹ 21,239 crore.
- ❑ ₹ 4,727 crore for medical education, training and research.
- ❑ ₹ 150 crore provided for National Programme for the Health Care of Elderly.
- ❑ Ayurveda, Unani, Siddha and Homoeopathy are being mainstreamed. Allocation of ₹ 1,069 crore to Department of AYUSH.
- ❑ ₹ 1,650 crore allocated for six AIIMS-like institutions.

- ❑ Allocation of ₹ 65,867 crore to the Ministry of Human Resource Development, an increase of 17 perent over the RE of the current year.
- ❑ ₹ 27,258 crore provided for Sarva Shiksha Abhiyaan (SSA).
- ❑ An increase of 25.6 per cent over RE of the current year for investments in Rashtriya Madhyamik Shiksha Abhiyan (RMSA).
- ❑ ₹ 5,284 crore allocated to Ministries/Departments in 2013-14 for scholarships to students belonging to SC, ST, OBC, Minorities and girl children.

- ❑ Mid Day Meal Scheme (MDM) to be provided ₹ 13,215 crore.
- ❑ Government committed to the creation of Nalanda University as a centre of educational excellence.

ICDS

- ❑ ₹ 17,700 crore allocated for ICDS in 2013-14 representing an increase of 11.7 per cent over 2012-13.
- ❑ Allocation of ₹ 300 crore in 2013-14 for a multi-sectoral programme aimed at overcoming maternal and child malnutrition. Programme to be implemented in 100 districts during 2013-14 to be scaled to cover 200 districts the year after.



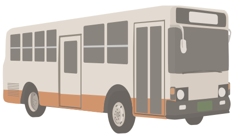
Drinking Water

- ❑ ₹ 15,260 crore allocated to Ministry of Drinking Water and Sanitation.
- ❑ ₹ 1,400 crore provided for setting-up of water purification plants in 2000 arsenic - and 12000 fluoride-affected rural habitations.

Rural Development

- ❑ Allocation of ₹ 80,194 crore in 2013-14 for Ministry of Rural Development marking an increase of 46% over RE 2012-13.
- ❑ Proposal to carve out PMGSY-II and allocate a portion of the funds to the new programme that will benefit States such as Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab and Rajasthan.

JNNURM



- ₹ 14,873 crore for JNNURM in BE 13-14 as against RE of ₹ 7,383 crore. Out of this, a significant portion will be used to support the purchase of upto 10,000 buses, especially by the hill States.

AGRICULTURE

- Average annual growth rate of agriculture and allied sector was 3.6% during XI Plan against 2.5% and 2.4% in IX and X plans respectively.
- In 2012-13, total food-grain production will be over 250 million tonnes. Minimum support price for every agricultural produce has increased significantly under the UPA Government.
- ₹ 27,049 crore allocated to Ministry of Agriculture, an increase of 22 per cent over the RE of current year.
- Agricultural research provided ₹ 3,415 crore.

Agricultural Credit

- For 2013-14, target of agricultural credit kept at ₹ 7 lakh crore.
- Interest subvention scheme for short-term crop loans to be continued scheme extended for crop loans borrowed from private sector scheduled commercial banks.

Green Revolution

- Bringing green revolution to eastern India a remarkable success. ₹ 1,000 crore allocated in 2013-14.
- ₹ 500 crore allocated to start a programme of crop diversification that would promote technological innovation and encourage farmers to choose crop alternatives.
- Rashtriya Krishi Vikas Yojana and National Food Security Mission provided ₹ 9,954 crore and ₹ 2,250 crore respectively.
- Allocation for integrated watershed programme increased from ₹ 3,050 crore in 2012-13 (BE) to ₹ 5,387 crore.
- Allocation made for pilots programme on Nutri-Farms for introducing new crop varieties that are rich in micro-nutrients.
- National Institute of Biotic Stress Management for addressing plant protection issues will be established at Raipur, Chhattisgarh.

- The Indian Institute of Agricultural Bio-technology will be established at Ranchi, Jharkhand.
- Pilot scheme to replant and rejuvenate coconut gardens implemented in some districts of Kerala and the Andaman & Nicobar extended to entire State of Kerala.

Farmer Producer Organizations

- Matching equity grants to registered Farmer Producer Organization (FPO) upto a maximum of ₹ 10 lakhs per FPO to enable them to leverage working capital from financial institutons.

- ❑ Credit Guarantee Fund to be created in the Small Farmers'Agri Business Corporation with an initial corpus of ₹ 100 crore.

National Livestock Mission

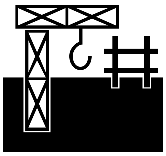
- ❑ National Livestock Mission to be set up.
- ❑ A provision of ₹ 307 crore made for the Mission.

Food Security

- ❑ Additional provision of Rs. 10,000 crore for National Food Security Act.

<u>INVESTMENT, INFRASTRUCTURE AND INDUSTRY</u>

- ❑ Communication with investors to be improved to remove any apprehension or distrust, including fears about undue regulatory burden.
- ❑ Need of new and innovative instruments to mobilise funds for investment in infrastructure sector. Measures such as:
  - * Infrastructure Debt Funds (IDF) to be encourged,
  - * IIFCL to offer credit enhancement.
  - * Infrastructure tax-free bond of ₹ 50,000 crore in 2013-14,
  - * Build roads in North eastern states and connect them to Myanmar with assistance from WB & ADB,
  - * Raising corpus of Rural Infrastructure Development Fund (RIDF) to ₹ 20,000 crore and
  - * ₹ 5,000 crore to NABARD to finance construction for warehousing. Window to Panchayats to finance construction of godowns.



Road Construction

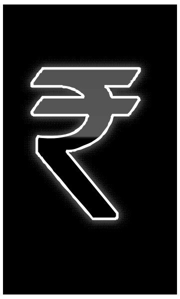
- ❑ A regulatory authority for road sector.
- ❑ 3000 kms of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14.

Cabinet Committee on Investment

- ❑ The Cabinet Committee on Investment (CCI) has been set up. Decisions have been taken in respect of a number of gas, power and coal projects.

New Investment

- ❑ Companies investing ₹ 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15 per cent of the investment.
- ❑ Incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.

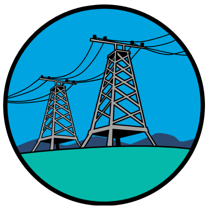


Savings

- Need to incentivise greater savings by household sector in financial instrumnets. Following measures proposed:
  - Rajiv Gandhi Equity Savings Scheme to be liberalised.
  - Additional deduction of interest upto ₹ 1 lakh for a person taking first home loan upto ₹ 25 lakh during period 1.4.2013 to 31.3.2014
  - In consultation with RBI, instruments protecting savings from inflation to be introduced.

Industrial Corridors

- Plans for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start duing 2013-14
- Delhi Mumbai Industrial Corridor (DMIC) to be provided additional funds during 2013-14 within the share of the Government of India in the overall outlay, if required.
- Chennai Bengaluru Industrial Corridor to be developed.
- Preparatory work has started for Bengaluru Mumbai Industrial Corridor.



Leh-Kargil Transmission Line

- Government to construct a transmission system from Srinagar to Leh at a cost of ₹ 1,840 crore.

Ports

- Two new major ports will be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity.
- A new outer harbour to be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of ₹ 7,500 crore.

National Waterways

- A bill to declare the Lakhipur-Bhanga stretch of river Barak in Assam as the sixth national waterway to be moved in Parliament.
- Preparatory work underway to build a grid connecting waterways, roads and ports.

Oil and Gas

- A policy to encourage exploration and production of shale gas will be announced.
- The 5 MMTPA LNG terminal in Dabhol, Maharashtra will be fully operational in 2013-14.

Coal

- In the medium to long term need to reduce our dependence on imported coal. One way forward is to devise a PPP policy framework with Coal India Limited as one of the partners.

- ❑ Ministry of Coal to announce Government's policies in due course.

Power

- ❑ Guidelines regarding financial restructuring of DISCOMS have been announced. State Government urged to prepare the financial restructuring plan, quickly sign MoU and take advantage of the scheme.

Micro, Small and Medium Enterprises

- ❑ Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- ❑ Refinancing capacity of SIDBI raised to ₹ 10,000 crore.
- ❑ Another sum of ₹ 100 crore provided to India Microfinance Equity Fund.
- ❑ A corpus of ₹ 500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.
- ❑ A sum of ₹ 2,200 crore during the 12th Plan period to set up 15 additional Tool Rooms and Technology Development Centres with World Bank assistance.
- ❑ Ministry of Corporate Affairs to notify that funds provided to technology incubators located within academic Institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.

Textiles

- ❑ Technology Upgradation Fund Scheme (TUFS) to continue in 12th Plan with an investment target of ₹ 1,51,000 crore.
- ❑ Allocation of ₹ 50 crore to Ministry of Textile to incentivise setting up Apparel Parks within the SITPs to house apparel manufacturing units.
- ❑ A new scheme called the Integrated Processing Development Scheme will be implemented in the 12th Plan to address the environmental concerns of the textile industry.
- ❑ Working capital and term loans at a concessional interest of 6 per cent to handloom sector.
- ❑ Scheme of Fund for Regeneration of Traditional Industries (SFURTI) extended to 800 clusters during the 12th Plan.

Foreign Trade

- ❑ Support to measures to be taken to boost exports of goods and services.

