THE MANAGEMENT ACCOUNTANT

ISSN 0972-3528

December 2020 | VOL 55 | NO. 12 | Pages - 124 | ₹ 100

INDIAN MSMEs: KEY TO ECONOMIC ReSTART

Journal of

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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

MISSION STATEMENT

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

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a **CMA**

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

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

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Lodhi Road, New Delhi - 110003

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DECEMBER 2020

December VOL 55 NO.12 ₹100

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

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

The Management Accountant, official organ of The Institute of Cost Accountants of India, established in 1944 (founder member of IFAC, SAFA and CAPA)

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PRINTER & PUBLISHER - Dr. Ketharaju Siva Venkata Sesha Giri Rao
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PRINTED AT - Spenta Multimedia Pvt. Ltd., Plot 15, 16 & 21/1
Village - Chikhloli, Morivali, MIDC, Ambernath (West), Dist: Thane - 421505
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PUBLISHED FROM - The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

CHAIRMAN, JOURNAL & PUBLICATIONS COMMITTEE -
CMA (Dr.) K Ch A V S N Murthy

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

The Management Accountant technical data

Periodicity : Monthly
Language : English

Overall Size: - 26.5 cm x 19.5 cm

Subscription
Inland: ₹1,000 p.a or ₹100 for a single copy
Overseas: US$ 150 by airmail

Concessional subscription rates for registered students of the Institute:
₹300 p.a or ₹30 for a single copy

The Management Accountant Journal is Indexed and Listed at:
- Index Copernicus and J-gate
- Global Impact and Quality factor (2015):0.563

EDITORIAL

Greetings!!!

Micro, small and medium Enterprises (MSMEs) are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). In terms of exports, they are an integral part of the supply chain and contribute about 48% of the overall exports. MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India. Number of MSMEs in the domestic defence production sector till Q2 FY20 had increased 21 per cent from the entire FY19; the increase in MSMEs share in India's defence manufacturing space is gaining significance amid the Government's focus on leveraging small businesses and start-ups in the defence sector.

To ensure that MSMEs continue to lead the country towards economic growth, the Government of India has from time to time announced various schemes to support the development of this sector. Recently, in view of the economic hardship caused by COVID-19, the government has announced few important schemes under 'Aatmanirbhar Bharat' i.e. Self-reliant India initiative. Accordingly, the criterion for classifying MSME has also been revised. Under the revised criterion, the combined factors of 'Investment in plant and machinery' and 'Turnover' are required to be considered to determine whether a business should be classified as a micro, small or a medium enterprise. After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the Aatmanirbhar Bharat package on 13th May, 2020 to bring more MSME enterprises under the purview of being classified as MSMEs so that they can reap benefits associated with it and grow under the watchful eyes.

The collateral-free automatic credit line and the subordinate debt to MSMEs may be a game-changer as it will make it lucrative for risk-averse banks to resume lending operations as the government will act as 100 per cent guarantor on both the principal and the interest. The guarantee from the government will ease pressure on banks and other financial institutions as they will not have to make provisions in case the loan account turns into a non-performing one. The Government also announced the creation of 'Fund of Funds' with a corpus of Rs 10,000 crores where the government through the funds will pick up an equity stake in the MSMEs with growth potential and viability. Further, the long-term goal of such equity infusion is to encourage the MSMEs to list on stock exchanges.

Online marketplace for MSMEs is intended to help all market participants, including end-consumers. Affordable products and services and the narrative of 'Make-in-India' and national unity during marketing will be attractive to the cash-strapped consumer. Start-ups are not explicitly covered in the definition of MSME; however, start-ups operating in manufacturing and ancillary services sector especially medical devices, robotics etc. may consider registering themselves as MSME. The host of benefits such as priority lending to cluster financing, exemptions, tax soaps etc. will be available to such start-ups along with the new benefits under Aatma-Nirbhar Bharat Abhiyan (ANBA).

Very recently, the Government has announced that 'The Emergency Credit Line Guarantee Scheme (ECLGS)' for MSMEs will be extended till March 31, 2021. The scheme provides for 20% of outstanding loan amount collateral-free fully guaranteed loan by the government. Rs.2.05 lakh crore has already been sanctioned and Rs.1.4 lakh crore disbursed to 61 lakh borrowers under this scheme as of November 12, 2020. The new package also includes an announcement that Rs.3,000 crore will be given to EXIM Bank for promotion of project exports through Lines of Credit under IDEAS Scheme.

CMAs with their professional expertise can facilitate the MSMEs towards its journey to retain its position as the growth engine of the Indian economy and provide employment to millions of unskilled and semi-skilled people across the country. The role of CMA professionals in helping the MSMEs to plot a course through the obstacles of high fixed cost, low credit worthiness, risk of bankruptcy is immense. They can facilitate the MSMEs to frame a sustainable cost structure. The intricate methods of Target Costing, process costing, standard costing can be best applied by the CMAs to not only help the MSME but also avail government grants.

This issue presents a good number of articles on the cover story *"Indian MSMEs: Key to Economic Restart"* written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at *editor@icmai.in.* We thank all the contributors to this important issue and hope our readers would enjoy the articles.

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

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

January 2021

Theme: Catalytic role of the Banking Sector for India's Economic Revival

Subtopics

- Inclusion of Startups in Priority Sector Lending: a welcome move towards inclusive development of the nation
- Loan Restructuring Scheme for COVID-19 hit stressed borrowers
- Future of Banking post-Covid 19 pandemic
- Credit guarantee to MSMEs in support of Atmanirbhar Bharat Abhiyaan
- Loan Moratorium: an Aid to Ease Financial Stress
- Door Step Banking: a Revolutionary Initiative
- The Digital imperative for Banking in the New Normal
- Emerging Cyber Security Threats in the Banking Sector
- Artificial Intelligence (AI): A major game-changer in the Bank Risk Management
- EASE 3.0 — Smart, Tech-enabled Banking for Aspiring India: Exploring professional scope for CMAs

February 2021

Theme: Healthcare Cost Management in India: The Way forward

Subtopics

- Cost Benefit Analysis (CBA) in Healthcare Industry
- Time-driven Activity Based Cost Model for improved Healthcare Resource Mapping
- Balanced Scorecard: A Powerful Organizational Tool for Strategic Planning and Driving Performance in Healthcare Industry
- Impact of Artificial Intelligence for Cost-Effective Clinical Trials in the New Normal
- Price-Transparency in the age of COVID-19: The growing importance of Cost Accounting
- Health Insurance: Demystify New Challenges, Products, and Opportunities during COVID-19 and beyond
- Wellness Programmes: A remedy for reducing Healthcare Costs
- Frugal Innovation, Digital Health and Data Sciences: the Way forward for India to attain Trillion Dollar Economy
- Government Policies to curb Healthcare Cost and provide affordable Healthcare Services for the mass
- Value Addition to Healthcare: Role of CMAs

March 2021

Theme: Women in the Workplace: Stepping towards Generation Equality

Subtopics

- Social, Political and Legal Dimension of Women Empowerment
- Self Help Group (SHG): An effective approach towards Women Empowerment in India
- Electronic and Print Media: A significant tool to accelerate Women Empowerment
- Dynamic Role of Women in the Workforce
- Factors concerning female participation in the Corporate Sector
- Breaking Barriers: Women Change-makers in this era of digitization
- Gender Equality Efforts by the Government
- Female leaders shaping the future world: Building a New Normal
- Women in Board Rooms
- Women Entrepreneurs in India

April 2021

Theme: Foreign Direct Investment (FDI) and Economic Growth

Subtopics

- Insights on India's FDI Policy
- FDI: Crucial for India's post-Covid growth story
- Reforms and Liberalization of foreign investment policy in Civil Aviation, Coal and Mineral Sector
- FDI in Defence to enhance Self-Reliance
- FDI in SMEs
- Atmanirbhar Bharat Abhiyaan & FDI
- FDI Inflow in the Capital Market
- Foreign Direct Investment process for Startup businesses
- Issues and Prospects surrounding FDI inflows in Information and Broadcasting Sector
- FDI and International Trade Correlations
- Foreign Direct Investment in India: Reporting & Compliance

The Above Subtopics are only suggestive and hence the articles may not be limited to them only.

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

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PRESIDENT'S COMMUNIQUÉ

CMA Biswarup Basu
President
The Institute of Cost Accountants of India

"The one plant should be sown and another be produced cannot happen; whatever seed is sown, a plant of that kind even comes forth."

- Sri Guru Nanak Ji

My Dear Professional Colleagues,

We have come quite close to end of the year 2020 and very soon will be entering to a new year 2021 with new opportunities and challenges. I think the year 2020 made for an invaluable lesson for all of us. Crippled with the pandemic, this year has taught us how much we depend on one another like never before. The downward slide of the economy is a challenge faced globally due to the pandemic coupled with the loss of jobs in India and other parts of the world. Although the path forward may feel uncertain but one thing is very clear that we have to come together, work together, and support each other to overcome these challenges.

The Institute wholeheartedly supported the Government in the fight against the COVID-19 pandemic and has been regularly sharing its suggestions and recommendations which can help the Government and Industry to manage these challenging circumstances. Further, all the possible measures have been taken by the Institute for the convenience of the members, students and other stakeholders of the Institute. I want to assure everyone that the as always, the Institute is fully committed to take every possible step in the overall interest of its members and student community.

Extension of the last date of filing of the Cost Audit Report for the year 2019-20

The Ministry of Corporate Affairs has extended the last date of submission of the Cost Audit Report by the Cost Auditor to the Company / Board of Directors upto December 31, 2020. The circular issued by MCA in this regard is available at: *http://www.mca.gov.in/Ministry/pdf/GeneralCircularNo.38_01122020.pdf*

On the basis of the requests received from the members, the Institute approached the Cost Audit Branch and the Ministry of Corporate Affairs to extend the last date of submission of the Cost Audit Report by the Cost Auditor. We are thankful to the members who raised the concern through their request to the Institute.

Rescheduling of Online Examinations for December, 2020 Term

Considered and based on feedback received from stakeholders, the Institute has rescheduled the examinations for December, 2020 term. The online Intermediate and Final Examinations that were scheduled from 10th – 17th December, 2020 will now be held from 3rd – 10th January, 2021. The revised schedule of the examinations is available on the website of the Institute. I wish the very best to all students who appear for the examination.

Representation for inclusion of Cost Accountants under ECB

I wish to inform the members that the Institute has submitted its representation to the Reserve Bank of India for the Inclusion of 'Cost Accountants' for Certification under External Commercial Borrowings (ECB) Policy.

Representation for inclusion of Cost Accountants under Real Estate (Regulation and Development) Act, 2016

Section 56 of RERA Act allows Cost Accountants to appear before the Appellate Tribunal or Regulatory Authority or the Adjudicating Officer on behalf of the applicant or appellant, but CMAs have not been authorized to certify the cost of the real estate project, apartment, plot or building under section 4(2)(l)(D) of the Real Estate (Regulation and Development)

Act, 2016 which is our sole domain area.

In order to safeguard the interest of millions of home buyers, the Institute has been continuously taking up with the Ministry of Housing & Urban Affairs to authorise Cost Accountants also, for certification under sub-clause (D) of clause (l) of sub-section (2) of section 4 of The Real Estate (Regulations and Development) Act, 2016. The Ministry of Housing & Urban Affairs has forwarded our representation to the Ministry of Corporate Affairs on 2nd November 2020 to furnish its comments.

IFAC Council Meeting 2020

I along with CMA Balwinder Singh, Immediate Past President of the Institute attended the Ordinary Council Meeting of International Federation of Accountants (IFAC) held on 11th to 12th November 2020 through video conferencing.

IIRC Council Meeting

I wish to inform that CMA Balwinder Singh, Immediate Past President and Institute's representative to the Council of International Integrated Reporting Council (IIRC), UK attended the IIRC Council Meeting (Virtual) held on 24th November 2020. IIRC has been continuously working in the corporate reporting field with the drive towards a cohesive, holistic reporting system building momentum. The Council meeting provided a vital opportunity to build on this momentum and to chart the IIRC's next steps. The IIRC team has also been busy consulting on revisions to the <IR> Framework. Over 1,000 individuals attended consultation workgroups, ensuring the feedback received is entrenched in the experiences of preparers and users around the world, this feedback and the proposed revised International <IR> Framework was presented to Council members at the meeting.

7th International Conference (Virtual) on Business Research

I am pleased to inform you that the SRM Institute of Science & Technology invited me and CMA P Raju Iyer, Vice President to deliver welcome address at 7th International Conference on Business Research (ICBR) – 2020 organised by the College of Science and Humanities, Department of Commerce in association with CIMA, ACCA, Hrudyaa and ISDC on 24th & 25th November 2020. Students, scholars and academicians participated in the International Conference on subject of utmost significance.