<u>FINANCIAL SECTOR</u>

- ❑ A standing Council of Experts to be constituted in the Ministry of Finance to analyse the international competitiveness of the Indian financial sector.

Banking

- ❑ Compliance of public sector banks with Basel III regulations to be ensured. ₹ 14,000 crore provided in BE 2013-14 for infusing capital.

- All branches of public sector banks to have ATM by 31.3.2014.
- Proposal to set up India's first Women's Bank as a public sector bank. Provision of ₹ 1,000 crore as initial capital.
- ₹ 6,000 crore to Rural Housing Fund in 2013-14.
- National Housing Bank to set up Urban Housing Fund. ₹ 2,000 crore to be provided to the fund in 2013-14.

Insurance

- A multi-pronged approach to increase the penetration of insurance, both life and general, in the country.
- Number of proposals finalised, in consultation with IRDA such as empowering insurance companies to open branches in Tier-II cities and below without prior approval of IRDA, KYC of banks to be sufficient to acquire insurance policies, banks to be permitted to act as insurance brokers, banking correspondent allowed to sell micro-insurance products and achieving the goal of having an office of LIC and an office of at least one public sector general insurance company in towns with population of 10,000 or more.
- Rashtriya Swasthya Bima Yojana to be extended to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.
- A comprehensive social security package to be evolved for unorganised sector by facilitating convergence among different schemes.

Capital Market

- Proposal to amend the SEBI Act, to strengthen the regulator, under consideration.
- Number of proposal finalised in consultation with SEBI.
    - Designatged depository participants, authorised by SEBI, may register different classes of portfolio investors, subject to compliance with KYC guidelines.
    - SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
    - Rule that, where an investor has a stake of 10 per cent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 per cent, it will be treated as FDI will be laid.
    - FIIs will be permitted to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
    - FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.
    - SEBI to prescribed requirement for angel investor pools by which they can be recognised as Category I AIF venture capital funds.

- ❖ Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).
- ❖ Stock exchanges to be allowed to introduce a dedicated debt segment on the exchange.

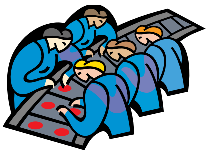
ENVIRONMENT

- ❑ Support to municipalities that will implement waste-to-energy projects.
- ❑ Government to provide low interest bearing fund from the National Clean Energy Fund (NCEF) to IREDA to on-lend to viable renewable energy projects.
- ❑ 'Generation-based incentive' reintroduced for wind energy projects and ₹ 800 crore allocated for this purpose.

OTHER PROPOSALS

Backward Regions Grant Fund

- ❑ New criteria for determining backwardness to be evolved and reflect them in future planning and devolution of funds.



Skill Development

- ❑ Target of skilling 50 million people in the 12th Plan period, including 9 million in 2013-14.

Defence

- ❑ Allocation for Defence increased to ₹ 2,03,672 crore including ₹ 86,741 crore for capital expenditure.
- ❑ Constraints not to come in the way of providing any addition requirement for the security of nation.

Science and Technology

- ❑ Despite constraints substantial enhancements given to Science and Technology, Space and Atomic Energy.
- ❑ ₹ 200 crore to be set apart to fund organisations that will scale up S&T innovations and make these products available to the people.

Institutions of Excellence

- ❑ A grant of ₹ 100 crore each made to 4 institution of excellence.

Sports

- ❑ National Institute of Sports Coaching to be set up at Patiala at a cost of ₹ 250 crore over a period of three years.

Broadcasting

- ❑ All cities having a population of more than 1,00,000 will be covered by private FM radio services.

Panchayati Raj

- Augmentation in the Budget allocation of Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) to ₹ 455 crore in 2013-14. An additional ₹ 200 crore proposed to be provided.

Post Offices

- An ambitious IT driven project to modernise the postal network at a cost of Rs. 4,909 crore. Post offices to become part of the core banking solution and offer real time banking services.

Ghadar Memorial

- Government to fund the conversion of the Ghadar Memorial in San Francisco into a museum and library.

Central Schemes

- Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) Schemes to be restructured into 70 schemes. Central fund for the schemes to be given to the States as part of central plan assistance.

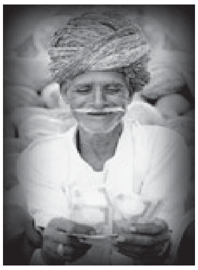
Three promises

- Promises made to woman, youth and poor.

    - We stand in solidarity with our girl children and women. And we pledge to do everything possible to empower them and to keep them safe and secure. A fund - "Nirbhaya Fund" - to be setup with Government contribution of ₹ 1,000 crore.

    - Youth to be motivated to voluntarily join skill development programmes. National Skill Development Corporation to set the curriculum and standards for training in different skills. ₹ 1000 crore set apart for this scheme.

    - To the poor of India direct benefit transfer scheme will be rolled out throughout the country during the term of the UPA Government with the motive "Äapka paisa aapke haath".



Budget Estimates

- Plan expenditure is placed at ₹ 5,55,322 crore.

- Non Plan Expenditure is estimated at ₹ 11,09,975 crore.

- Fiscal deficit for the current year contained at 5.2 per cent and for the year 2013-14 at 4.8 per cent.

- Revenue deficit for the current year at 3.9 per cent and for the year 2013-14 at 3.3 per cent.

- By 2016-17 fiscal deficit to be brought down to 3 per cent, revenue deficit to 1.5 per cent and effective revenue deficit to zero per cent.

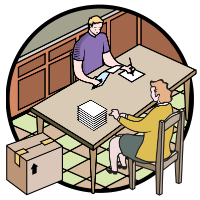
PART B — TAX PROPOSALS

- Clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution and independent judiciary for greater assurance is underlying theme of tax proposals.

- Tax Administration Reforms Commission to be set up.

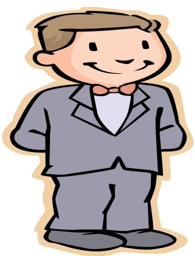
- In short term need to reclaim peak of 11.9 per cent of tax GDP ratio achieved in 2007-08.

DIRECT TAXES

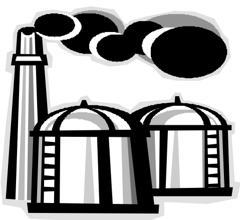


- Little room to give away tax revenues or raise tax rates in a constrained economy.
- No case to revise either the slabs or the rates of Personal Income Tax. Even a moderate increase in the threshold exemption will put hundreds of thousands of Tax Payers outside Tax Net.
- However, relief for Tax Payers in the first bracket of ₹2 lakhs to ₹ 5 lakhs. A tax credit of ₹ 2000 to every person with total income upto ₹5 lakhs.
- Surcharge of 10 percent on persons (other than companies) whose taxable income exceed ₹ 1 crore to augment revenues.
- Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed ₹ 10 crore.

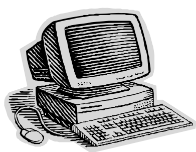
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxabale income exceeds ₹ 10 crore.
- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- Additional surcharges to be in force for only one year.
- Education cess to continue at 3 percent.
- Permissible premium rate increased from 10 percent to 15 percent of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.



- Contributions made to schemes of Central and State Governments similar to Central Government Health Scheme, eligible for section 80D of the Income tax Act.
- Donations made to National Children Fund eligible for 100 percent deduction.



- Investment allowance at the rate of 15 percent to manufacturing companies that invest more than ₹ 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
- 'Eligible date' for projects in the power sector to avail benefit under Section 80-IA extended from 31.3.2013 to 31.3.2014.
- Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- Securitisation Trust to be exempted from Income Tax. Tax to be levied at specified rates only at the time of distribution of income for companies, individual or HUF etc. No further tax on income received by investors from the Trust.
- Investor Protection Fund of depositories exempt from Income-tax in some cases.
- Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
- A Category I AIF set up as Venture capital fund allowed pass through status under Income-tax Act.
- TDS at the rate of 1 percent on the value of the transfer of immovable properties where consideration exceeds ₹ 50 lakhs. Agricultural land to be exempted.
- A final withholding tax at the rate of 20 percent on profits distributed by unlisted companies to shareholders through buyback of shares.
- Proposal to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent.
- Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- Modified provisions of GAAR will come into effect from 1.4.2016.
- Rules on Safe Harbour will be issued after examing the reports of the Rangachary Committee appointed to look into tax matters relating to Development Centres & IT Sector and Safe Harbour rules for a number of sectors.
- Fifth large tax payer unit to open at Kolkata shortly.
- A number of administrative measures such as extension of refund banker system to refund more than ₹ 50,000, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.



Indirect Taxes

- No change in the normal rates of 12 percent for excise duty and service tax.
- No change in the peak rate of basic customs duty of 10 perent for non-agricultural products.

Customs

- Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.

- Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5 percent.
- Duty on pre-forms precious and semi-precious stones reduced from 10 to 2 perent.
- Export duty on de-oiled rice bran oil cake withdrawn.
- Duty of 10 percent on export of unprocessed ilmenite and 5 percent on export on ungraded ilmenite.
- Concessions to air craft maintenaince, repair and overhaul (MRO) industry.
- Duty on Set Top Boxes increased from 5 to10 percent.
- Duty on raw silk increased from 5 to 15 percent.
- Duties on Steam Coal and Bituminous Coal equalised and 2 percent custom duty and 2 percent CVD levied on both kinds coal.

- Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- Duty free gold limit increased to ₹ 50,000 in case of male passenger and ₹1,00,000 in case of a female passenger subject to conditions.

Excise duty

- Relief to readymade garment industry. In case of cotton, zero excise duty at fibre stage also. In case of spun yarn made of man made fibre, duty of 12 percent at the fibre stage.
- Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.

- To provide relief to ship building industry, ships and vessels exempted from excise duty. No CVD on imported ships and vessels.
- Specific excise duty on cigarettes increased by about 18 percent. Similar increase on cigars, cheroots and cigarillos.

- Excise duty on SUVs increased from 27 to 30 percent. Not applicable for SUVs registered as taxies.

- Excise duty on marble increased from ₹30 per square meter to ₹ 60 per square meter.

- Proposals to levy 4 percent excise duty on silver manufactured from smelting zinc or lead.

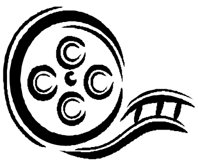
- Duty on mobile phones priced at more than ₹2000 raised to 6 percent.

- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.

Service Tax

- Maintain stability in tax regime.

- Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agricultural produce also included in the negative list for service tax.



- Exemption of Service Tax on copyright on cinematography limited to films exhibited in cinema halls.

- Proposals to levy Service Tax on all air conditioned restaurant.

- For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of ₹1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from from 75 to 70 percent.

- Out of nearly 17 lakh registered assesses under Service Tax only 7 lakhs file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called **'Voluntary Compliance Encouragement Scheme'** proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.

- Tax proposals on Direct Taxes side estimated to yield to ₹13,300 crore and on the Indirect Tax side ₹4,700 crore.

Good and Services Tax

- A sum of ₹ 9,000 crore towards the first instalment of the balance of CST compensation provided in the budget.

- Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.

बजट का सार Budget at a Glance

(करोड़ रुपए) (In crore of Rupees)

		2011-2012 वास्तविक Actuals	2012-2013 बजट अनुमान Budget Estimates	2012-2013 संशोधित अनुमान Revised Estimates	2013-2014 बजट अनुमान Budget Estimates
1. राजस्व प्राप्तियां	**1. Revenue Receipts**	**751437**	**935685**	**871828**	**1056331**
2. कर राजस्व (केन्द्र को निवल)	*2. Tax Revenue (net to centre)*	*629765*	*771071*	*742115*	*884078*
3. कर-भिन्न राजस्व	*3. Non-Tax Revenue*	*121672*	*164614*	*129713*	*172252*
4. पूंजी प्राप्तियां (5+6+7)$	**4. Capital Receipts (5+6+7)$**	**552928**	**555241**	**558998**	**608967**
5. ऋणों की वसूली	*5. Recoveries of Loans*	*18850*	*11650*	*14073*	*10654*
6. अन्य प्राप्तियां	*6. Other Receipts*	*18088*	*30000*	*24000*	*55814*
*7. उधार और अन्य देयताएं**	*7. Borrowings and other liabilities**	*515990*	*513590*	*520925*	*542499*
8. कुल प्राप्तियां (1+4)$	**8. Total Receipts (1+4)$**	**1304365**	**1490925**	**1430825**	**1665297**
9. आयोजना-भिन्न व्यय	**9. Non-Plan Expenditure**	**891990**	**969900**	**1001638**	**1109975**
10. राजस्व खाते पर जिसमें से	*10. On Revenue Account of which,*	*812049*	*865596*	*919699*	*992908*
11. ब्याज भुगतान	*11. Interest Payments*	*273150*	*319759*	*316674*	*370684*
12. पूंजी खाते पर	*12. On Capital Account*	*79941*	*104304*	*81939*	*117067*
13. आयोजना व्यय	**13. Plan Expenditure**	**412375**	**521025**	**429187**	**555322**
14. राजस्व खाते पर	*14. On Revenue Account*	*333737*	*420513*	*343373*	*443260*
15. पूंजी खाते पर	*15. On Capital Account*	*78639*	*100512*	*85814*	*112062*
16. कुल व्यय (9+13)	**16. Total Expenditure (9+13)**	**1304365**	**1490925**	**1430825**	**1665297**
17. राजस्व व्यय (10+14)	*17. Revenue Expenditure (10+14)*	*1145785*	*1286109*	*1263072*	*1436169*
18. जिसमें, पूंजी परिसम्पत्तियों के सृजन हेतु अनुदान	*18. Of Which, Grants for creation of Capital Assets*	*132582*	*164672*	*124275*	*174656*
19. पूंजी व्यय (12+15)	*19. Capital Expenditure (12+15)*	*158580*	*204816*	*167753*	*229129*
20. राजस्व घाटा (17-1)	**20. Revenue Deficit (17-1)**	**394348** **(4.4)**	**350424** **(3.4)**	**391245** **(3.9)**	**379838** **(3.3)**
21. प्रभावी राजस्व घाटा (20-18)	**21. Effective Revenue Deficit (20-18)**	**261766** **(2.9)**	**185752** **(1.8)**	**266970** **(2.7)**	**205182** **(1.8)**
22. राजकोषीय घाटा {16-(1+5+6)}	**22. Fiscal Deficit {16-(1+5+6)}**	**515990** **(5.7)**	**513590** **(5.1)**	**520925** **(5.2)**	**542499** **(4.8)**
23. प्राथमिक घाटा (22-11)	**23. Primary Deficit (22-11)**	**242840** **(2.7)**	**193831** **(1.9)**	**204251** **(2.0)**	**171814** **(1.5)**

इस दस्तावेज में वर्ष 2011-12 के वास्तविक आंकड़े अनंतिम हैं। Actuals for 2011-12 in this document are provisional.

$ बाजार स्थिरीकरण योजना के अंतर्गत प्राप्तियों को छोड़कर। Excluding receipts under Market Stabilisation Scheme.

* इसमें नकदी शेष में आहरण द्वारा कमी शामिल है। Includes draw-down of Cash Balance.

टिप्पणियां: 1. सीएसओ द्वारा जारी 2012-2013 के अग्रिम अनुमानों (₹10028118 करोड़) की तुलना में 13.4% की वृद्धि मानते हुए 2013-2014 के बजट अनुमान में सघउ बढ़कर ₹11371886 करोड़ होने का पूर्वानुमान है।

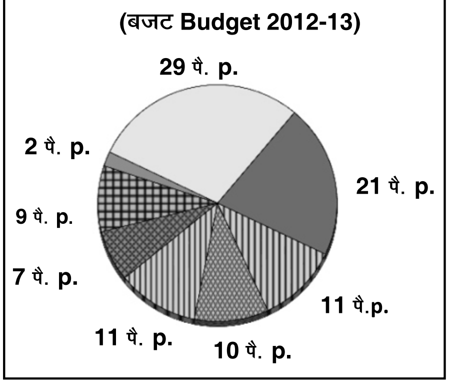
2. इस दस्तावेज में पृथक-पृथक मदें पूर्णांकन के कारण संभवतः जोड़ से मेल न खाएं।

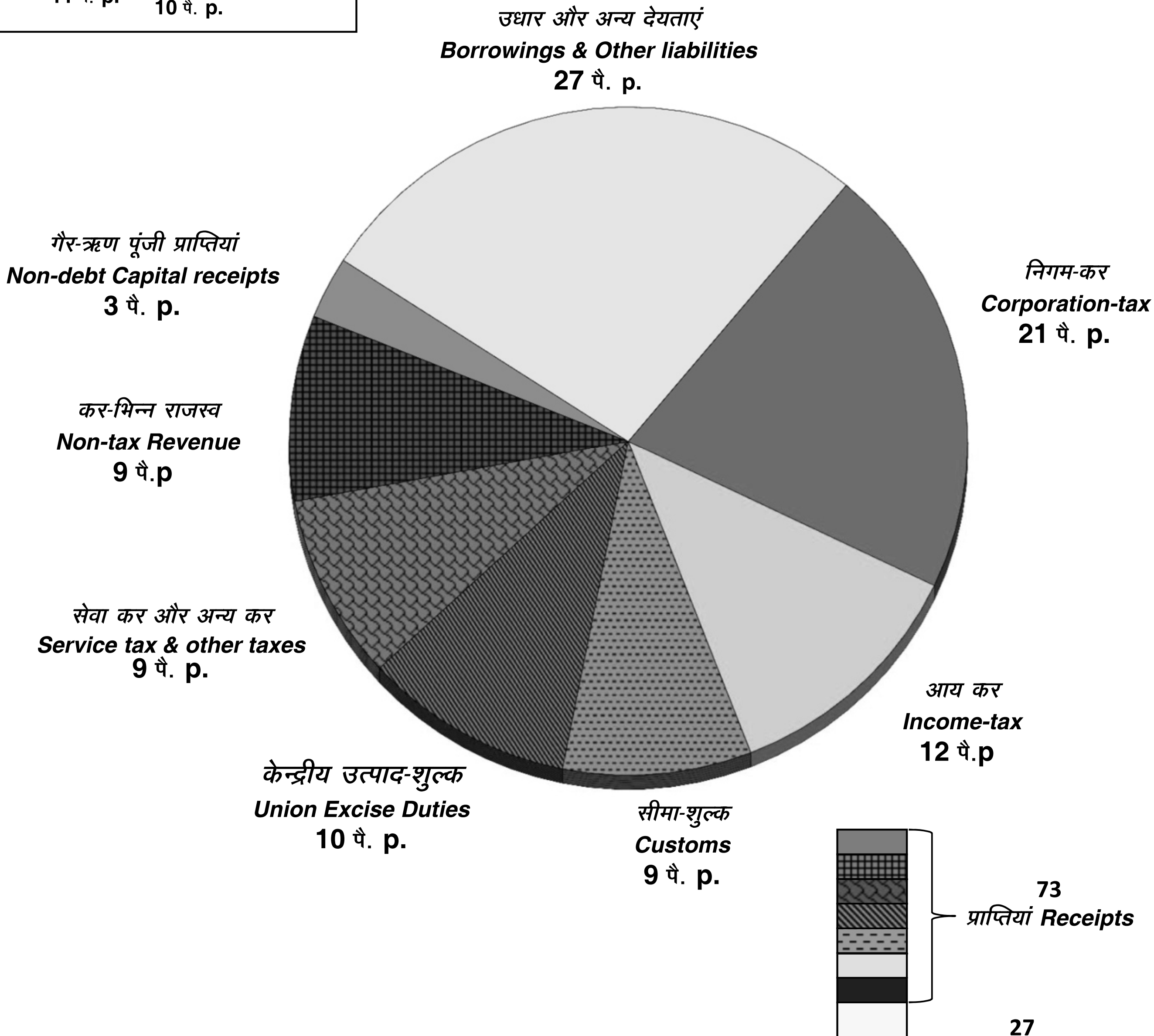
Notes: 1. GDP for BE 2013-2014 has been projected at ₹ 11371886 crore assuming 13.4% growth over the Advance Estimates of 2012-2013 (₹ 10028118 crore) released by CSO.