Conference by Indian Chamber of Commerce

I was invited as Chief Guest to address at the Conference jointly organised by the Indian Chamber of Commerce (ICC) and National Foundation for Corporate Governance on "Corporate Governance: Effective Reporting in the Director's Report" powered by TransUnion CIBIL on 27th November 2020. Welcome address was delivered by Shri Alok Kumar Chattopadhyay, DD & Advisor (F&Admin), Indian Chamber of Commerce. Special Guests for the Conference CS Rupanjana De, PCS, Former Secretary, EIRC –ICSI, CMA D. P Nandy, Sr. Director – ICAI, CS Ashok Purohit, Assistant Company Secretary, Emami Ltd., Mr. Arka Majumdar, Partner, Argus Partners discussed the role & importance of Effective Reporting on Compliance, Disclosure Norms of Directors' Report, Legal Consequence and Resolution of Non-Disclosure.

Webinar by NIRC

I along with CMA P. Raju Iyer, Vice President, CMA Balwinder Singh, Immediate Past President and CMA Vijender Sharma, Chairman PD & CPD Committee and International Affairs Committee participated in the webinar organized by the NIRC of the Institute on "Project Funding & Risk Management Analysis & Interactive Session with Members on Banking and Financing Activities" on 8th November 2020. The webinar was well received by the participants.

Webinar by EIRC

EIRC of the Institute organized a Webinar on "Direct Tax - The Recent Changes in 26AS, New ITR Forms & TDS related issues" on 12th November 2020. Shri Shaikh Shamsher Alam IRS, Additional Commissioner, Income Tax Department, GOI graced the webinar as its Chief Guest. I had the opportunity to address the participants as Special Guest of Honour. CMA P. Raju Iyer, Vice President and CMA Chittaranjan Chattopadhyay, Chairman, Indirect Taxation Committee & BFSI Committee of the Institute participated as Guests of Honour. Guest Speaker was CMA Shymalendu Bhattacharya, Addl. Assistant Director (Trg) (Retd.), Direct Taxes, Regional Training Institute. I congratulate CMA Ashis Banerjee and other members of Managing Committee of EIRC for organising this Webinar to update the members and participants on the recent changes in Direct Taxes w.r.t. Form 26AS, New ITR Forms & TDS related issues.

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

BOARD OF ADVANCED STUDIES & RESEARCH

The Board of Advanced Studies & Research in association with National Institute for Micro, Small and Medium Enterprises (ni-msme), Hyderabad organized a Virtual National Seminar on "Cost Management Strategies for MSMEs in Post COVID-19" on 6th November 2020. I had the opportunity to inaugurate the virtual event along with Ms. S. Glory Swarupa, Director General, ni-msme and the welcome address was delivered by CMA Debasish Mitra, Chairman, Board of Advanced Studies & Research, ICAI. A special address was delivered by CMA P. Raju Iyer, Vice President, ICAI. The vote of thanks was offered by

CMA Dr. D. P. Nandy, Sr. Director, ICAI and Mr. Sandeep Bhatnagar, Director, ni-msme.

Speakers at the technical sessions were Dr. E. Vijaya, Faculty member, ni-msme and CMA Sukrut Mehta, Practicing Cost Accountant. They highlighted two important aspects of the MSME sector - Financial Challenges for MSMEs in Post COVID -19 and Cost Management Strategies for MSMEs in Post COVID -19. The event was participated by a good number of entrepreneurs along with members and students of the Institute.

DIRECTORATE OF CAT

Webint

CAT Directorate Team is appreciated for series of WEBINT organised with a minimum of three per week and at times four numbers in a week, that includes covering various aspects of IND AS, Women's Exclusive - Life and Work Management, Companies ACT 2013 with Companies (Amendment) ACT 2020 and most importantly "Youngsters - Be Entrepreneurs" and unique initiative to encourage youth, passed outs and freshers in practicing field to build up a career and become an entrepreneur.

CAT Meetings and Development

We are glad to share that the expansion of CAT Course of the Institute is wide spreading and Government of India, especially the Ministry of Social Justice, Ministry of Minorities, Ministry of Welfare and Skill Development, Ministry of Finance have appreciated the efforts of the Institute and series of meetings are going on for Institute role for catering the need of the youth of the Country. I compliment all members of the Committee for Accounting Technicians under the Chairmanship of CMA H. Padmanabhan and the officials of the CAT team for their excellent execution.

The CAT Syllabus is in the verge of improving and we compliment the role played by CMA P V Bhattad, Former President, CMA Sushil Behl, Government Nominee and CMA Balwinder Singh, IPP and Chairman, T & EF Committee for major roles and contributions.

Examination Foundation Course (Entry Level) Part - I Examination - January 2021 term

CAT Directorate issued Notification for the Foundation Course (Entry Level) Part - I Examination - January 2021 Term and is scheduled to be held on 17th January, 2021. The examination will be held through online mode wherein candidates can appear using mobile/laptop/desktop/tab from their home only. The last date of receipt of the Examination Application form is 30th December, 2020. I wish students all the best for this exam.

CAT Level II Assessment Tests - November 2020

Though I had informed in my last communiqué about the commencement of CAT Level II Assessment Tests, I reiterate that these tests will be available at the Institute's website till December 31, 2020 only. I urge students, who have already passed Foundation Course (Entry Level) Part-I examination, to take up these tests well in advance to the deadline.

New ROCCs

I am happy to note that the CAT family is continuously growing across the length and breadth of the country. The Directorate of CAT rolled out two new ROCCs in the cities of Deoria, Uttar Pradesh & Vengola P.O. Perumbavoor, Kerala (ROCC code N-245 and S-217 respectively). The establishment of these ROCCs would harness the potential of the CAT Course in these two states.

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

I am pleased to inform you that Institute has introduced the UDIN Amnesty Scheme, 2020 of the Institute of Cost Accountants of India effective for one month from 1st December, 2020 upto 31st December, 2020.

In case(s) where the Practising Cost Accountant has not generated UDIN within 15 days of signing the document from 1st October 2019 to 30th November 2020 are permitted to generate the UDIN under this Amnesty Scheme through UDIN portal of the Institute. For details, refer scheme. Further, the Institute has also revised FAQs on UDIN and same is available at UDIN Portal.

Professional Development and CPD Committee organised a Webint on "A Dialogue on the best practices in Cost Management Accounting An Industry Perspective and Practitioners Perspective" on 7th November, 2020, wherein inaugurated the 1st Batch of online Mandatory Capacity Building Training (e-MCBT). Many Practising Cost Accountants, Insolvency Professionals, Registered Valuers and GST Practitioners participated in the webint.

I appreciate the efforts of PD & CPD Directorate for organizing e-MCBT for the new practitioners who have acquired COP from 1st Feb 2019 to sensitize them with the practical aspects of the allied areas of practice.

PD Directorate sent representation letters by mail to various organizations for inclusion of cost accountants for providing professional services. I am pleased to inform you that on Institute's representation, National Aids Control Organisation (NACO) has sent letter to all project Directors of all State/UT Aids Control Societies for taking appropriate action regarding conducting of Internal Audit/Concurrent Audit by the Cost Accountants.

Please visit the PD Portal for Tenders/EOIs during the month of November 2020, where Cost Accountants are required in Chhattisgarh State Power Transmission Company Limited, Bharat Sanchar Nigam Limited, Uttar Pradesh State Sugar Corporation Limited (UPSSCL), Uranium Corporation of India Limited, NBCC (India) Limited, National Health Mission Haryana, Khurda Road Division-Engineering/ECOR, Rajiv Gandhi University of Knowledge Technologies, West Bengal Compensatory Afforestation Fund Management and Planning Authority (WB CAMPA), Madhya Pradesh Power Generating Company Limited, Central Coalfields Limited (CCL), Bureau of Indian Standards etc.

During the month around sixty webinars were organised by the different committees of the Institute, Regional Councils and Chapters on the topics of professional relevance and importance. We are sure our members are immensely benefited with the deliberations in the sessions.

INTERNATIONAL AFFAIRS COMMITTEE

I wish to inform that the Institute has submitted a proposal to all Foreign Diplomatic Missions in India to impart Cost & Management Accounting Course in their respective countries and also sought their valuable inputs to enable the Institute to frame strategies and actions plan to take forward the proposed initiative of the Institute.

CMA Vijender Sharma, Chairman, International Affairs Committee along with CMA B.B. Goyal, Advisor, ICWAI MARF & Former Addl. Chief Adviser, Ministry of Finance, GoI and CMA S. M. Gomes, Director Studies of the Institute had the opportunity to meet HE Mr. Tahir Qadiry, Charge d'affaires and Mr. Sediqullah Sahar, Education Attaché for the Embassy of Islamic Republic of Afghanistan on 26th November 2020, H.E. Dr. Roger Gopaul, High Commissioner for the Republic of Trinidad and Tobago, and Mr. Sebastian Beliwine, Charge d'Affaires and Mr. Ernest Nana Adjei, Minister-Counsellor/ Political & Economic officer of Ghana High Commission on 1st December 2020 to discuss the proposal submitted by the Institute to impart CMA Course.

TECHNICAL CELL

I wish to inform that in order to conduct wider consultations with regulators, industry associations and other stakeholders, the Technical Cell of the Institute has released Exposure Draft of the Concept Paper on Treatment of Finance Cost in Cost Statements seeking views of all stakeholders whether Interest & Finance Cost should be included in the Cost of Production or in the Cost of Sales. The paper contains arguments, both in favour of continuing with the existing practice of treating interest & finance cost as part of cost of sales and also those in support of changing the existing practice & including it in the cost of production. The Concept Paper shall be finalised by the Technical Cell in the light of suggestions/ comments received from the stakeholders. The exposure draft is available on the website of the Institute and can also be reached at *https://icmai.in/icmai/Technical_Cell/Concept_Paper.php.*

I urge the members to submit their views / comments / suggestions on the Exposure Draft latest by 16th December 2020 through email at *technicalcell@icmai.in.*

TAX RESEARCH DEPARTMENT

The examinations for all the Taxation Courses have been undertaken on the 8th of November, 2020 and 71% of the total candidates who appeared have cleared the examination successfully. We wish Good luck to all the candidates. The Pre-Budget Memorandum 2021-22 has been compiled separately both for Direct and Indirect Taxation and thereafter they have been submitted to the Ministry of Finance for its consideration. The Tax Bulletin's 74th and 75th issues have been released. Classes for all the Taxation Courses- (i) Certificate Course on GST, (ii) Advanced Certificate Course on GST, (iii) Certificate Course on Filing of Returns, (iv) Certificate Course on TDS are going on seamlessly. Apart from these, Crash Course on GST has been completed for the students of Sapient College of Mysore and Exam had also been conducted.

BANKING, FINANCIAL SERVICES AND INSURANCE COMMITTEE

The Committee conducted a webinar on "Get Ready for LIBOR Phase Out 2021" on 29th October, 2020 and also a WEBINT on the topic "How to Prepare for IBBI Limited Insolvency Examination? (Old Syllabus upto 31.12.2020 only)" on 8th November, 2020 by our eminent resource person CMA Dr. P.Siva Rama Prasad, Former AGM of SBI.

- **Launch of the 2nd Batch of Certificate Courses of BFSI Department**

  The department has also started admission for the three Certificate Courses namely Certificate Course on Concurrent Audit of Banks, Certificate Course on Credit Management of Banks and Certificate Course on Treasury and International Banking. The members are requested to enroll at the earliest as the courses are conducted for Capacity Building and Skill Development.

- **Conduct of Examination of BFSI Courses**

  The BFSI candidates for the 1st batch for the courses appeared for the examination during 28th to 30th November 2020 through Test from Home (TFH) format in the Post COVID-19 environment. Earlier, the Department has concluded the mock test scheduled for the Certificate Course on Concurrent Audit of Banks, Certificate Course on Credit Management of Banks and Certificate Course on Treasury and International Banking.

- **Certificate Course on Investment Management in association with NISM**

  The Department has started the 1st batch of 50 participants for the certificate course on Investment Management in association with NISM from 18th October, 2020. The 2nd batch admissions have also started and it is tentatively scheduled to start from 2nd week of December, 2020. We hope the members and the students would take the opportunity in taking registration in the course of capital markets.

- **Memorandum of Association with National Insurance Academy**

  The Institute of Cost Accountants of India will soon enter into a Memorandum of Association with the National Insurance Academy and thereafter a course in Insurance would be launched in collaboration with the Institute. It would benefit the members, students and others to update themselves in the Insurance domain.

REGIONAL COUNCIL AND CHAPTERS COORDINATION COMMITTEE

The Committee under the Chairmanship of CMA (Dr.) K Ch A V S N Murthy has recommended the constitution of 2 new Chapters, the details of which will be published in due course by way of Notification. The committee will also be organising online regional meets with the respective region and chapters to address all issues at the regional and chapter levels.

MEMBERSHIP DEPARTMENT

The month of November 2020 witnessed the granting of 109 new Associate memberships and upgradation of 33 Associate members to Fellowship. I warmly welcome and congratulate all the members.

Under the guidance of CMA (Dr.) V Murali, Chairman of the Members Facilities Committee, the membership department in collaboration with the Information Technology Committee headed by CMA Ashwinkumar G. Dalwadi is working towards building a very robust but user friendly integrated members' online system which will offer members superior user experience to the one existing now.

MEMBERS IN INDUSTRY COMMITTEE

The Committee under the Chairmanship of CMA Debasish Mitra held its first 2020-21 term meeting during the month of November 2020. Among other activities the committee will be focusing on holding Industry Summits, Interactive Meetings and bringing out publications.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to share that ICMAI RVO has taken the following initiatives during the month of November 2020:

- 9th Online Batch for Securities or Financial Assets
- 5th Online Batch for Land & Building
- 5th Online Batch for Plant & Machinery
- Saturday Webinar on regular basis

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF THE INSTITUTE

Insolvency Professional Agency of the Institute has organized Pre- Registration Training jointly by 3 IPAs during 31st October to 7th November 2020 and 23rd to 29th November 2020, NeSL – Platform for distressed Assets for IPs jointly by 3 IPAs on 4th November 2020 and 30 Hours Certificate Course on Insolvency Bankruptcy Code (Virtual) from 30th October 2020 to 6th November 2020 for the professional development of its members.

I wish prosperity and happiness to members, students and their family on the occasion of Christmas & Season's Greetings and wish them success in all of their endeavours and pray that the year 2021 will usher in a whole new bouquet of health, happiness and prosperity to all.

Stay safe and healthy!

With warm regards,

Biswarup Basu

CMA Biswarup Basu
President
December 1, 2020

Appointment to the Council of International Integrated Reporting Council (IIRC), UK

CMA Balwinder Singh, Immediate Past President and Council Member of the Institute has been appointed to the Council of International Integrated Reporting Council (IIRC), UK as the representative of the Institute of Cost Accountants of India. Link to IIRC website: https://integratedreporting.org/profile/balwinder-singh/

This appointment will provide an opportunity to the Institute to enhance its visibility at the International level and also provide a platform for professional networking. The Institute look forward to make a valuable contribution to the Mission and Vision of IIRC.

About International Integrated Reporting Council (IIRC)

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting.

The IIRC embodies the shared, common interest of a global coalition of parties in the adoption of Integrated Reporting on an international basis as a mean to improve communication about value creation, advance the evolution of corporate reporting, and make a lasting contribution to financial stability and sustainable development.

The IIRC is in the Momentum Phase of its strategy, delivering accelerated action towards our goal for integrated thinking and reporting to be the global norm and building on achievements following the IIRC's breakthrough phase (2014-2018). The IIRC is leveraging the support of its partners to create the scale and pace to deliver a step change in adoption.

CS Ashish Garg, President, ICSI along with CS Manish Gupta, Council Member, ICSI and CS Asish Mohan, Secretary, ICSI visited Delhi office of the Institute to meet CMA Biswarup Basu, President, CMA P Raju Iyer, Vice President and CMA Balwinder Singh, Immediate Past President of the Institute.

CMA Vijender Sharma, Chairman, International Affairs Committee and PD & CPD Committee along with CMA B.B. Goyal, Advisor, ICWAI MARF & Former Addl. Chief Adviser (Cost), Ministry of Finance, GoI and CMA S. M. Gomes, Director Studies of the Institute met with H.E. Dr. Roger Gopaul, High Commissioner for the Republic of Trinidad and Tobago on 1st December 2020 to discuss the proposal submitted by the Institute to impart Cost & Management Accounting Course in Trinidad and Tobago.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Udin

AMNESTY SCHEME, 2020

Opening Date:
1st December 2020

Closing Date:
31st December 2020

*All **UDINs** to be generated from the date UDIN made mandatory (i.e. 1st October, 2019) up to 30th November, 2020 shall be eligible for conditions of UDIN under UDIN Amnesty Scheme, 2020 of the Institute of Cost Accountants of India.*

In case(s) where the Practicing Cost Accountant has not generated UDIN within 15 days of signing the document from 1st October, 2019 to 30th November, 2020 are permitted to generate the UDIN under this Amnesty Scheme through UDIN portal of the Institute.

UDIN Portal: ***https://eicmai.in/udin/Home.aspx***

For details refer to the UDIN Amnesty Scheme, 2020

CMA Vijender Sharma
Chairman
Professional Development &
CPD Committee, ICAI

CMA P. Raju Iyer
Vice President, ICAI

CMA Biswarup Basu
President, ICAI

Follow us on

Behind every successful business decision, there is always a CMA

MSME AND ITS IMPACT ON INDIAN ECONOMY

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Abstract

Small businesses are the backbone of any economy. Micro, small and medium enterprises provide employment and economic opportunities to millions of Indians. The growth of MSME will bring the underprivileged to a good position in the economy. Instead of making the rich richer, overall growth will make a prosperous India.

Small businesses are the backbone of any economy. There may be thousands of large scale industries in any country which may employ lakhs of persons, but if the micro enterprises are not in good shape, the economy is bound to suffer.

Micro, small and medium enterprises provide employment and economic opportunities to millions of Indians. It has been the lifeline of rural and semi-rural population.

History of MSME:

For the last 50 years or so, there has been a massive shift in employment preferences. The youth of the country is either running after engineering degrees or after government jobs. This was not always the scenario. Let us take the example of Hooghly industrial belt. For almost 100 years, this region was undoubtedly the most industrialized zone in India. There were large and medium scale factories making varied products. The large factories mainly jute, electrical and automobile, used to operate in this region. They employed thousands of unskilled, semi-skilled and skilled manpower. Apart from them, there were many ancillary industries operating in the districts of Howrah, Hooghly and North 24 Parganas, with Howrah being the market leader.

These ancillary factories made small fabrication work and other ancillary engineering works. Many were involved in repairs and maintenance jobs. Some worked as job workers. These business houses were mostly family owned, and they employed many people. People from the districts of Midnapore and other parts of Howrah flocked to Howrah to work for these small companies. The pay might not have been at par with those working for Jute mills, but the working conditions were certainly better!

These factories were not exactly MSME, but their organizational structure definitely makes them MSME.

Shifting focus on clerical jobs:

The partition of India had a tremendous effect on the life and economy of Bengal. Bengal saw a huge number of refugees coming in from East Pakistan. The raw material for jute, the largest industry in East India went to Bangladesh (then East Pakistan) and the factories remained here.

On one hand the refugee crisis saw huge demand for jobs, on the other hand jute industry faced existential crisis. Soon the situation resulted in strikes, which gave rise to demand for clerical government jobs. By the time the seventies arrived the changing geo-politics and other factors caused one after another factories started shutting down.

With decline in industries, the small engineering concerns in Howrah and Hooghly started dwindling. People no longer felt safe working for private enterprises. They now preferred to do government jobs. Even the young generations from business families started losing interest in business and preferred migrating to big cities like Delhi, Mumbai, Bangalore or they moved abroad.

Stagnation of industries in Eastern India:

The 1950's and 1960's saw rapid industrialization of Bengal. Durgapur, Kalyani and Kharagpur were predicted to host a number of medium and big industries. Things went good for the initial couple of years. But things started to change in the 1970's. Due to various geo-political reasons, there was rapid de-industrialization in Eastern India. Even though the Public Sector Companies like Durgapur Steel Plant, Alloy Steel Plant Durgapur, DVC, Coal India has kept their factories running, companies like MAMC have been shut for a long time. Many companies have been incurring losses. Many PSUs have either been shut down or are running with lesser capacities. This has effected the small engineering and other units that have been directly or indirectly dependant on these big organisations.

MSME & job growth:

Long before the Great Indian start-up competition, there was the Swadeshi movement that attracted bright minds to start their own companies at small and medium levels. While some faded away and some have remained medium for more than 80 years, some of these concerns have grown big and contributed in revenue generation for the government and a major job creator in the market.

Reviving the economy and MSME:

In today's world of globalization, people have started to go local again. This means that instead of making big organisations bigger, many people have focussed on procuring things at local stores.

This is true for every aspect and segment in the industry. Let us discuss with a couple of illustrations.

Case 1: Today more and more people are willing to buy organic food and purchase fruits and vegetables from the local market instead of purchasing them from big retail units. Also, big retailers have understood the changing taste of people and started keeping organic fruits and vegetables in their outlets.

This will enhance the local economy a lot. Local organic farmers, poultry farmers, livestock owners will get a boost. Local fruits will be revived again. With the local community benefitting from the changing buying habits of the people, this will definitely enhance more revenue generation at district and block level.

Case 2: If any area has a big factory or economic establishment, these big organisations should encourage local village and rural level entrepreneurs to come up with their own small engineering units. Once these big organisations start purchasing a portion of their requirement from these small and medium enterprises in local level, the local block and district level community will start boosting.

Case 3: We have read about the Vedic age economy where the work of the village was distributed in such a way that each and every member of the village was involved in economic activity within their own village.

If we can revive the same way of economic upliftment today, we can prosper evenly. Whenever anybody travels in the small villages in Central India, they can see that *haat* or village fair are held in every such village. People bring small quantity of coconut from their own garden to bulls and oxen's to trade. This is a real life example of working in block level through MSME mode.

Role of big industries:

Big companies should always focus on running industries rather than thinking about making profit only. Though profit is very essential and the sole purpose of being in business is to earn profit, they always have bigger role to play when it comes to developing the local economy.

They should always procure a part of goods and services from the local businessmen who are working in the same district. This will boost their purchasing power and in turn will help to develop the area more.

Along with their corporate social responsibility, this type of economic responsibility will also enhance the lifestyle of the local people.

Conclusion:

We can conclude by the fact that countries having more MSME and co-operative organisations have always tended to be prosperous as a community. Wealth, instead of being surplus within a limited number of persons can be distributed among the masses if we can empower them with small and medium enterprises and going local.

While we do need big business houses to run big industries, these industries in turn should promote thousands of small and medium enterprises that will cater to them while providing jobs to lakhs of people staying in the rural and semi-urban areas.

True empowerment lies in economic freedom and working for themselves is always better than working for someone else. MA

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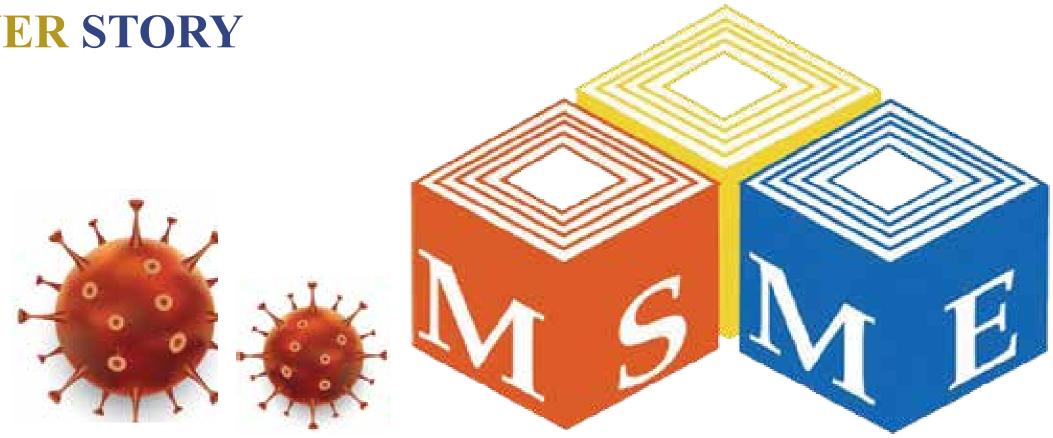


REVIVAL OF MSMEs (POST COVID-19) - STRATEGY OF CMAs

Abstract

There has been an unprecedented slowdown due to Covid-19 and MSMEs are worst affected. Given their pivotal role in Indian economy, urgent measures need to be taken for their survival, revival and growth. Indian Government has taken various initiatives including Atma Nirbhar Package, however, still majority MSMEs are looking for timely guidance and hand holding at this critical phase. CMAs are known for rich experience in finance, domain expertise in cost management and sound knowledge of Indian regulatory mechanism. CMAs can play role as 'Economic Warrior' while offering customised strategy for revival of ailing MSMEs which will in turn boost up economic growth and help our grand nation to be 'USD 5 Trillion' economy soon.

CMA Amar R Kakaria
Director
Fusion Advisors Private Limited, Mumbai

CMA Mandar Zalkikar
Debt Syndication Specialist
Mumbai

In our great country of more than 135 crore Indians, there are nearly 6.5 crore micro, small and medium enterprises (MSMEs) which are providing employment to 11 crore citizens ~ equivalent to one third of domestic workforce. Historically, MSMEs have grown at faster pace than Indian economy at 10% p.a. besides contributing in excess of 30% of GDP. MSMEs also contribute for 40% of total exports and 45% of total manufactured output in India. Despite being such a vibrant sector, majority of MSMEs have often struggled to grow due to lack of timely financing and the situation is even worse after Covid-19 pandemic.

Historically, India had adopted very conservative norms for MSMEs by keeping lower investment limit for both – manufacturing and services sector. However, despite doing good business, many enterprises were not trying to grow in order to enjoy benefits offered by government. Hence, an urgency was felt to introduce new norms with common structure across both the categories. In order to bring more enterprises under MSMEs category, new rationalised pattern has been adopted with dual criteria of turnover as well as investments made.