2. Individual items in this document may not sum up to the totals due to rounding off.

रुपया आता है Rupee Comes From

(बजट Budget 2013-14)



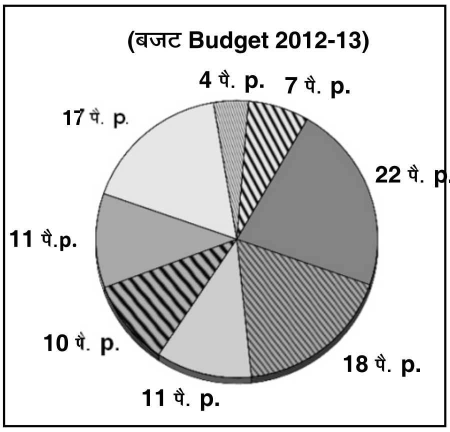


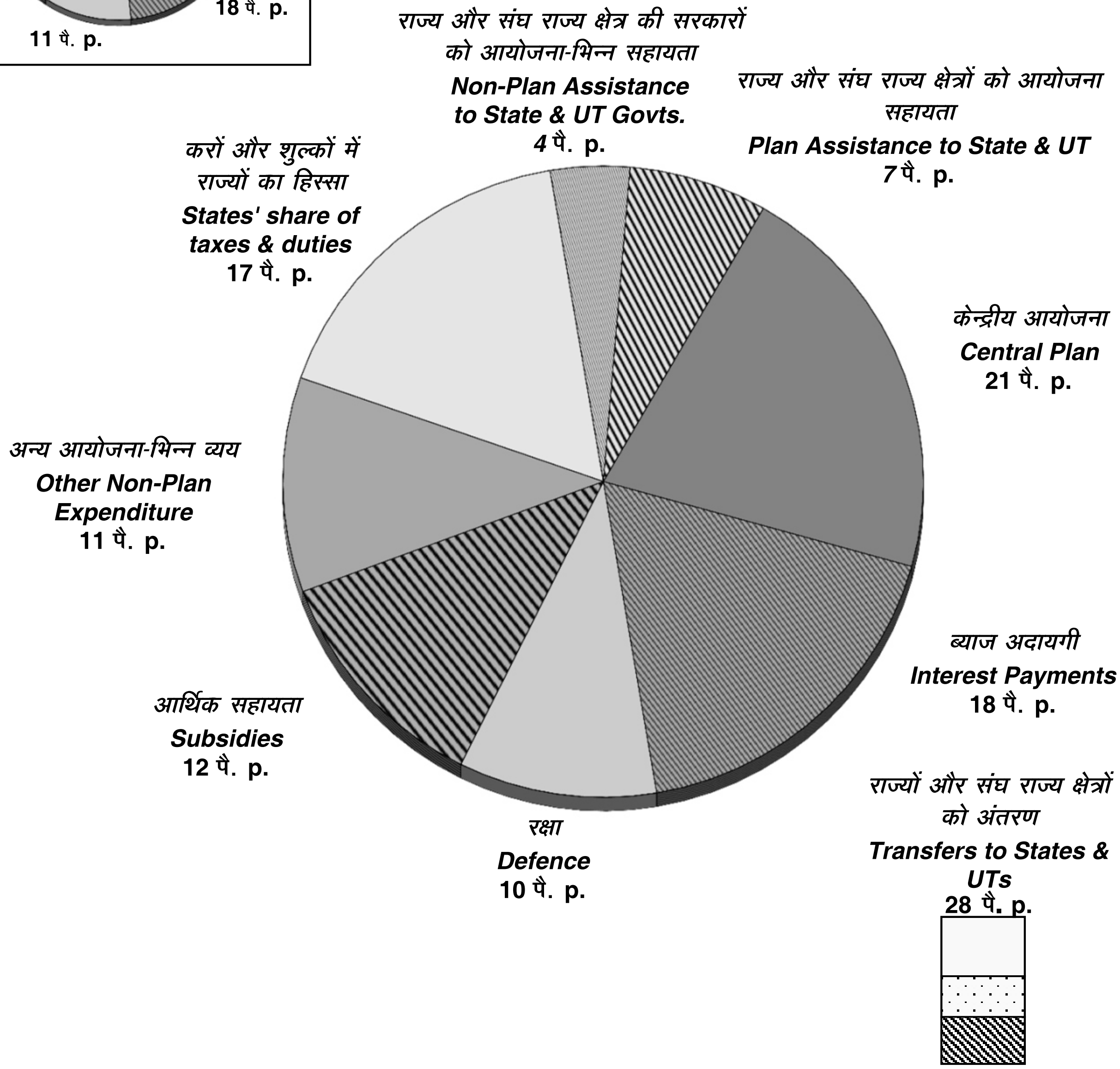
टिप्पणियां:-*1. कुल प्राप्तियों में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृठ 1 पर सारणी में घटा दिया गया है।*

Notes:-*1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 1.*

रुपया जाता है Rupee Goes To

(बजट Budget 2013-14)





टिप्पणियां:-*1. इसमें वह योजना परिव्यय शामिल नहीं है जिन्हें सरकारी उद्यमों के आंतरिक और बजट बाह्य संसाधनों से पूरा किया जाता है।*

2. कुल व्यय में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृठ 1 पर सारणी में प्राप्तियों में से घटा दिया गया है।

Notes:-*1. This does not include Plan outlays met from internal and extra budgetary resources of public enterprises.*

2. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 1.

BUDGET 2013-14
(GLOSSARY)

ANGEL INVESTOR

An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

Angels typically invest their own funds, unlike venture capitalists who manage the pooled money of others in a professionally-managed fund. Although typically reflecting the investment judgment of an individual, the actual entity that provides the funding may be a trust, business, limited liability company, investment fund, or other vehicle. A Harvard report provides evidence that angel-funded startup companies have historically been less likely to fail than companies that rely on other forms of initial financing.

There is no “set amount” for angel investors, and the range can go anywhere from a few thousand, to a few million dollars. Angel financing, while more readily available than venture financing.

Angel investors are often retired entrepreneurs or executives, who may be interested in angel investing for reasons that go beyond pure monetary return. These include wanting to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs, and making use of their experience and networks on a less than full-time basis. Thus, in addition to funds, angel investors can often provide valuable management advice and important contacts.

BAGGAGE RULE

Every passenger entering or leaving Indian border has to pass through Customs check. He / She must fill up the Disembarkation Card clearly mentioning the quantity and value of goods that he has brought. On his / her arrival the passenger is first cleared by Immigration Officer, who retains the Immigration portion of the Disembarkation Card. Thereafter the passenger takes the delivery of his baggage from the conveyer belts & passes through Customs. Like all other International Airports, the passenger has the option of seeking clearance through the Green Channel or through the Red Channel subject to the nature of goods being carried.

Earlier

An Indian passenger who has been residing abroad for over one year is allowed to bring jewellery, free of duty in his bonafide baggage upto an aggregate value of Rs. 10,000/- (in the case of a male passenger) or Rs.50,000/- (in the case of a lady passenger).

After Budget 2013-14

The baggage rules permitting eligible passengers to bring jewellery was last amended in 1991. Gold prices have risen since, and passengers have complained of harrasment. Hence, the duty-free limit to ‘50,000 in the case of a male passenger and ‘100,000 in the case of a female passenger has been updated ,subject to the usual conditions.

BASEL III

A set of international banking regulations put forth by the Basel Committee on Bank Supervision, which set out the minimum capital requirements of financial institutions with the goal of minimizing credit risk. Banks that operate internationally are required to maintain a minimum amount of capital based on a percent of risk-weighted assets.