L = Lakhs Cr = Crores	Old Norms for Manufacturing	Old Norms for Services	New Norms for Manufacturing & Services
Micro	Investment < 25 L	Investment < 10 L	Investment < 1 Cr Turnover < 5 Cr
Small	Investment < 5 Cr	Investment <2 Cr	Investment < 10 Cr Turnover < 50 Cr
Medium	Investment <10 Cr	Investment <5 Cr	Investment < 50 Cr Turnover < 250 Cr

Benefits for Registration with Udyam Portal:

Government of India has offered a free one-time registration facility to MSMEs through its Udyam portal and various incentives are available to registered entities. Traders are not allowed to do MSME registration and only manufacturing or service sector units can register with Udyam. Despite having 6.5 crores MSMEs, hardly 25% of them have been registered due to lack of awareness about following key benefits among the businessmen:

1. Priority sector lending under Credit Guarantee Trust Fund (CGTMSE) for
   a. Overdraft interest rate concession of 1%
   b. Collateral free loans to micro and small enterprises
2. Benefits of sourcing capital goods to start business
   a. Credit Linked Capital Subsidy Scheme (CLCSS) for purchasing machinery & technologies
   b. Export Promotion of Capital Goods (EPCG) to allow import of capital goods at zero duty
3. 50% subsidy on patent registration & eligibility for industrial promotion scheme
4. Concessional rate of electricity tariff from few state electricity boards
5. Reimbursement of ISO certification charges
6. Better financing terms @ TReDS ~ RXIL, M1xchange, Invoicemart, etc
7. Protection against delayed payment and allowed to seek interest after 45 days
8. Newly introduced 'Samadhaan - Sambandh – Sampark' scheme for empowerment
9. More than 30 schemes are available online at www.champions.gov.in

There is an urgent need to create awareness about above schemes offered for the benefits of business enterprises so that maximum entities can avail desired benefits. As per MSME definition, even practising CMA firms can avail above benefits for themselves after registering on Udyam portal.

Start-ups – Niche but Powerful Segment of MSMEs

As per Department of Promotion of Industry & Internal Trade (DPIIT), any firm or company having innovative approach as well as scalable business model with a high potential to create wealth and employment can register as start-up provided it is less than 10 years old and annual turnover is less than Rs 100 crores since inception. Following is category-wise data with DPIIT as on July 2020:

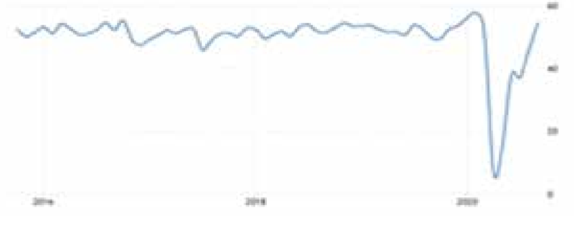
- Total Registrations: 61,300
- DPIIT Recognition: 32,849
- Eligibility for Angel Tax Benefits: 1,658
- Eligibility for 80-IAC benefits (IMB) – 266

In order to promote innovation, development and improvement of key products, processes or services, Government of India has offered 100+ benefits to start-ups by launching special Startup India initiative. As a result, India is currently third largest ecosystem in the world after USA and China. Several local companies have started accessing international markets and even, many of them have secured good investments from investors. However, due to Covid-19 meltdown, large number of start-ups are facing critical challenges and they urgent need help.

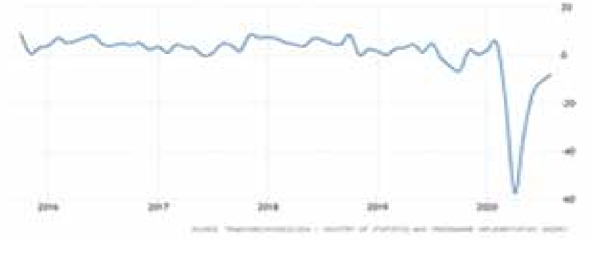
Massive Destruction due to Covid-19

Capital markets shrunk by 30% in a span of just few days in March 2020, while key indicators like Industrial Production as well as Purchasing Managers' Index touched lifetime low in April 2020.

Composite PMI Index @ 7.20 in April



Industrial Production @declined by 57%



Source: IHS Markit / Trading Economics

There had been an absolute bloodbath across all the sectors, however, some selective companies across different sectors made a comeback. We can broadly classify different industries 3 sections as below:

Worst Affected Sectors	Moderately Affected Sectors	Least Affected Sectors
Aviation	Textiles	IT / ITES
Real Estate	Logistics	Education
Automobiles	Oil & Gas	Pharmaceuticals
Travel & Tourism	Metals & Mining	FMCG / Consumables

Irrespective of the category to which the company belongs to, everyone is needing money at this critical time. While worst affected and moderately affected companies are needing money for survival, less affected companies are looking to grow inorganically by acquiring good targets at cheaper rates.

Utmost Support from Government to MSMEs

Given the massive impact of Covid-19 pandemic and unprecedented slowdown, Government of India had taken various measures for survival, revival and growth of MSMEs. Following are some key measures:

1. Launched liberalised working capital scheme for funding upto 5 crores with reduced margins ~ 10% on stock and 15% on receivables
2. Speedy processing of tax refunds of Rs 1.18 lakh crores to more than 33.5 lakh taxpayers with an intention to introduce liquidity in the system
3. Incremental assistance with Atmanirbhar Package
   - Rs 3 lakh crores collateral free automatic loans
   - Rs 20000 crores subordinate debt for stressed assets
   - Rs 50000 crores equity infusion through "Fund of Funds" for listed companies
4. Many incentives offered for reducing cash outflow of MSMEs
   - Reduction in TDS & EPF rates to offer more cash in hand
   - Global tendering allowed only for projects beyond Rs 200 crores
   - Relaxation in provisions under Insolvency & Bankruptcy Code in case of default
   - Guidance to PSUs / Government departments for releasing payment in 45 days

Though Government has taken various measures which can help MSMEs to revive, many of them are not properly aware of the same and hence, they continue to face challenges. Guidance from CMAs can be helpful for them to understand various schemes and take applicable benefits under them.

MSMEs Need Timely Guidance for Revival

CMAs need to Devise Customised Strategy

Since inception, CMAs have earned a leading position and high reputation by providing top quality services to industry in diverse areas viz. audits, accounting, tax planning, legal advisory, statutory registrations & compliances, etc. Due to Covid-19, entire economy has gone for a revamp and now CMAs will have to tap new trends by using their domain expertise to meet special requirements of clients in emerging areas viz. start-ups, loan funding, IBC protection, risk management, M&A advisory, private equity funding, stock exchange listing, etc.

Every industry has its own peculiar features and even different enterprises in any given industry have their unique characteristics. Hence, CMAs will have to use their rich experience, business knowledge and domain expertise to develop customised strategy for different MSMEs. Following key factors can be considered in this process:

1. **Cash Management:** 'Cash is the King' is universal truth and CMAs need to educate businessmen about importance of cash while assisting them to
   - Develop customised MIS alongwith cash budgeting system
   - Set up 'Cash Control Room' to take all decisions related to cash
2. **Focus on Revenue Maximization:** Efforts need to be made for maximizing revenues while using existing resources to
   - Explore alternate revenue streams
   - Develop opportunity pipeline using technology
3. **Receivable & Payable Management:** Working capital management will be a key to quick revival and hence, topmost importance should be given for receivable and payable management.
   - Support critical vendors but with re-negotiated terms
   - Approach banks / NBFCs for temporary loans / factoring
4. **Cost Reductions:** CMAs are cost champions and so, they need to use their expertise for overall cost reduction across the organisation in order to
   - Convert fixed cost to variable cost
   - Reduce employee costs with rationalised workforce
   - Hire on-demand reinforcements in lieu of

maintaining own team may help

5. **Availing Statutory Benefits:** Government of India has introduced various schemes besides Atmanirbhar Package and so, CMAs need to motivate MSMEs about availing benefits under them.
   - Prior registration with Udyam portal is mandatory
   - Eligible MSMEs may even get registered as Start-up and avail more benefits
6. **Exploring Alternative Funding Options:** Availing loans from banks is a traditional avenue of funding, but many companies have been successful in raising equity funding from investors. With merely 12 lakh registered companies, there is limited awareness about corporatisation in India but CMAs can spread it faster and then, use their network to raise funds for those companies on attractive terms through
   - Venture Capital / Private Equity Funding
   - Accessing Capital Markets to unlock value
7. **Charting Growth Plan:** Due to colossal economic slowdown, numerous enterprises are on the verge of collapse and it provides an opportunity for consolidation in industry. Given the overall liquidity crunch, it may be possible to acquire competitors at discounted value and CMAs can play an active role for
   - Developing M&A roadmap for growth
   - Exploring 'Peer Partnership' for optimum resource utilisation

Key Role of CMAs As Economic Warrior

By playing an important role as 'Covid-19 Warrior', lakhs of doctors & healthcare professionals have saved lives of millions of Indians and every survivor has contributed for the well being of his family. Majority of companies / firms give direct employment to dozens of people and indirectly supporting livelihood of hundreds of individuals. When Indian economy has gone in negative zone now and future is bleak for current fiscal year, numerous enterprises are bleeding and all their stakeholders are getting adversely impacted. Survival of every single enterprise will directly benefit dozens of people directly as well as hundreds of people indirectly and for sure, it will be termed as a true service to our mother nation.

Thousands of CMAs are spread across different parts of India and working closely with millions of enterprises. All CMAs can pro-actively assist MSMEs by playing role of 'Economic Warrior' and quickly support for their survival and revival. Once these businesses manage to revive, it will immediately boost up economic growth besides helping crores of families which have been dependent on those enterprises. Our leaders have kept an ambitious target to grow our great nation to 'USD 5 Trillion' economy soon and despite ongoing slowdown, together we can achieve it with our dedicated efforts. In this era of Covid-19, timely assistance is the must for survival and so, needless to mention:

Behind every survived patient, there is a Doctor as a 'Covid-19 Warrior'

Behind every survived enterprise, there is a CMA as an 'Economic Warrior' MA

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FINTECH'S OUTREACH TO MSME – A FORTUNE OF $380 BILLION CREDIT GAP

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Abstract

MSME in India is the second biggest in the world only surpassed by China. Recently, MSME Classification has put up added criteria of Annual Turnover apart from previous benchmark of Investment with upward limit in each case. Short of supply of degree of quantum of loan compared to demand of MSME has created a huge credit vacuum. Traditional banks and NBFCs cannot match the demand because most MSME companies are predominately unorganized. This has created a windfall opportunity for Fintech companies. So far these Fintech companies have expectedly penetrated a portion of the credit gap. For Fintech companies, it is a long way to go before the credit gap is filled up.

MSME refers to Micro, Small and Medium Enterprises. India's Micro, Small, and Medium Enterprises (MSMEs) is the second biggest in the world followed by China. The MSME covers a varied types of services and is producing of over 6,000 products – ranging from conventional products to latest technology items. Indian's MSME segment is sure to take off further for speedy growth in the near future. Earlier criteria of Micro, Small and Medium Enterprises was dependent on Investment in Plant & Machinery or Equipment separately for Manufacturing Enterprise and Service Enterprise. Current MSME Classification (Updated up to 28-06-2020) has added additional criteria of Annual Turnover **along with earlier criteria of Investment but revised upward limit in each case of Micro**, Small and Medium Enterprises. Both current criteria of **Investment and Annual Turnover are mentioned below along with earlier MSME Classification based on investment and other relevant facts about MSME.**

Earlier and Current MSME Classification

Earlier MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	**Micro**	**Small**	**Medium**
Manufacturing Enterprise	Investment < ₹25 lakhs	Investment < ₹5 Cr.	Investment < ₹10 Cr.
Service Enterprise	Investment < ₹10 lakhs	Investment < ₹2 Cr.	Investment < ₹5 Cr

Source -https://resource.cdn.icai.org/61036cajournal-sep2020-19.pdf

Current MSME Classification (Updated up to 28-06-2020)			
Composite Criteria : Investment and Annual Turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing & Services	Investment < ₹1 Cr. And Turnover < ₹5 Cr.	Investment < ₹10 Cr. And Turnover < ₹50 Cr.	Investment < ₹50 Cr. And Turnover < ₹250 Cr.

Source - https://resource.cdn.icai.org/61036cajournal-sep2020-19.pdf

The other relevant facts of MSMEs in India mentioned below -

I. **The MSME sector comprises of 30% of India's GDP, which will likely be inching to 50% in 2025.**

II. **Number of Registered Enterprises (Upto FY 2019)**

Number of Registered Enterprises	Micro Enterprises	Small Enterprises	Medium Enterprises
6.33 Crores	6.30 Crores	3.31 Lakhs	0.05 Lakhs
Total Percentage	99.40%	0.52%	0.007%

Source- Annual Report of MSME FY2019

III. Number of Registrations done in FY2020-

Total	Micro Enterprises	Small Enterprises	Medium Enterprises
25.12 Lakhs	22.06 Lakhs	2.95 Lakhs	0.11 Lakhs
Total Percentage	87.82%	11.74%	0.44%

Source- Ministry of MSME

IV. Employment Creation - Over 11.10 Crores Indians were employed in micro, small or medium businesses across India in financial year 2019.