A comprehensive set of reform measures designed to improve the regulation, supervision and risk management within the banking sector. The Basel Committee on Banking Supervision published the first version of Basel III in 2009, giving banks approximately three years to satisfy all requirements. Largely in response to the credit crisis, banks are required to maintain proper leverage ratios and meet certain capital requirements.

Basel 3 measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance, strengthen banks' transparency and disclosures.

The Basel III which is to be implemented by banks in India as per the guidelines issued by RBI from time to time, will be challenging task not only

The Reserve Bank released draft guidelines outlining proposed implementation of Basel III capital regulation in India. These guidelines are in response to the comprehensive reform package entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" of the Basel Committee on Banking Supervision (BCBS) issued in December 2010.

The major highlights of the draft guidelines are:

Minimum Capital Requirements

- Common Equity Tier 1 (CET1) capital must be at least 5.5% of risk-weighted assets (RWAs);
- Tier 1 capital must be at least 7% of RWAs; and
- Total capital must be at least 9% of RWAs.

Capital Conservation Buffer

- The capital conservation buffer in the form of Common Equity of 2.5% of RWAs.

Transitional Arrangements

- It is proposed that the implementation period of minimum capital requirements and deductions from Common Equity will begin from January 1, 2013 and be fully implemented as on March 31, 2017.
- Capital conservation buffer requirement is proposed to be implemented between March 31, 2014 and March 31, 2017.
- The implementation schedule indicated above will be finalized taking into account the feedback received on these guidelines.
- Instruments which no longer qualify as regulatory capital instruments will be phased-out during the period beginning from January 1, 2013 to March 31, 2022.

Enhancing Risk Coverage

- For OTC derivatives, in addition to the capital charge for counterparty default risk under Current Exposure Method, banks will be required to compute an additional credit value adjustments (CVA) risk capital charge.

Leverage Ratio

- The parallel run for the leverage ratio will be from January 1, 2013 to January 1, 2017, during which banks would be expected to strive to operate at a minimum Tier 1 leverage ratio of 5%. The leverage ratio requirement will be finalized taking into account the final proposal of the Basel Committee.

SECURUTIES TRANSACTION TAX

Securities Transaction Tax is a neat and efficient way of computing tax on profit incurred from the sale of securities, as it virtually nullifies the scope of tax avoidance. Securities Transaction Tax is applicable at different rates on the value of the taxable securities transaction. Taxable securities transaction, payable by both the buyer and the seller, Securities Transaction Tax paid on all buying/selling of securities in the capital markets

COMMODITIES TRANSACTION TAX OR CTT

CTT is a tax levied on exchange-traded commodity derivatives in India on the lines of the Securities Transaction Tax or STT , a tax imposed on the purchase and sale of securities and their derivatives traded on stock exchanges in the local market.

Demand for the tax been renewed

Currently, transaction tax is levied only on equity cash and equity derivatives transactions . The argument is that since transaction charge is a well established tax system in the equity market, the same should be replicated in commodity futures trading too. Proponents of the tax further point out that imposing a transaction tax on commodity derivatives will provide a level playing field between equity and commodity trading markets.

Commodity Exchanges Oppositing CTT

According to commodity exchanges, exchange traded commodity derivatives are risk management platforms for hedging against adverse price movement. CTT on commodity derivatives could increase the cost of hedging transactions, impair hedging efficiency and drive out hedgers, they say. They also fear that imposing CTT will boost illegal dabba trading.

Dabba trading is an illegal market in which participants do not have to pay margin requirements, mark-to-market margins, transaction fee and taxes.

Budget 2013-14

There is no distinction between derivative trading in the securities market and derivative trading in the commodities market, only the underlying asset is different. It is time to introduce Commodities Transaction Tax (CTT) in a limited way. FM propose to levy CTT on non-agricultural commodities futures contracts at the same rate as on equity futures, that is at 0.01 percent of the price of the trade. Trading in commodity derivatives will not be considered as a 'speculative transaction' and CTT shall be allowed as deduction if the income from such transaction forms part of business income.

De-Oiled Rice Bran Cake

After crude oil has been extracted from rice bran, de oiled rice bran (DORB) is obtained. After crude oil has been extracted from Rice Bran, De-Oiled Rice Bran (DORB) is obtained. DORB is widely used in manufacture of:

i) Cattle Feed,
ii) Fish Feed,
iii) Dog Feed,
iv) Chicken Feed,
v) Horse Feed,
vi) Pig Feed
vii) As a fuel for boilers
viii) sodium silicate ,
ix) silica gel ,
x) insulation bricks

Main Contents of De-Oiled Rice Bran Cake:

i) Protein - Upto 17%
ii) Fibre - Upto 14%
iii) Moisture - Upto 12%
iv) Sand & Silica- Upto 5%

Financial Sector Legislative Reforms Commission

The Finance Minister announced the formation of the Financial Sector Legislative Reforms Commission (FSLRC) during his Budget speech of 2011-2012 to rewrite and harmonize financial sector legislations, rules and regulations. This had become necessary as the institutional framework governing India's financial sector was built over a century. The Resolution notifying the FSLRC was issued by the Government on 24 March 2011. The FSLRC is required to submit its findings within a period of 24 months.

The **Terms of Reference** of the Commission include the following:

(i) Examining the architecture of the legislative and regulatory system governing the Financial sector in India,

(ii) Examine if legislation should mandate statement of principles of legislative intent behind every piece of subordinate legislation in order to make the purposive intent of the legislation clear and transparent to users of the law and to the Courts.

(iii) Examine if public feedback for draft subordinate legislation should be made mandatory, with exception for emergency measures.

(iv) Examine prescription of parameters for invocation of emergency powers where regulatory action may be taken on ex parte basis.

(v) Examine the interplay of exchange controls under FEMA and FDI Policy with other regulatory regimes within the financial sector.

(vi) Examine the most appropriate means of oversight over regulators and their autonomy from government.

(vii) Examine the need for re-statement of the law and immediate repeal of any out-dated legislation on the basis of judicial decisions and policy shifts in the last two decades of the financial sector post-liberalisation.

(viii) Examination of issues of data privacy and protection of consumer of financial services in the Indian market.

(ix) Examination of legislation relating to the role of information technology in the delivery of financial services in India, and their effectiveness.

(x) Examination of all recommendations already made by various expert committees set up by the government and by regulators and to implement measures that can be easily accepted.

(xi) Examine the role of state governments and legislatures in ensuring a smooth interstate financial services infrastructure in India.

(xii) Examination of any other related issues.

The **Commission** will propose the following structure, **featuring seven agencies:**

1. A central bank, that does monetary policy, and enforces the consumer pro-tection law and micro-prudential law in the elds of banking and payments;
2. A unified financial regulatory agency, which enforces the consumer protec-tion law and micro-prudential law in all nance other than banking and payments;
3. A resolution agency which implements the proposed law on resolution of financial firms;
4. The Financial Sector Appellate Tribunal (FSAT), which hears appeals against all financial regulatory agencies;
5. The Financial Redressal Agency (FRA), which addresses consumer com-plaints across the entire nancial system; FRA would have front-ends inevery district of India, where consumers of all nancial products would be able to submit complaints
6. The Financial Stability and Development Council (FSDC).
7. An independent debt management office.

At a conceptual level, it is proposed that RBI will perform three func-tions: monetary policy, regulation and supervision of banking in enforcing the proposed consumer protection law and the proposed micro-prudential law, and regulation and supervision of payment systems in enforcing these two laws.

The commission will have its **Headquarters** in Delhi

GENERATION BASED INCENTIVES

India has an ambitious target of acquiring 15% of its power needs, or 80,000 MW, from renewable sources by 2020, with an investment of Rs 1.5 lakh crore. Wind energy was pegged as a key growth driver with the sector targeting 15,000 MW of new capacity in the next five years. India has a total installed renewable energy capacity of 26,000 MW, which comprises mainly wind power of 18,275 MW.

Under the scheme for wind power, a GBI @ Rs. 0.50 per unit of electricity fed into the grid is provided for a period not less than 4 years and a maximum period of 10 years with a cap of Rs. 1 crore per MW per year. The scheme is in parallel with accelerated depreciation but on a mutually exclusive manner.

GBI,generation based incentives,type of benefit which was about 50 paise a unit with a ceiling of Rs. 1 crore per megawatt a year. Without this incentive, the Return on Equity (RoE) of these projects dipped so low that banks were not willing to finance them. Those willing to do so quoted high interest rates. In such a scenario, none of the new projects have come up in the past year barring implementation of projects that had already completed all the formalities

In terms of wind power capacity : Tamil Nadu, Maharashtra and Gujarat Karnataka

Similarly, the proposal to reduce the cost of renewable energy by providing funds at low interest rates from the National Clean Energy Fund to the Indian Renewable Energy Development Agency for lending to renewable energy projects too is expected to provide some support for the green energy projects. Presently they pay a high interest rate of up to 13.5 per cent.

KELKAR COMMITTEE REPORT ON FISCAL CONSOLIDATION

Salient features of the report submitted on **3 September 2012**

- The economy is on the edge of a "fiscal precipice" and if the government does not cut subsidies on fuels, food and fertilizers, the budget deficit could touch 6.1 per cent of gross domestic product in the current fiscal year
- Failing to tackle the fiscal deficit means that the country could potentially face a worse situation than the balance-of-payments crisis in 1991
- Failing to curb subsidies would see a flight of foreign capital and a potential downgrade.
- In case of food and fertilizer subsidies, the Committee wants the government to increase urea prices and raise issue price of food grains at ration shops.
- The Committee also suggested that over the next two to three years, the government should raise resources by selling unutilized and under-utilized land of public sector undertakings, port trusts, Railways, etc., to fund infrastructure sector.
- The Budget disinvestment target of Rs.30,000 crore, the panel said, could be met by selling minority stakes in companies like SUUTI, Hindustan Zinc and Balco.
- The panel also recommended a comprehensive review of the Direct Taxes Code Bill and bringing in more services in the tax net. It suggested amendment of the law to make quoting PAN or the UID mandatory in all electronic transactions, including bank accounts, fixed deposits with banks, salary payments and immovable property transactions, irrespective of the amount or level of transaction.
- Online verification of PAN could be made mandatory for high value transactions to reduce use of black money, it said. It also pitched for expediting implementation of the Goods and Services Tax regime.
- Immediately increase the price of diesel by Rs.4 per litre, kerosene Rs2 per litre and of LPG Rs.50 per cylinder.
- Increase in prices of petroleum products and deregulation of diesel prices by 2014-15.
- Prices of kerosene and LPG should be revised regularly.
- Increase in fertilizer prices.

- No action will result in a fiscal deficit of 6.1 per cent of GDP in 2012-13.
- Fiscal deficit should be reduced to 3.9 per cent in 2014-15 .
- Subsidy estimates likely to shoot up by Rs.70,000 crore.
- If no policy interventions are made, disinvestment receipts would stand at around Rs.10,000 crore.
- Remove the system of levy (subsidized) sugar and controls on the flow of non-levy sugar.
- Direct transfer of cash subsidies may be more efficient way of reaching the beneficiaries

Multilateral Development Bank

A multilateral development bank (MDB) is an institution, created by a group of countries, that provides financing and professional advising for the purpose of development. MDBs have large memberships including both developed donor countries and developing borrower countries. MDBs finance projects in the form of long-term loans at market rates, very-long-term loans (also known as credits) below market rates, and through grants. Furthermore, an MDB offers financial advice regarding development projects.

The best-known multilateral development bank is the Word Bank, which extends loans and credits to a plethora of countries. Other popular MDBs include the African Development Bank and the Asian Development Bank.

The following are usually classified as the main MDBs:

- World Bank
- European Investment Bank
- African Development Bank
- Asian Development Bank
- European Bank for Reconstruction and Development
- Inter-American Development Bank Group

NALANDA UNIVERSITY

History of the university

Some historical studies suggest that the University of Nalanda was established during the reign of a king called Úakrâditya, of the Gupta Dynasty. Both Xuanzang and Prajñavarman cite him as the founder, as does a seal discovered at the site.

One of the world's first residential university as it had dormitories for students. It is also one of the most famous universities. In its heyday, it accommodated over 10,000 students and 2,000 teachers

Destruction and Demise

According to records of history, Nalanda University was destroyed three times by invaders, but only rebuilt twice.

The **first time** was by the Huns under Mihirakula during the reign of Skandagupta (455-467 AD). But Skanda's successors promptly undertook the restoration, improving it with even grander buildings, and endowed it with enough resources to let the university sustain itself in the longer term.

The **second** destruction came with an assault by the Gaudas in the early 7th century. This time, the Hindu king Harshavardhana (606-648 AD) restored the Buddhist university.

The **final** blow came when it was violently destroyed in an Afghan attack led by Bakhtiyar Khilji in 1193. This event is seen by scholars as a late milestone in the decline of Buddhism in India. The Persian historian Minhaj-i-Siraj, in his chronicle the Tabaquat-I-Nasiri, reported that thousands of monks were burned alive and thousands beheaded as Khilji tried his best to uproot

Buddhism. The gigantic nine floor library containing millions of manuscripts and books when set to fire burnt for 6 months according to many stories.

Nalanda International University (also known as University of Nalanda or Nalanda University) is the name of a proposed university in Nalanda, Bihar, India. The first academic session is set to start from 2014. The university is a plan for reviving and re-establishing Nalanda University which was one of the oldest ancient center of higher learning

International Funding

In 2006,Singapore, China, India, Japan, and other nations, announced a proposed plan to restore and revive the ancient site as Nalanda International University.

Japan and Singapore are financing the construction work, with contributions totalling around US$100 million .The State Government of Bihar handed over 443 acres of sprawling land acquired from local people, to the University, where construction work has begun. It is a dream project of the former Indian president APJ Abdul Kalam.

Governing Board

In 2007, the Government of India constituted a Nalanda Mentor Group (NMG) under the Chairmanship of Professor Amartya Sen to examine the framework of international cooperation, and proposed structure of partnership, which would govern the establishment of this University as an international centre of education. The University of Nalanda is proposed to be established under the aegis of the East Asia Summit (EAS), as a regional initiative. The NMG also has representatives from Singapore, China, Japan and Thailand

The **Nalanda Museum** contains a number of manuscripts, and shows many examples of the items that have been excavated. India's first Multimedia Museum was opened on 26 January 2008, which recreates the history of Nalanda using a 3D animation film narrated by Shekhar Suman. Besides this there are four more sections in the Multimedia Museum: Geographical Perspective, Historical Perspective, Hall of Nalanda and Revival of Nalanda.

Non-Banking Financial Company (NBFC)

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/ debentures/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company (Residuary non-banking company).

NBFCs are doing functions similar to banks. What is difference between banks & NBFCs?

NBFCs are doing functions akin to that of banks; however there are a few differences:

(i) an NBFC cannot accept demand deposits;

(ii) an NBFC is not a part of the payment and settlement system and as such an NBFC cannot issue cheques drawn on itself

(iii) deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available for NBFC depositors unlike in case of banks.

Is it necessary that every NBFC should be registered with RBI?

In terms of Section 45-IA of the RBI Act, 1934, it is mandatory that every NBFC should be registered with RBI to commence or carry on any business of non-banking financial institution as defined in clause (a) of Section 45 I of the RBI Act, 1934.

National Skill Development Corporation, India

The National Skill Development Corporation India (NSDC) is a one of its kind, Public Private Partnership in India. It aims to promote skill development by catalyzing creation of large, quality, for-profit vocational institutions. It provides funding to build scalable, for-profit vocational training initiatives. Its mandate is also to enable support systems such as quality assurance, information systems and train the trainer academies either directly or through partnerships.

Vision

The NSDC was set up as part of a national skill development mission to fulfill the growing need in India for skilled manpower across sectors and narrow the existing gap between the demand and supply of skills.

The Finance Minister announced the formation of the National Skill Development Corporation (NSDC) in his Budget Speech (2008-09):

"...There is a compelling need to launch a world class skill development programme in Mission mode that will address the challenge of imparting the skills required by a growing economy. Both the structure and the leadership of the Mission must be such that the programme can be scaled up quickly to cover the whole country."

Objective

To contribute significantly (about 30 per cent) to the overall target of skilling / upskilling 500 million people in India by 2022, mainly by fostering private sector initiatives in skill development programmes and providing funding.

Mission Statement

Upgrade skills to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance

Enhance, support and coordinate private sector initiatives for skill development through appropriate Public-Private Partnership (PPP) models; strive for significant operational and financial involvement from the private sector

Focus on underprivileged sections of society and backward regions of the country thereby enabling a move out of poverty; similarly, focus significantly on the unorganized or informal sector workforce.

Play the role of a "market-maker" by bringing financing, particularly in sectors where market mechanisms are ineffective or missing

Prioritize initiatives that can have a multiplier or catalytic effect as opposed to one-off impact

Organisation Overview

NSDC is a first-of-its-kind Public-Private Partnership (PPP) in India that facilitates skill development. A large part of its efforts are directed at skill development programmes in the unorganised sector.

NSDC acts as a catalyst in skill development by providing funding to enterprises, companies and organisations that provide skill training. It will also develop appropriate models to enhance, support and coordinate private sector initiatives.

The differentiated focus for the 21 sectors under NSDC's purview and its understanding of their viability will make every sector attractive to private investment.

NSDC Structure

NSDC is a not- for- profit company set up by the Ministry of Finance, under Section 25 of the Companies Act. It has an equity base of Rs 10 crore, of which the Government of India accounts for 49%, while the private sector has the balance 51%.

To ensure superior decision-making, the NSDC requires a structure and governance model that provides it with autonomy, stature and continuity. Thus, the organisation has a tiered decision-making structure comprising:

The Board of Directors
Board Sub Committees
Executive Council
National Skill Development Fund (NSDF)

Each has a clear-cut role in the NSDC's operations, activities and strategy to facilitate the organisation's mandate of coordinating and stimulating private sector skill development programmes with enhanced flexibility and effectiveness.

The 13-member board has four government nominees, one of whom is the chairman of the corporation (from the private sector) and eight are private sector members. The NSDF is a 100% government-owned trust that invests in the NSDC, and is run by professional fund managers.

Banking Ombudsman Scheme

The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.

Banking Ombudsman

The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.