Source -Annual Report of MSME FY2019

V. Slice in Exports - The share of MSME related products in total exports from India during FY 2018-19 was 48.10%

One-time Measures by GOI due to COVID 19 –

- 3 lakh crores Collateral free Automatic Loans for Businesses, including MSMEs
- 20,000 crores Subordinate Debt for Stressed MSMEs
- 50,000 crores Equity infusion for MSMEs through Fund of Funds (FoF)

Source-https://www.indiatoday.in/india/story/covid-19-package-nirmala-sitharaman-msme-1677587-2020-05-13

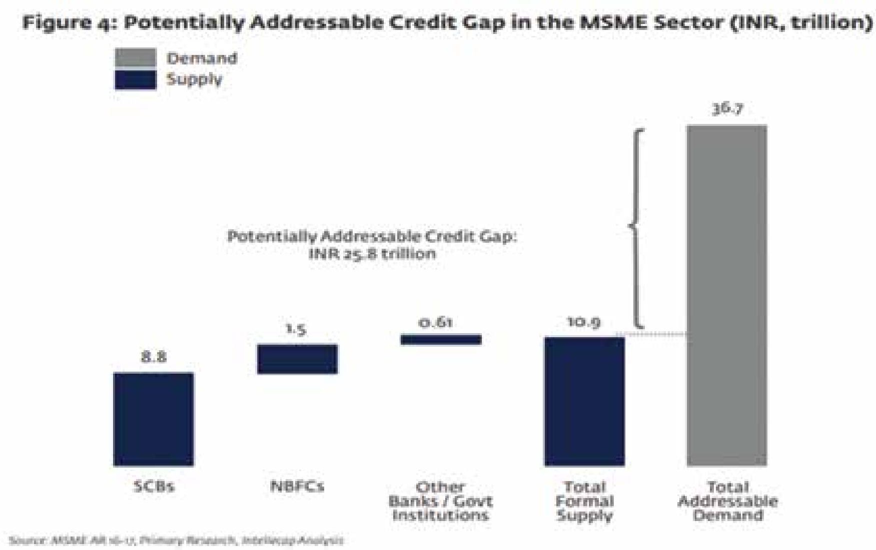
What is Credit Gap in MSME?

The Credit gap is the extent of shortfall of supply of Credit against corresponding Demand of Credit of MSME. The suppliers of credit are institutional like Banks, NBFCs and informal sectors. Informal sector loans are from moneylenders, traders, employers, relatives, friends etc. Characteristics of informal sector loans are: (i) Their credit activities are not regulated by any formal entity and (ii) their interest rates are exorbitant.

Credit Gap in MSME in 2016-17 and 2019-20 ($380 Billion)

From the Figure below, it is evident that **Credit Gap in 2016-17 for MSME was INR 25.8 Trillion** (25.8 Lakh Crores). Total formal credit requirement was INR 36.7 Trillion (36.7Lakh Crores) while total Formal Supply was INR 10.9 Trillion (10.9 Lakh Crores).

Figure 1- Credit Gap in MSME Sector in INR Trillion



Source -https://www.intellecap.com/wp-content/uploads/2019/04/Financing-Indias-MSMEs-Estimation-of-Debt-Requirement-of-MSMEs-in_India.pdf

Upto 2019-20, the requirement for Credit was INR 41.64 Trillion (41.64 Lakh Crores) of which Micro enterprise's credit share were INR 13.32 Tn (13.32Lakh Crores) , small enterprise's credit requirement was for INR 24.57 Tn(24.57 Lakh Crores), and medium enterprise's share was for INR 3.75 Tn (3.75 Lakh Crores) . On the other hand, the total disposal supply was only INR 13.54 Trillion. **Hence, the credit gap in the MSME industry stands for INR 28.10 Trillion (INR 41.64 Tn - INR 13.54 Tn.) or $380 Billion @ conversion rate of Rs.74 in 2019-20. Thus compared to 2016-17, the Credit Gap in MSME in 2019-20 swelled by 9% in INR term (from INR 25.8 Trillion to INR 28.10 Trillion).** Incidentally, **compared to micro-enterprises,** Medium and small firms are better structured to deal with

NBFCs and Banks for mortgage loan.

Why is there a credit gap?

Since **Number of Registered Enterprises in MSME, 99% are** Micro **Enterprises, vast** number of MSMEs have insufficient to zero means and others have not even minimum expertise like how to add a margin to products or submit a loan application. Over 80 per cent of MSME desire to have a loan but cannot approach a Bank or NBFC for credit. Other causes as to why MSME can not afford a borrowing from a Bank/NBFC are -

- Exorbitant interest and processing fee
- Inconvenient procedure
- Clueless about how to proceed
- Filled up form not entertained/refused for loan

Accordingly, in India, most of the MSMEs remain underserved by Banks/NBFCs.

Why are conventional banks not bridging this credit gap?

- The expenses to lend Rs. 5000 to 30,000 (volume of loan is low but in %wise such loans forms a significant number of MSME borrowers) are not cheap for banks and they will not afford to make these attempts.
- Overall, absence of information on the Balance Sheets and other related information of the MSMEs, banks fail to arrive at credit rating
- Absence of Soft Copies of data with Banks hinder their processing of lending and disburse small ticket loans in MSME
- Since most of the MSME loans are unsecured, it is true that unsecured credits are vulnerable for Banks for fear of NPA. Hence, banks go for other viable products which contribute to their bottom line other than as per norms of priority sector.

What FinTech is about?

FinTech, a mix of "financial" and "technology". Word 'Fintech' is applied to elaborate financial technology, a branch which describes any sort of technology in financial services - specially B2C (business to customer). As on day, over 2,174 fintech startups have been established in India for different segments.

How Fintech Got Attracted to MSME Loans for $380 Billion Credit Gap?

$380 Billion Credit Gap (**INR 28.10 Lakh Crores**) is huge and will grow on. In spite of Government initiative during COVID-19 to infuse fund to MSME, the huge credit gap will remain. Hence, it is a windfall opportunity for Fintech. They associate with MSMEs and Indian Markets to offer crowdfunding, MSME credit and other digital credit opportunities. Fintech companies use innovative scoring, online avenues of lending and other traditional banking products for their financial requirements.

A number of aspect is paving way for the companies in the fintech entities to bridge this credit gap. Firstly, one is the persistent push by the government to digitalise MSMEs – via skill development, GST rollout and a widespread accessibility of Aadhaar card has helped to develop millions of KYC which is very much needed for boost on all sides. This has made way for boon to fintech companies to provide information and technology- oriented services to MSMEs. The second contributing aspect is the accessibility of alternate information (cash flows, online reputation etc.) over conventional information like financial assets and mortgage. The third is the accessibility of technology to measure data that can push in building credit models that can be custom-made to various branches of MSMEs.

How Fintech works with MSME loans

Fintech provides 3 major services to its clients:

1. **Data Analysis** – Inspecting, transforming and modeling information to assess the credentials and viability of macro and small companies which comprise of 99% of MSME.

2. **Mobile Technology** provides for disbursing and accepting instant payments and speedy and without interruption approaching for new borrowing.

3. **Artificial Intelligence** – which pushes to approach for credit application process with more ease and to tailor- made them as per the requirement of each client.

Here are some of the best aspects of fintech companies in India:

1. Innovative lending models

Peer to peer lending (P2P) is a type of crowd-funding in online platform wherein connection between borrower and lender is done by concerned Fintech. Fintech negotiates after checking credentials (qualified borrowers) with both of them to arrive at win win situation. Lender releases unsecured loan to borrower via Fintech. Borrower pays EMI with interest to lender via Fintech at specified periodicity.

2. Digital processing of loan and risk assessment

Fintech companies have digitalised to verify the eligibility of sanction of credit and veracity of associated risks. It not only expedites the loan processing in a short time compared to banks, it also further reduces the processing cost. This helps Fintech companies to provide competitive interest rates to their borrowers.

3. Better use of information

Fintech companies do not depend mainly on aspects like prospective clients' credit history. They utilise a vast number of information points depending on customer's online communication to make sure that prospective customers have the financial capability to payback the loan.

4. Full proof security system

Fintech industry lenders use full proof security system to ensure that clients' personal and financial details are kept confidential. They utilise tokens to look at customers' data from other websites and they do not have the option of saving or piling it up. So, there is no possibility of them making use of customer information for any other reason. Special encryption and website security are also employed as security measure to keep sensitive data as confidential.

5. More Loans to More Borrowers

The new fintech industry credit model has pushed avenues to customers like micro business entrepreneurs who realised that it is tough to obtain a loan sanctioned from conventional banks. Such micro business entrepreneurs which comprises more than 99% of the number of enterprises in MSME sector at present will have distinct possibility to obtain a loan without any mortgage, which was earlier impossible.

Current digital lending models in India

Figure 2 -The key digital lending models in India are captured in the table below.

Domain	Key components
P2P lending	Digital marketplaces that connect borrowers (both individuals and organisations) with lenders, allowing quick access to low-cost loans at affordable costs Invoice finance
Invoice financing	Short-term working capital credit to MSMEs, based on their unpaid customer invoices, to meet MSMEs' short-term liquidity requirements
Crowd funding	Digital platforms that enable investees to raise external credit from a large group of investors, by allowing investees to exhibit their business cases, funding requirement and market potential
Pay later loans	Lenders that disburse instant, small-ticket sized loans with the 'buy now and pay later' model for meeting customers' purchases
Mobile lending	Lenders that offer mobile loans to customers by assessing their creditworthiness by leveraging mobile phone data such as call patterns and mobile e-money usage
Digital mortgage	Lenders that facilitate mortgage purchases through end-to-end digitisation of the traditional mortgage loan process, from the application stage to disbursement, through digital channels in order to reduce the high turnaround times prevalent in the existing traditional model
PoS lending	A partnership model with FS lenders where these players finance online shoppers' purchases by utilising both conventional data like bank statements and unconventional data like online transaction history.
Supply chain financing.	Marketplaces that tie up with direct lending NBFCs to target merchants selling their goods and services online, by leveraging the huge amount of merchant data residing on these channels

Source- https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/publications/a-wider-circle-digital-lending-and-the-changing-landscape-of-financial-inclusion.pdf

Why All Fintech Use Cash flow lending and Not Asset Based Lending In MSME?

Asset Based Lending

In Asset-based loans Banks are dependent on client's backup of both fixed and current assets in the balance sheet as mortgage. Such assets comprise real estate, sundry debtors, plant & machinery and all sorts of stocks including raw materials, work-in-progress and finished stock. Asset-based loans are mostly preferred to businesses that have robust balance sheets and need loans so that interruption of future projected sales and EBITDA do not disturb the flow of credit for growth of business.

Cash flow based lending

Cash flow based lending is unsecured credit (opposed to Asset-based loans) which is obtained against future revenue. Cash flow lending is suitable in following circumstances –

1. Cash Flow lending is based on EBITDA (a company's earnings before interest, taxes, depreciation, and amortisation). Such lenders undertake associated risks of the particular industry and also consider the up and down business cycles.
2. Cash flow lending is generally suited to MSMEs that maintain very high margins or quick turnover with lower margin (but because of speedy roll over of turnover, overall margin is reasonably high).
3. Cash flow lending is applicable to MSMEs who do not have tangible or current assets to provide as collateral to be eligible as borrower in certain industries like retail and marketing companies also where cash flow is seasonal and high in winter like greeting card.
4. In a cash-flow based loan, the assessment of the creditworthiness of a borrower is supreme. In other words, judgement of ability to pay back loan in right time within scheduled EMI is main criteria for deciding for being eligible as a borrower. Cash-flow based loan is appropriate for companies with high credit ratings.

Here are some distinctive platforms who provide smooth finance resource for MSMEs in India:-

1. epayLater

ePayLater provides working capital loan to SMEs through online platform for procuring inventory, financing fresh orders or utilize it to make even the cash cycles. This is a 'Buy Now, Pay Later' system where clients can have a loan for prompt procurement. Immediately after registration, a client can get maximum loan of Rs. 20,000. Upto 14 days, client need not pay any interest if he pays back loan within that time. At present, they have tie-up with IRCTC, PVR Cinemas, Industrybuying, Tolexo, Crowit, GoodBox and others. It is an innovative loan product for regular and short term buying online on credit. This avoids trouble for use of credit card frequently and also can purchase in volume when credit limit is enhanced.

2. Capital Float

Born in 2015, Capital Float became one of the biggest online loan platforms for working capital loans and disbursed to more than 160,000 SMEs PAN India. Capital Float employs AI and ML models to assess credit risk for its all products. Its small size credits are fully digitalised and are made using AI. Its flexible, short-term loans are utilised to buy raw materials to execute new orders or remove bottlenecks in working capital cycles. Prospective loan seekers can approach online , tick choose able repayment schedule and get trouble free credit of loan amount in bank accounts in a week. The company till date procured money from market so far $143.6 million.

3. RupeeCircle

Founded in August,2016 in Mumbai with business models like B2C, B2B2C. RupeeCircle is a Peer-to-Peer Lending base that provides collateral free loans to SMEs at lucrative interest rates to ensure speedy boosting their businesses. Upto date, more than 85000 customers in MSME availed loan to the tune of Rupees 100 Million with mean amount of Rs.60,000.