Banks covered under the Banking Ombudsman Scheme, 2006

All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

Pradhan Mantri Gram Sadak Yojana –II (PMGSY-II)

Objective

It is proposed that PMGSY-II consolidates the existing rural road network. It would cover upgradation of existing selected rural roads based on a criterion to make the roadnetwork vibrant. The selection of routes would be with the objective of identification of rural growth centres and other critical rural hubs, rural places of importance (connectivity to other growth poles, market, rural hub, tourist places etc.). Development of Rural Hubs & growth centres are crucial to the overall strategy of facilitating poverty reduction through creating rural infrastructures. Growth centres/rural hubs provide markets, banking and other service facilities enabling and enhancing self employment and livelihood facilities.

They also help ensure raw materials and labour inputs for off-farm activities. They will also help bring the benefits of economic growth to the rural hinterland, including white goods, automobiles etc. PMGSY-II, by recognising growth centres/rural hubs and facilitating their connectivity to the hinterland will catalyse livelihood based programmes, including the Nation Rural Livelihoods Mission (NRLM) launched in the 12th FYP.

Eligibility and Targets:

All the States and Union Territories would be eligible to participate in PMGSY-II. A State/UT can join once substantial number of its PMGSY-I projects are awarded and commitments towards updation of OMMAS, maintenance and renewal of rural roads have been implemented. The programme will focus on upgradation of through routes within the State specific targets.

Under PMGSY-II, the length covered for upgradation can be linked to a certain percentage of the upgradation per se target funded by GoI (this does not include renewal target funded by the States which is 2/3 of this target) under PMGSY-I. A suggestive percentage of upgradation could be 25% of the PMGSY-I upgradation per se target for each State and UT in the country. This would put the PMGSY-II cap at around 50,000 km. It should be mandatory that the State/ UT is not under arrears for annual maintenance and renewal of the PMGSY-I network and also renewal target (2/3rd of Central upgradation per se target) under their maintenance responsibility as per PMGSY-I guidelines.

It is proposed that the Central allocation for this programme during the 12th Plan may be limited to say 15-20 percent of the annual PMGSY budget of the Ministry of Rural Development so that completion of the ongoing programme under the PMGSY-I including the coverage of Selected Tribal and Backward districts under Integrated Action Plan(IAP), can be run smoothly.

Proposed Strategy:

With this background, it is appropriate to design a PMGSY-II to build and consolidate the achievements under PMGSY-I. The strategic framework proposed for addressing the issue is proposed as follows:

(i) It is proposed to revise the main District Rural Roads Plans (DRRPs) rather than limit the process only to Core-Network. DRRPs will be prepared on GIS platform to undertake an assessment of existing traffic and its projections, importance of roads etc. It is envisaged to undertake Upgradation to IRC Standards of Critical Through Routes that linkrural growth centres. The States may make a selection primarily of Through Routes, out of the DRRPs based on the parameters such as:

a) Growth centre

b) Traffic volume and projected traffic growth after 5 years and 10 years as per Traffic Studies.

c) Condition of the roads.

d) Importance of Roads (connectivity to other growth poles, market, rural hub, tourist places etc.).

e) 'Micro-logistic networks' encompassing cold chain, warehousing, transport etc.

(ii) It is proposed to Upgrade selected through routes to PMGSY-I standards and some selected Through Routes to MDR Standards based on traffic studies and projections.

(iii) The projects in (i) and (ii) would comprise of upgradation, maintenance, renewal and maintenance during the project life cycle.

(iv) PMGSY-II works would be put under area based Batch Maintenance contracts through a performance based Maintenance Management System.Initially, the States which have substantially completed PMGSY-I could be given priority on sharing basis of funding say, 50:50 basis i.e. half by the Centre and half by the States, subject to their meeting maintenance, quality & Management bench marks.

(v) A key condition would be that all other MDRs and Through Routes and at least 50% of Link Routes under the DRRP be put under area based Batch Maintenance and an agreement by the States to provide the requisite funds will be an essential requirement toparticipate in the programme.

Proposed duration of the PMGSY-II Scheme:

It is tentatively expected to complete the PMGSY-II over a period of 16 years starting 2012-13. This would include upgradation (year 1), 5-year maintenance (years 2 to 6), renewal (year 7) and another 5-year maintenance (years 8 to 12) totalling a 12-years cycle for the first batch. Tentatively, the project would be completed by the year 2027-28.

RAJIV GANDHI EQUITY SAVINGS SCHEME

Salient features of Rajiv Gandhi Equity Savings Scheme

The Finance Act, 2012 for the first time introduced a special scheme to provide for tax deduction in respect of investments in equities. The salient features are as under :-

- The scheme is applicable only to individuals. Thus, the benefit of tax deduction is not available to any other category of tax payer.
- The maximum deduction will be on investment up to Rs. 50,000 .
- The deduction will be at the rate of 50 per cent of the amount invested in equity shares.
- The total income of the individual should not exceed Rs. 10 lakhs. The income limit will be raised from '10,00,000 to '12,00,000 (BUDGET 2013-14)
- The assessee should be new retail investor in shares.
- There would be lock in period of three years.

Lock-in period

Unlike other tax-saving schemes, the lockin period here is split in two. The first year is a fixed lock-in and the investor cannot sell, pledge or hypothecate the shares. The next two years are flexible and he can sell, but has to buy other eligible securities with the proceeds. All eligible securities in an RGESS designated account are automatically subject to the lock-in periods.

What are your savings?

While there is no restriction on investment, only Rs 50,000 is considered for tax purposes. Of this, only 50%, or Rs 25,000, is allowed as deduction. Since RGESS is for people with income less than Rs 12 lakh.

Budget 2013-14

Rajiv Gandhi Equity Savings Scheme will be liberalised to enable the first time investor to invest in mutual funds as well as listed shares and she can do so, not in one year alone, but in three successive years. The income limit will beraised from '10,00,000 to Rs.12,00,000;

RANGACHARY COMMITTEE

Prime Minister Manmohan Singh has constituted a committee to review taxation of development centres and the information technology sector in a bid to provide clarity on these issues. It will be headed by former N Rangachary, former chairman, Central Board of Direct Taxes as well as Insurance Development & Regulatory Authority.

The Rangachary panel will finalise the approach to taxation of Development Centres and the IT Sector by August 31, 2012. It will also suggest clarifications and changes that may be needed to remove ambiguity and provide clarity on taxation of the IT Sector.The committee will engage in consultations with stakeholders and related government departments to finalise the 'Safe Harbour provisions' announced in Budget 2010 sector-by-sector. It will also suggest the approach to taxation of development centres.

The statement said the committee will finalise Safe Harbour Rules individually, sector-by-sector, in a staggered manner and submit draft provisions for three sectors/sub- activities each month starting September 30, 2012. All Safe Harbour provisions expected to be finalised by December 31, 2012. "The overall goal is to have a fair tax system in line with best international practice which will promote India's software industry and promote India as a destination for investment and for establishment of development centres.

Safe Harbour Provisions

1. A legal provision to reduce or eliminate liability as long as good faith is demonstrated.
2. A form of shark repellent implemented by a target company acquiring a business that is so poorly regulated that the target itself is less attractive. In effect, this gives the target company a "safe harbour."
3. An accounting method that avoids legal or tax regulations and allows for a simpler method (usually) of determining a tax consequence than those methods described by the precise language of the tax code.

The rules, once introduced, will lend an investment friendly image to India. It will also put an end to the requirement of collecting huge amount of data regarding transfer pricing transactions, thereby saving time and energy.

Tax regimes of many developed nations such as Australia, New Zealand and Canada have incorporated safe harbour rules in their tax laws to provide clarity on the tax liability of multi-national companies operating in their countries.

Budget 2013-14

Finance Minister have issued a circular covering IT sector exports and will shortly issue a circular covering Development Centres. Rules on Safe Harbour will be issued after examining the reports of the Committee, the last of which is expected by 31.3.2013

MSME (Micro, Small and Medium Enterprises)

Definition of MSME

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

(a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:
  - (i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
  - (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
  - (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

(b) Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.

A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and

A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Status of lending by banks to this sector

Bank's lending to the Micro and Small Enterprises is reckoned for priority sector advances. Lending to Medium enterprises is not eligible to be included for the purpose of computation of priority sector lending.

Priority Sector Lending

Priority sector lending include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises.

Status of loans granted to Khadi and Village Industries Sector (KVI)

All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant and machinery will be treated as loans to the micro enterprises segment within the MSE Sector and covered under priority sector advances.

Targets prescribed for lending by banks to MSMEs

As per extant policy, certain targets have been prescribed for banks for lending to the Micro and Small enterprise (MSE) sector. The targets for domestic banks and foreign banks are slightly different keeping in mind the limited presence of the foreign banks. The domestic commercial banks are expected to enlarge credit to priority sector and ensure that priority sector advances (which include the micro and small enterprises sector) constitute 40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:

(a) 40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh ;

(b) 20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. Thus, 60 per cent of MSE advances should go to the micro enterprises.

(c) While banks are advised to achieve the 60% target as above, the allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.

For Foreign banks the targets are the same except that Foreign banks are expected to enlarge credit to priority sector and ensure that priority sector advances (which includes the MSE sector) constitute 32 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Within the overall target of 32 per cent to be achieved by foreign banks, the advances to MSE sector should not be less than 10 per cent of the adjusted net bank credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Cluster Financing

Cluster based approach to lending is intended to provide a full-service approach to cater to the diverse needs of the MSE sector which may be achieved through extending banking services to recognized MSE clusters. A cluster based approach may be more beneficial (a) in dealing with well-defined and recognized groups (b) availability of appropriate information for risk assessment (c) monitoring by the lending institutions and (d) reduction in costs.