4. Zip Loan

This Fintech arranges loans upto Rs 5 lakh to SMEs to grocery/general stores and small businesses for working capital. In a number of cases, it sanctioned loan in a period of 4 days and upto date, it disbursed 3,500 borrowers. In own company platform, it does credit rating of each loan seeker. It could maintain its non-performing assets (NPA) at less than 2 per cent till date.

5. NeoGrowth

Born in 2012-13, a dealer can access unsecured loan against sales of digital nature (credit/debit card payments, UPI and online sales) almost Pan India across 35 branches in 29 cities. NeoGrowth arranges trouble-free, short-term, collateral free loans to the MSMEs (retailers, wholesalers, professionals) on Point of Sale (PoS) based funding transactions through their own outlets upto Rs.50 lakhs for a duration of 18 to 36 months. MA

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GOVERNMENT PROCUREMENT FROM MSME's
THE PRESENT & THE FUTURE

Abstract

The MSMEs in India are considered to be the real engines of growth for the economy and their healthy participation in Government Procurement will have its own beneficial spin offs to the society. Government is doing a lot to encourage them but still some more things will empower these lilliputs to become economic giants and contribute in nation building.

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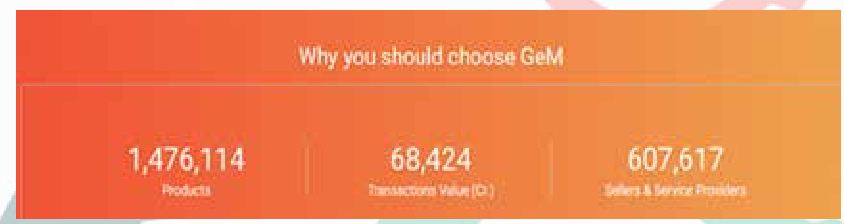
Government in India is a very big procurement engine, this can be seen from the quantum of orders finalised in GeM[1] as per their official site home page:



Note: Status as on 25.10.2020

This is just the tip of the proverbial iceberg since GeM procurement is not yet underway in a full swing. There are still daily Goods and Services that are being added in GeM and there are very many improvements being carried out in the system. Further in future all State Governments are also expected to come on board GeM increasing the transactions multifold.

Being such a big procurement agency, Government procurement is a big hope for the 6.3 crore MSMEs in the country[2]. This number is also prior to the reclassification of MSMEs as below[3]:

[1] *https://gem.gov.in/*

[2] *https://www.financialexpress.com/industry/sme/msme-other-indias-msme-sector-swells-adds-these-many-enterprises-in-fy20-micro-businesses-dominate/1906979/*

[3] *https://economictimes.indiatimes.com/small-biz/sme-sector/finance-minister-announces-revised-msme-definitions-no-different-between-manufacturing-and-service-enterprises/articleshow/75717694.cms*

Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment< Rs. 2 cr.	Investment<Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

Being a model procurement agency which intends to procure with transparency, fairness and equity, the Government wishes to support the MSMEs in supplying to Government.

First of all we need to understand why they need this support. Our Government Procurement ecosystem works predominantly on L1 basis i.e. the lowest bidder gets the order, though the present General Financial Rules 2017 provides for Quality and Cost Based Selection, Life Cycle Costing, etc as options still majority of the cases are decided on the cost component. Considering that to win you need to quote wafer thin margins, it is imperative that to do business with Government, these minnows need support.

Secondly, unless they are supported, they will seldom be able to survive any delays in payment, unfair rejection of supplies, lack of transparency in finalising bids,etc as a result of the infamous corrupt practices of Organisations in the Government System.

The following are the support mechanisms extended by the Government:

1. **Purchase Preference:** Reservation of specific items (358 numbers) for procurement from micro and small enterprises (MSE)[4]
2. MSEs are provided tender documents free of cost and are exempted from payment of earnest money
3. **Price Preference:** In tender, participating Micro and Small Enterprises (MSE) quoting price within price band of L1+15 (fifteen) per cent shall also be allowed to supply a portion of requirement (20%) by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE
4. From 01.04.2019, Government Organisations should procure atleast 25 % of their requirements from MSMEs[5] with sub targets for SC/ST & Women MSME Entrepreneurs.
5. MSMEs and their Payers i.e. Ministries/CPSEs are to onboard Trade Receivables Discounting System (TReDS)platform[6] for easier flow of funds to the MSMEs
6. The buyer is liable to pay compound interest with the monthly rests to the supplier on the amount at the three times of the bank rate notified by RBI in case he does not make payment to the supplier for his supplies of goods or services within 45 days of the acceptance of the goods/service rendered. (Section 16 of The MSMED Act, 2006 -Dealing with Delayed Payment)
7. The latest in line is the levy of interest on GeM procurement beyond 10 days of Consignee Receipt and Acceptance Certificate (CRAC)[7]

For availing the above Services, the MSMEs should be registered as such and now a dedicated single registration to replace all others is being proposed. It is called UDYAM[8]

In case of any dispute the same needs to be registered by the MSME in a portal MSME SAMADHAAN[9] - Delayed Payment Monitoring System run by the Ministry of Micro, Small and Medium enterprises, GoI. The services are being availed actively as per the data available in the portal home page as given below:

[4] *http://www.dcmsme.gov.in/schemes/Listof358itemsReserved.pdf*

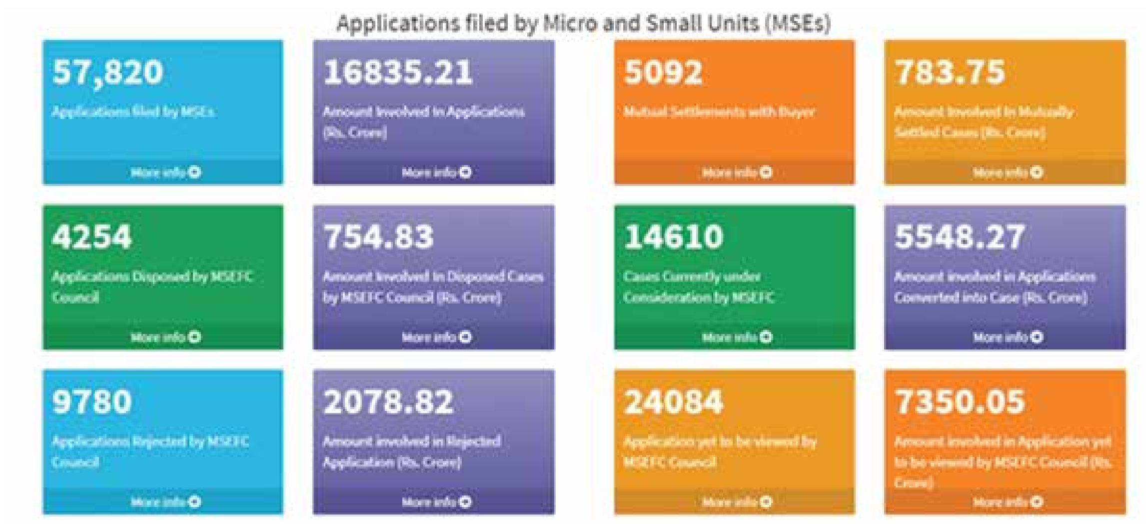
[5] *https://msme.gov.in/public-procurement-policy#:~:text=Every%20Central%20Ministry%20%2FDepartment%20%2F%20PSUs,mandatory%20from%201st%20April%202015*

[6] *https://m.rbi.org.in/scripts/FAQView.aspx?Id=132*

[7] *https://indianexpress.com/article/business/economy/fm-buyers-to-pay-interest-for-late-payment-on-gem-portal-6489059/*

[8] *https://udyamregistration.gov.in/Government-India/Ministry-MSME-registration.htm*

[9] *https://samadhaan.msme.gov.in/MyMsme/MSEFC/MSEFC_Welcome.aspx*



Conclusion:

All these methods seem to be working towards making MSMEs to become partners in the nations growth while securing financial and economic growth and a stable regulatory environment with protection from discrimination and discretion in withholding payments. The status of procurement from MSMEs as on 2019-20 is as detailed below[10]:

Though the procurement from SC/ST & Women MSMEs is not very heartening, the overall purchase percentage is very encouraging. May be by actively pursuing this policy for a few more years and creating target ecosystems in which the sub-targeted MSEs can thrive, this may also be achieved.

Way Forward:

1. Since the multiple agencies doing MSME registration are going to be replaced by the single agency and single registration, the benefits that are given to each agency in various forms should be captured at the unit level. Such data is sorely missing at present.
2. The clarity as to the consistent availability of orders i.e. definite areas identified by Ministries/CPSEs for MSME procurement will do a great deal of good in the area of planning capacities, raw material sourcing, etc. This is also not very clear as on date as can be seen from the concerned page in the MSME Sambandh portal[11]. As per present status only 2 CPSUs have furnished data in format devised by Ministry of MSME.
3. Government & CPSUs always seeks to safeguard their interest when it comes to giving Advance for an order (Para 6.5.1 (ii) d) of Manual for Procurement of Goods 2017 states that "While making any advance payment as above, adequate safeguards in the form of a bank guarantee, and so on, should be obtained from the firm". Likewise, for ensuring the performance of the contract, they insist for Performance Security for an amount of five to ten per cent of the value of the contract as specified in the bid documents. This is dealt with in para 6.1.2 Performance security (Rule 171 of GFR 2017) which states that "To ensure due performance of the contract, performance security (or Performance Bank Guarantee (PBG) or Security Deposit (SD)) is to be obtained from the successful bidder awarded the contract." Though it is imperative on the Government to safeguard its interest and on the MSME to provide the required Guarantee, it unnecessarily

[10] *https://sambandh.msme.gov.in/PPP_index.aspx*
[11] *https://sambandh.msme.gov.in/PPP_Purchaselist.aspx*

places a huge monetary burden on the MSME to keep equivalent amount locked as collateral in the Banks that provide these Bank Guarantees. Earlier NSIC used to mention the monetary limit till which this MSME can be exempted from Security deposit considering various factors but now no such exemption is given. Further for multiple transactions with multiple agencies, multiple documents are required to be submitted. Instead an UDYAM linked revolving BG issue and release system where all the parties are members i.e Ministry, Banks and MSMEs, with partial release for partial completion and overall limit monitoring with entire government business taken as whole and provision for considering pending payments also as guarantee will remove this unnecessary load enhancing the capabilities of MSMEs.

4. As per a recent clarification dated 29.06.2020[12] given by the Public Procurement Division, Dept of Expenditure, Ministry of Finance, GoI, the relaxation on prior turnover and prior experience was applicable only to Start-ups and not to all MSMEs. This may deal a body blow when it comes to the small players who are well past their date of incorporation i.e not start-ups but nevertheless require such exemption in order to participate in Government Procurement bids. This may also need to be reconsidered to bring a more conducive environment for MSMEs. MA

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Ref No.: G/128/11/2020 29th November, 2020

NOTIFICATION

Sub: Postponement of Online Intermediate and Final Examinations for December, 2020 Term

The Institute of Cost Accountants of India has decided to postpone the examinations for December, 2020 term due to unavoidable circumstances. The online Intermediate and Final Examinations that were scheduled from 10th - 17th December, 2020 will now be held from 3rd - 10th January, 2021.

The revised schedule of the examinations in details is enclosed.

CMA Kaushik Banerjee
Secretary

See page no. 121 for schedule

DISPUTE SETTLEMENT MECHANISM UNDER MSME ACT, 2006 & MICRO AND SMALL ENTERPRISES FACILITATION COUNCIL

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Abstract

"Micro Small and Medium Enterprises Development Act,2006 has envisaged setting up of Micro and Small Enterprises Facilitation Councils in each of the States for settlement of the disputes of the MSEs so that the Suppliers recover their payments timely. The Councils are required to first conciliate between the parties and to adjudicate the dispute by arbitration if the conciliation fails. The Councils have been mandated to resolve the disputes within 90 days of the reference made and as such the Councils importance cannot be overemphasized. This dispute settlement mechanism is speedy and inexpensive. The award of the Council can be executed like a decree of the Civil Court. Therefore, there is a need to further strengthen these Councils by providing adequate infrastructure to deal with the reference made to them. The Councils should also be empowered to enforce the awards by themselves instead of relegating the Supplier to Civil Court. Presently, Medium Enterprises cannot make a reference to the Council for resolution of their disputes. The jurisdiction of the Councils, therefore, need to be expanded to include the disputes referred by the Medium Enterprises too. Therefore, the Councils can be said to be the heart of the Act as the mechanism devised helps the MSEs to recover their dues expeditiously."

With a view to facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises (MSMEs), Parliament had enacted Micro, Small and Medium Enterprises Development Act, 2006. What is a Micro, Small and Medium Enterprise has been defined under Section 7(a)(i) (ii) and (iii) as follows:

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty five lakh rupees; (ii) a small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or (iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

In the case of the enterprises engaged in providing or rendering of services, as (i) a micro enterprise is where the investment in equipment does not exceed ten lakh rupees; (ii) a small enterprise is where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or (iii) a medium enterprise is where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Special treatment is envisaged to MSMEs so as to provide supportive measures, exemptions or other favourable treatment under the Act to enable them to maintain their viability and strength. Similarly, to recover the dues from the buyers of the goods or those who availed services from Micro and Small Enterprises, the Act has envisaged setting up of a Facilitation Council called as Micro and Small Enterprises Facilitation Council **(Council).** Since suits filed before the Civil Courts are protracted and long drawn, to provide speedy mechanism, the Act has created a separate jurisdiction in the Council to exclusively deal with the cases of MSEs. This is analogous to the Debt Recovery Tribunals (DRTs) established to exclusively deal with the cases of Banks and Financial Institutions. The framework of these councils and judicial decisions of the courts are discussed in this article.