The banks have, therefore, been advised to treat it as a thrust area and increasingly adopt the same for SME financing. United Nations Industrial Development Organisation (UNIDO) has identified 388 clusters spread over 21 states in various parts of the country. The Ministry of Micro, Small and Medium Enterprises has also approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, banks have been advised to take appropriate measures to improve the credit flow to the identified clusters of micro and small entrepreneurs from the Minorities Communities residing in the minority concentrated districts of the country.

Sick Unit

As per the extant guidelines, a unit is considered as sick when any of the borrowal account of the unit remains substandard for more than 6 months or there is erosion in the net worth due to accumulated cash losses to the extent of 50% of its net worth during the previous accounting year and the unit has been in commercial production for at least two years. The criteria will enable banks to detect sickness at an early stage and facilitate corrective action for revival of the unit.

Reserve Bank of India on New Banks

Key features of the guidelines are:

(i) **Eligible Promoters:** Entities / groups in the private sector, entities in public sector and Non-Banking Financial Companies (NBFCs) shall be eligible to set up a bank through a wholly-owned Non-Operative Financial Holding Company (NOFHC).

(ii) **'Fit and Proper' criteria:** Entities / groups should have a past record of sound credentials and integrity, be financially sound with a successful track record of 10 years. For this purpose, RBI may seek feedback from other regulators and enforcement and investigative agencies.

(iii) **Corporate structure of the NOFHC:** The NOFHC shall be wholly owned by the Promoter / Promoter Group. The NOFHC shall hold the bank as well as all the other financial services entities of the group.

(iv) **Minimum voting equity capital requirements for banks and shareholding by NOFHC:** The initial minimum paid-up voting equity capital for a bank shall be '5 billion. The NOFHC shall initially hold a minimum of 40 per cent of the paid-up voting equity capital of the bank which shall be locked in for a period of five years and which shall be brought down to 15 per cent within 12 years. The bank shall get its shares listed on the stock exchanges within three years of the commencement of business by the bank.

(v) **Regulatory framework:** The bank will be governed by the provisions of the relevant Acts, relevant Statutes and the Directives, Prudential regulations and other Guidelines/Instructions issued by RBI and other regulators. The NOFHC shall be registered as a non-banking finance company (NBFC) with the RBI and will be governed by a separate set of directions issued by RBI.

(vi) **Foreign shareholding in the bank:** The aggregate non-resident shareholding in the new bank shall not exceed 49% for the first 5 years after which it will be as per the extant policy.

(vii) **Corporate governance of NOFHC:** At least 50% of the Directors of the NOFHC should be independent directors. The corporate structure should not impede effective supervision of the bank and the NOFHC on a consolidated basis by RBI.

(viii) **Prudential norms for the NOFHC:** The prudential norms will be applied to NOFHC both on stand-alone as well as on a consolidated basis and the norms would be on similar lines as that of the bank.

(ix) **Exposure norms:** The NOFHC and the bank shall not have any exposure to the Promoter Group. The bank shall not invest in the equity / debt capital instruments of any financial entities held by the NOFHC.

(x) **Business Plan for the bank:** The business plan should be realistic and viable and should address how the bank proposes to achieve financial inclusion.

(xi) **Other conditions for the bank :**

❖The Board of the bank should have a majority of independent Directors.

❖The bank shall open at least 25 per cent of its branches in unbanked rural centres (population upto 9,999 as per the latest census)

❖The bank shall comply with the priority sector lending targets and sub-targets as applicable to the existing domestic banks.

❖Banks promoted by groups having 40 per cent or more assets/income from non-financial business will require RBI's prior approval for raising paid-up voting equity capital beyond '10 billion for every block of '5 billion.

❖Any non-compliance of terms and conditions will attract penal measures including cancellation of licence of the bank.

(xii) **Additional conditions for NBFCs promoting / converting into a bank :** Existing NBFCs, if considered eligible, may be permitted to promote a new bank or convert themselves into banks.

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Rashtriya Madhyamik Shiksha Abhiyan

This scheme was launched in March, 2009 with the objective to enhance access to secondary education and to improve its quality. The implementation of the scheme started from 2009-10. It is envisaged to achieve an enrolment rate of 75% from 52.26% in 2005-06 at secondary stage within 5 years of implementation of the scheme by providing a secondary school within a reasonable distance of any habitation. The other objectives include improving quality of education imparted at secondary level through making all secondary schools conform to prescribed norms, removing gender, socio-economic and disability barriers, providing universal access to secondary level education by 2017, i.e., by the end of 12th Five Year Plan and achieving universal retention by 2020.

The scheme is being implemented by the State government societies established for implementation of the scheme. The central share is released to the implementing agency directly. The applicable State share is also released to the implementing agency by the respective State Governments.

(i) special focus in micro planning (ii) preference to Ashram schools in upgradation (iii) preference to areas with concentration of SC/ST/Minority for opening of schools (iv) special enrolment drive for the weaker section (v) more female teachers in schools; and (vi) separate toilet blocks for girls.

During the 11th Five Year Plan, the Central Government bore 75% of the project expenditure during the 11th Plan, with the remaining 25% being borne by State Governments. However, funding pattern was 90:10 for North Eastern States.

Technology Upgradation Fund Scheme (TUFS)

The “flagship” Scheme of the Ministry of Textiles, is the scheme for modernisation and technology upgradation in the textile sector.

This Scheme aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-ofthe-art technology so that its viability and competitiveness in the domestic as well as international markets may enhance.

The need of modernization of the India Textile Industry

Multi Fiber Agreement (MFA) has been integrated into WTO package. As per Agreement on Textile and Clothing (ATC), from 1st January, 2005 the quota has been removed in respect of exports from India to any where in the world. Such change will increase competition not only in the international market, but also in the domestic market. To meet the challenges the industry is required to become competitive, cost effective and quality oriented. Though industry is gearing itself for this challenge, but simultaneous help and assistance is required from Government of India particularly for modernization of industry.

The Technology Upgradation Fund Scheme (TUFS) was launched on 01.04.1999 for 5 years. It was subsequently extended up to 31.3.2007. The Scheme has been restructured w.e.f. 28.4.2011 and approved upto 31.03.2012**, In the current budget Finance Minister announce , Technology Upgradation Fund Scheme (TUFS) to continue in 12th Plan with an investment target of ‘ 1,51,000 crore.**

Salient features of the Technology Upgradation Fund Scheme (TUFS)

a) It is a Plan Scheme.
b) It aims at providing capital for modernization of Indian textile industry at international interest rate.
c) Technology levels are benchmarked in terms of specified machinery.
d) Segments such as spinning, cotton ginning & pressing, silk reeling & twisting

Wool scouring, combing and carpet industry, synthetic filament yarn texturising,crimping and twisting, Viscose Filament Yarn (VFY) / Viscose Staple Fibre (VSF), weaving/knitting, fabric embroidery and technical textiles including nonwovens, garment, design studio, made-up manufacturing, processing of fibres yarns, fabrics, garments and made-ups and the jute industry are eligible to avail subsidy under this Scheme for their technology upgradation requirements.

TUFS is not implemented effectively in NER

TUFS is not a region specific scheme. The Scheme is entirely demand driven. The design of the scheme is non-discriminatory and all inclusive. There is no cap on projects under the scheme. The scheme in spite of being investor friendly has not able to attract investment, as the North Eastern Region is not a textile activity region. There is neither easy availability of raw materials nor markets exist for sale of production.

WAFER FABRICATION

Wafer fabrication is a procedure composed of many repeated sequential processes to produce complete electrical or photonic circuits. Examples include production of radio frequency (RF) amplifiers, LEDs, optical computer components, and CPUs forcomputers. Wafer fabrication is used to build components with the necessary electrical structures.

The silicon wafers start out blank and pure. The circuits are built in layers in clean rooms. First, photo-sensitive resistance patterns are photo-masked in micrometer detail onto the wafers' surface. The wafers are then exposed to short-wave ultravioletlight and the unexposed areas are thus etched away and cleaned. Hot chemical vaporsare deposited on to the desired zones and baked in high heat, which permeate the vapors into the desired zones. In some cases, ions, such as O2+ or O+, are implanted in precise patterns and at a specific depth by using RF-driven ion sources.

These steps are often repeated many hundreds of times, depending on the complexity of the desired circuit and its connections.

New processes to accomplish each of these steps with better resolution and in improved ways emerge every year, with the result of constantly changing technology in the wafer fabrication industry. New technologies result in denser packing of minuscule surface features such as transistors and micro-electro-mechanical systems (MEMS). This increased density continues the trend often cited as Moore's Law.

A fab is a common term for where these processes are accomplished. Often the fab is owned by the company that sells the chips, such as AMD, Intel, Texas Instruments, orFreescale. A foundry is a fab at which semiconductor chips or wafers are fabricated to order for third party companies that sell the chip, such as fabs owned by Taiwan Semiconductor Manufacturing Company (TSMC), United Microelectronics Corporation(UMC) and Semiconductor Manufacturing International Corporation (SMIC).

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