Section 15 of the Act provides that the buyer of the goods or a person who avails services from MSMEs, shall make payment thereof to the supplier on or before the date agreed upon. The proviso to Section 15 provides that no such agreement between the supplier and the buyer in writing shall exceed forty-five days from the day of supply of goods or rendering of service. Therefore, an MSME cannot allow a buyer the time period of more than 45 days for making payment. Section 16 provides that in the event of default in making payment within 45 days, the buyer shall be liable to pay compound interest with monthly rests to the supplier on that amount from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.

Section 17 of the Act mandates that, the buyer shall be liable to pay the amount with interest thereon as provided under section 16 for any goods supplied or services rendered by the supplier.

It is Section 18 which provides the remedy for non-payment and the procedure for recovery. It provides that any party to a dispute with regard to amount payable may make a reference to the Council.

ESTABLISHMENT OF COUNCILS:

Section20 provides that it is the responsibility of the State Government to establish one or more Councils at various places. All the 36 States/UTs have constituted Councils in their respective states.

As per Section 21 (1), the Council shall consist of not less than three but not more than five members to be appointed from amongst the following categories, namely:— (i) Director of Industries or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small scale industries or micro, small and medium enterprises; and (ii) one or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and (iii) one or more representatives of banks and financial institutions lending to micro or small enterprises; or (iv) one or more persons having special knowledge in the field of industry, finance, law, trade or commerce. (2) The person appointed under clause (i) of sub-section (1) shall be the Chairperson of the Facilitation Council.

REFERENCE TO THE COUNCIL

Section 18 of the Act provides that any party to a dispute may, with regard to any amount due from a buyer, make a reference to the Council.

Section 18(2) provides that on receipt of a reference, the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference an institution or centre for conducting conciliation.

As per Section 18(3), if the conciliation initiated under sub-section (2) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer it to any institution or centre providing alternate dispute resolution services and the provisions of the Arbitration and Conciliation Act, 1996 shall then apply to the dispute.

As per Civil Procedure Code, 1908, generally, jurisdiction of courts to file suit for recovery is where the defendant buyer's registered office is located or the place where a defendant resides or works for gain and hence a suit has to be filed in the place in which the defendant is located. If the same principle is applied to MSMEs, it would prove to be a costly affair for MSMEs and difficult them to bear the costs.

Hence, to reduce the burden of legal costs to MSEs, Section 18(4) provided that the supplier of goods or services can refer the dispute of payment to any Council within whose jurisdiction the supplier is located even though a buyer may be located anywhere in India. Therefore, a Supplier can get justice at his doorstep and recover his payments.

The Andhra Pradesh High Court had, in the case of The Indur District Co-operative Marketing Society Ltd. v. Microplex (India), Hyderabad[1], it was held that the Supplier need not be registered or have their registered office within the jurisdiction of the Facilitation Council but only should be located within the jurisdiction of the Council.

MEDIUM ENTERPRISES EXCLUDED: However, as per the Act, Medium Enterprises are excluded from this facility and they are not entitled to make reference to the Council.

PROCEDURE OF FILING APPLICATIONS:

MSME Samadhaan is a Portal created by the Ministry of Micro, Small and Medium Enterprises (MSME) where Micro and Small Enterprises (MSEs) can file their applications online. Applications can also be filed physically. The application once filed is forwarded automatically online to the Council concerned established by the State/UTs.

TIME LIMIT FOR DECIDING THE DISPUTE BY THE COUNCIL:

The Supplier has been given speedy and inexpensive remedy under the Act to recover his dues. He need not move Civil Courts or invoke arbitration clause in the agreement for recovery of his dues. Adjudication by the Civil Courts is time consuming and takes long time for attaining finality as no time limit is fixed for their resolution. Similarly, 18 months is the time fixed for completion of Arbitration proceedings under Arbitration and Conciliation Act,1996. If there is a delay in recovery of dues, MSMEs may not be able to sustain without regular cash flows. Hence, to provide speedy remedy to the MSMEs, Section 18[(5) of the Act provided that the dispute referred to the Council shall be decided within 90 days of from the date of making such a reference. However, in the case of Fives Stein India Project Pvt. Ltd. Vs.State of Madhya Pradesh[2], it was held by the Madhya Pradesh High Court (Jabalpur Bench) that the time limit of 90 days fixed for deciding the dispute by the Council was not mandatory, but only directory and exceeding the said time limit for passing the award by the Council will not invalidate the proceedings.

COUNCIL TO BE BOTH CONCILIATOR & ARBITRATOR:

Section 19 provides that where a buyer prefers an application for setting aside any decree, award or other order made either by the MSEF Council itself or by any institution or centre providing alternate dispute resolution services to which a reference is made by the Council, such application cannot be entertained by any court unless the appellant (not being a supplier) deposits with it seventy-five per cent of the amount in terms of the decree or award. The Court should also order payment of such percentage of the amount deposited to the supplier pending the decision on the application filed subject to conditions it may impose on the supplier.

Sub-section (2) of Section 18 contemplates of conduct of conciliation either by council itself or by seeking assistance of any institution or centre providing alternate dispute resolution services. Subsection (3) thereof makes a provision for arbitration if the conciliation proceedings between the parties are not successful and stand terminated without any settlement either by the Council itself or by reference to any institution or centre providing alternate dispute resolution services. To such conciliation and such arbitration, the provisions of Sections 65 to 81 of the Arbitration and Conciliation Act, 1996 are made applicable.

In the case of Gujarat State Petronet Ltd. vs. Micro and Small Enterprises Facilitation Council[3], Council had conducted the conciliation proceedings and terminated the same as being unsuccessful and then the Council had itself initiated to arbitrate the dispute between the parties. It was held by the Bombay High Court, while quashing the order in so far as the Council initiated arbitration proceedings, that Section 80 of the Arbitration & Conciliation Act, 1996 makes it clear that the conciliator cannot act as an arbitrator and as such the Council cannot act as conciliator as well as arbitrator. Council, having conciliated could not have initiated arbitration proceedings between the parties in view of provisions of Section 80 and it ought to have referred the dispute to any institution or centre providing alternate dispute resolution services for arbitration

However, in the case of Best Towers Pvt. Ltd. v. Reliance Communication Ltd.[4] Patna High Court and Madras High Court in the case of Eden Exports Company & Ors. v. Union of India[5] had held that the Council shall have jurisdiction to act both as Conciliator and Arbitrator and it is only for conducting the Conciliation and Arbitration that the provisions of the Arbitration and Conciliation Act,1996 are applicable. Therefore, there is divergence in the views of the High Court but it appears that the views of the Madras High Court are correct in view of the fact that the Section 18(2) of the Act itself had provided for conducting both Conciliation and Arbitration proceedings.

FIRST CONCILIATE AND THEN ARBITRATE:

Section 18(2) of the Act states that the Council shall either itself conduct conciliation in the matter or seek assistance of an institution or centre by making a reference to it for conducting conciliation. Section 18(3) states that it is only where the conciliation initiated under sub-section (2) is not successful and stands terminated without any settlement between the parties that the Council is empowered to either itself take up the dispute for arbitration or refer it to any institution or centre for such arbitration. For facilitating resolution of a dispute between a buyer and a supplier, the scheme of the Act requires the Council to first take recourse to the mode of conciliation and only thereafter force adjudication upon the parties through the process of arbitration.

In the case of The Indur District Cooperative Marketing Society Ltd. Vs.Microplex (India), Hyderabad[6], the Council had taken up the dispute for arbitration without first attempting conciliation between the parties. The High Court for Andhra Pradesh and Telangana held that it was not open to the Council to deviate from the said statutory procedure and take recourse to arbitration directly without first initiating conciliation between the parties.

ARBITRATION BY THE COUNCIL:

In a recent case of Samrat Furnaces Pvt. Ltd. Vs.State of Gujarat[7], it was held by the Gujarat High Court, relying on the earlier decision of the Calcutta High Court in the case of Macintosh Burn Ltd.Vs.Micro and Small Enterprises Facilitation Council[8], that the arbitration contemplated under the MSMED Act,2006 being statutory would prevail over any arbitration clause in the agreement entered into by the Supplier and buyer and hence the Council has complete jurisdiction to entertain the application filed by the Supplier under Section 18(1) of the Act and decide the application filed by the Supplier. In the case of Principal Chief Engineer Vs.Manibhai and Brothers[9], Gujarat High Court also held that, MSMED ACT, 2006 being a special enactment, any dispute between the Supplier and buyer is required to be resolved only through the procedure as provided under the Act. The said decision was challenged before the Supreme Court in Principal Chief Engineer v. M/s. Mani bhai & Bro[10]., decided on 5th July 2017 where the Supreme Court had affirmed the view of Gujarat High Court. Hence, Section 18 of the MSME Act would override the provisions of the arbitration clause, if any, agreed to by the parties in any agreement entered into by them.

WHERE THERE IS NO ARBITRATION CLAUSE IN THE AGREEMENT:

It was held by the Gujarat High Court, in the case of Yamuna Cable Accessories Pvt. Ltd. Vs. Gujarat Chamber of Commerce and Industries[11] that even in the absence of an arbitration agreement between the parties, the Council has the jurisdiction to decide the dispute.

WHETHER A BUYER COULD ALSO MAKE REFERENCE TO THE COUNCIL?:

In the case of Shri Mahavir Ferro Alloys Pvt. Ltd.. vs. Passary Minerals Ltd.[12], it was held by the Orissa High Court that, a buyer had no right to move the council if he had any claims like damages for supply of defective materials, compensation etc. against the supplier, though he has a right to move the Council if he has any dispute with regard to the payment of the amount for the supplies made by the Supplier.

INSOLVENCY PROCEEDINGS UNDER IBC, 2016: In the case of iValue Advisors Pvt. Ltd. Vs. Srinagar Banihal Expressway Ltd.[13] it was held by the National Company Law Appellate Tribunal (NCLAT) that a supplier could move application under IBc,2016 against the Buyer even when proceedings before the Council are pending adjudication.

ENFORCEMENT OF AWARDS OF THE COUNCILS:

An award passed by the Council can be executed by the Supplier as a decree passed by a Civil Court.

CONCLUSION:

The Councils envisaged by the Act can be said to be the heart of the Act as the speedy recovery of dues by MSEs alone will help them sustain. Therefore, the role played by the Councils is very significant. However, some of the Councils exceed the time limit of 90 days in passing the awards which defeats the very purpose of their creation and as such they need to be revamped. The State Governments should provide adequate infrastructure to deal with the disputes referred to them. Further, there is no reason why Medium Enterprises are excluded from this facility and the Act should be amended to enable the Medium Enterprises make reference of their disputes to the Council. Last but not the least, the Councils should also be empowered to enforce the awards passed by them instead of relegating the supplier to the Civil Courts for execution of the awards. MA

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EXPLORING MSME WITH REVISION OF DEFINITION OF MSME

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Abstract

As per the latest updates, the definition of MSME is revised. The article helps to understand the coverage of MSME under the Act and the global view of small business. The risks and opportunities are reviewed. Government initiatives to ease of doing business and incentive schemes are explained. The MSME sector will impact the economy and how it will be in future is summarized.

Under Notification dated June 26,2020, the new limit for registration as MSME is summarized

Type	Investment	Turnover
Micro	<Rs. 1 cr	<Rs. 5 cr
Small	< Rs. 10 cr	< Rs. 50 cr
Medium	<Rs. 50 cr	<Rs. 250 Cr

This is applicable for both Manufacturing and Service Industry.

Some Key points

- For Manufacturing sectors, investments mean investments made in Plant & Machinery.
- The limit is based on the Written Down Value – WDV shown in the companies last year Income tax return.
- So, acquisition cost/purchase cost is not to be considered
- In turnover limit, export turnover is not to be added. That means, Turnover within India / domestic sales only to be considered
- The turnover should be linked with last year Income tax return or GST return

Registration

The Registration of MSME can be done through Form in Udayam Registration Portal. There is NO FEE for registration of MSME. Mainly aadhar card is required. For companies authorized signatory shall provide PAN & Aadhar.

What this study about

It is not only for registered companies. Even sole proprietors / partners of business concern can register. We took some important points coming in the mind of people.

1. Why the importance of small business arising now?
2. How it is helpful to our economy?
3. Whether it is helpful to boost Government policy of Ease of doing business?
4. The way of getting investment for doing small business

The answers to these questions are provided.

Comparing the Global Trends

In US, the limit of Small Business in turnover is less than USD7 million and employees with less than 500. They consider both turnover & employee count.

There are 30.2 million small business in US, it comprises 99% of all US businesses.

Job creation mainly comes from new small businesses. Small business pays the highest average salaries.

The Investment for Small business in USA, comes through various modes

1. Private Investors
2. Crowd funding
3. Venture capitalist
4. Private equity firms

The 10 Steps to Start a business in USA are

- ⦿ Conduct market research
- ⦿ Write business plan
- ⦿ Fund your business
- ⦿ Pick your business location
- ⦿ Choose business structure - legal, pay tax, registration
- ⦿ Choose business name
- ⦿ Register your business
- ⦿ Get federal & state tax ID
- ⦿ Apply for license & permits
- ⦿ Open a business bank account

In UK, 2 out of 3 criteria in current and preceding year is considered

- Balance sheet value
- Income
- Average employees

Small, Medium sized companies defined based on this. For small size companies, the limit is Balance value less than 5.1 million euros, Income is 10.2 million euros, average employees during the year is 50. This is based on The Companies, Partnership and Groups (Accounts & Reports) Regulations 2015.

In UAE,

A company with six to 50 employees and a turnover of Dh50m in the trading sector will be considered a small company. In manufacturing the requirement is 10 to 100 employees and revenue of Dh50m. In the services sector its between six and 10 employees and annual revenue of Dh20m, according to Dubai SME, the government body which facilitates development of SMEs in the emirate.

Increasing the contribution of SMEs to the economy is a key objective of the UAE's national growth strategy. In Dubai, only 0.8 per cent are registered as large businesses, which means the bulk of businesses are made up of micro, small and medium-sized enterprises. SMEs account for 52.4 per cent of the all workforce employed and contribute 47 per cent to the gross domestic product of Dubai, according to latest data on Dubai SME website.

In Australia,

The Australian Taxation Office (ATO) uses a different definition of small business. According to the ATO a small business entity is an individual, partnership, company or trust that is carrying on a business and has less than $2 million in aggregated turnover. Aggregated turnover is the annual turnover from a current business and any annual turnover from other businesses that an individual is connected or affiliated with. Note that a business that has less than $2 million in turnover may have 20 employees or more while a business with fewer than 20 employees may have turnover that exceeds $2 million per annum.

Ease of Doing Business & Investment Opportunities in India

Now India, ranking 63rd position in overall and in South Asia region it ranks 1st in the group.

As India having lot of unorganized sector businesses, the ease of doing business makes the process in structural way. The registration of various requirements of business like construction, electricity, registering property made effective and easy.

Economy	Ease of Doing Business Rank	Rank within group	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property
India	63	1	8	1	1	5
Bhutan	89	2	5	4	2	1
Nepal	94	3	7	5	5	2
Sri Lanka	99	4	4	3	3	3
Pakistan	108	5	2	6	4	4
Maldives	147	6	3	2	6	6

Ease of doing business

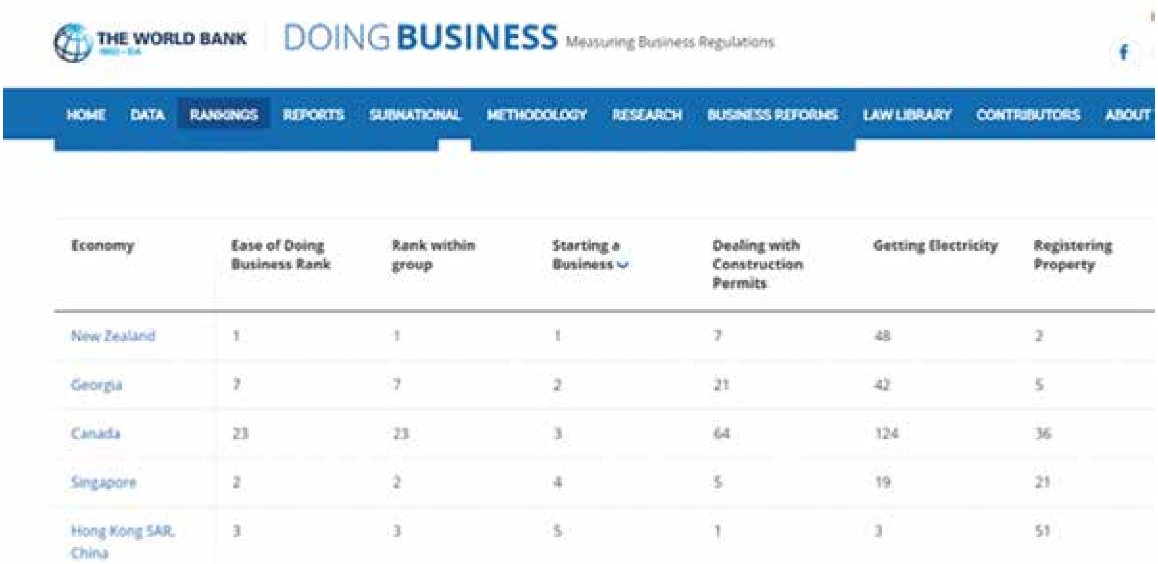
It is a world bank initiative, which rank all countries and listed in website

- Doingbusiness.org

For example, New Zealand in first position, which need 0.5 days to start a business. US is in 6th position and UK - 8th position.

Parameters which defines the ease of doing business are

1. Starting a business
2. Dealing with construction permits
3. Getting electricity
4. Registering property
5. Getting credit
6. Protecting Minority investors
7. Paying taxes
8. Trading across borders
9. Enforcing contracts
10. Resolving Insolvency



Economy	Ease of Doing Business Rank	Rank within group	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property
New Zealand	1	1	1	7	48	2
Georgia	7	7	2	21	42	5
Canada	23	23	3	64	124	36
Singapore	2	2	4	5	19	21
Hong Kong SAR, China	3	3	5	1	3	51

In this Starting a business is main point where lot of formalities and time required. In case of small business, how this is structured and what are the forms of investments will be detailed now.

Ease of doing Small, Medium Business

Though in worldwide, the limit for Small & Medium Business is defined based on the number of employees, turnover and or balance sheet value, in India it depends on turnover and investment value.

Now, Government is helpful in making various measures like

1. Startup Single point Registration Scheme

To start a business, we need many registrations & approvals from Government authorities. To simplify the procedures and reduce time consumption, all State Government has developed single point registration scheme.

For reference, I am considered Tamil Nadu State Government single window portal. For Manufacturing industry setup, lot of procedures are to be followed. From land allotment from Government to registration of establishment under Directorate of Industrial safety & health.

So, Government now make facilitation for entrepreneurs in pre establishment stage by

2. Allotting land in Industrial Area
3. Factory building planning permission
4. Building permit
5. Factory plan approval
6. Fire Safety – No Objection Certificate
7. Statutory Approval & Electrical Drawings
8. Power connection
9. Water connection
10. Pollution Control Board consent
11. Registration of establishment under Directorate of Industrial Safety & Health
12. Change of land use by Directorate of Town and Country planning
13. Approval for Boiler Manufacture
14. Registration of Firms / Societies
15. Registration of immovable properties

These steps can be done in single application through online. So Government is enabling startups to make application with required documents and enable them to co-ordinate with multiple authorities.

This facility makes easy registration process and lot of time reduction. Duplication of application forms with same type of documents can be reduced. Mostly all the branches are not in same balance.

By enable this, Business owners can get certifications like Trade license, Final Safety Certificate, Factory registration & License, Fire & Rescue services license & compliance certificate, Boiler registration, Directorate of Industrial Safety & Health Registration, Labour Department License etc. without much of hassles.

2. Subsidy schemes

There are many subsidy & incentive schemes for MSME by the Government.

Subsidies:

5. UYEGP – Unemployed Youth Employment Generation Programme: Under this, loan can be provided to unemployed upto Rs. 5 lakhs with government subsidy.

1. For Start Manufacturing business – Rs. 5 lakhs
2. For Service Nature business – Rs. 3 lakhs
3. For Business Enterprises – Rs.1 lakhs

Based on the latest enhanced Government Order dated 30/07/2020, The subsidy increased toy upto 2.50 lakhs

Ref : www.msmeonline.tn.gov.in

- PMEGP – Prime Minister Employment Generation Programmed

By this scheme, we can apply for 2nd loan upto Rs.1 crore. But some conditions like it should generate more local employment, increase production etc.

Ref: www. Kvionline.gov.in

- NEEDS – New Entrepreneur Cum Enterprise Development Scheme

Assist to avail term loans from Bank with capital subsidy of 25% of the project cost and soft loans with 3% interest subvention.

Apart from these various loans available:-

1. Credit Guarantee Fund for Micro and Small Enterprises

   The Scheme covers collateral free credit facility (term loan and/ or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 100 lakh per borrowing unit. The guarantee cover provided is up to 75% of the credit facility up to Rs.50 lakh (85% for loans up to Rs. 5 lakh provided to micro enterprises, 80% for MSEs owned/ operated by women and all loans to NER) with a uniform guarantee at 50% of the credit exposure above Rs.50 lakh and up to Rs.100 lakh.
2. MUDRA Loans -Micro-units Development and Refinance Agency

   This is normally for Micro Small Business. This is under Pradhan Mantri Mudra Yojana. It can be availed from any bank. You can file online through www.udyamimitra.in

   The types of loans are

   - Sishu /Kishor /Tarun - Loans upto Rs.10 lakhs
3. National Small Industries Corporation Subsidy

   This helps for Raw material procurement & Marketing Assistance. In this, both Indigenous & Imported Raw material covered. It provides financial assistance with interest 7.50% to 9.00% upto 180 days
4. Credit Link Capital Subsidy Scheme for Technology Upgradation

   The revised scheme aims at facilitating technology up-gradation by providing 15% up front capital subsidy to MSEs, including tiny, khadi, village and coir industrial units, on institutional finance availed by them for induction of well-established and improved technologies in specified sub-sectors/products approved under the scheme.

   - Up-front capital subsidy of 15% for eligible business
   - Maximum upto Rs.15 lakhs

The importance of Micro, Small, Medium Enterprises

The major labour workforce comes from MSME. In US, the small business cover major portion of business and labour force. Investing in MSME is major difference. Most of MSME are funded by sole proprietors or partnerships. There is lot of scope & opportunities. Many Venture Capitalist are ready to invest in India's Business Network. Private investors are now interested and entered Indian Venture Capital Market.

As per Global Institute for Research & Education (Ref. 4), MSME covers 90% of total economy. It generates highest rate of employment and account for major share of industrial production and exports. It is more efficient in terms of cost of capital, better than large companies. MSME are reducing regional imbalance & assuring more equitable distribution of national income and wealth.

During the first 4 years of XI Plan, MSME Sector exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other sectors. As per the 4th Censes of MSME Sector, this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. The major advantage of the sector is its employment potential at low capital cost.

The opportunities in the MSMES are enormous due to the following factors:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products
- Growth in Requirements for ancillary units due to the increase

in number of green field units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.

Less Capital Intensive

The main feature in MSME's is capital spending and infrastructure cost. The main cost involved in business is fixed assets like Building, Factory and Machinery. In this, most of MSME can do own funding or less funds in getting these assets. Though exceptions like new technology machines and tools require large amount of capital, startups can manage their available sources and with less capital funding. It is quite easy for a MSME to start when compare to large companies in terms of investment and time.

High labour absorption

The labour requirement in MSME is growing and it helps to reduce unemployment. The compact ability of the business is helpful to get more man power at quick time. This is more interesting because now skills development in different areas are growing. Even in service industry, lot of manpower requirement is there. But a solution needed for bridge the gap between skills required with manpower requirement. We need many skill developing activities to train people and place them at right position.

Growing Economy

As a growing economy, India is already having large companies which are more stable and growing potentially. So the opportunities for next competitive companies are not open freely. So next level of boost to economy should come from Small and Medium business. In India, there is major struggle in this. Because of the unorganized sector of businesses, capital spending and incomes are not so identifiable. Lot of unskilled labour floating also happening. We can see lot of migration of labour between states and districts. In the lockdown period, its quite apparent.

So the regional imbalance is there within Indian States. The people who are unskilled not aware of new skills available and the unemployed don't know the opportunities in investing in new business.

That's why the MSME act plays major role by expanding the definition and cover the workforce. It helps to initiate skill development, subsidy distribution, capital support etc.

Ease of doing business is one of the steps done by Government to support and boost economy. The growth phase will take some time.

Getting Investment

The major barrier in starting small or medium business is getting the Investment. Loans & Grants and Subsidy are major source of investments. The small business in nature of trading, services can get loans directly from bank based on their project submission and business planning/ forecasting.

But systematic approach is not there in small and micro business investment strategy. It is due to urgency in starting the business and no proper business planning. People tend to get money but not interested in planning or forecast the business. This is also a lack of skill.

Because business is based on external factors like customers availability, product demand, change in market etc. We have to justify our investment by analysis these kinds of factors before consider the investment. Return on Investment or Payback period method to be applied before getting funds or loans.

Even the subsidy available for the business, product, exports also to be considered as it gives some good amount of funds for further investment or working capital requirement.

The scope of investment opportunities more in India subject to systematic approach with proper planning, market forecast and getting return on Investment.

Days Ahead

This is quite interesting to see the upcoming days, as MSME's can boost economy, increase employment opportunities. The risk of starting business is reduced by the Government initiative like Ease of Doing Business. The MSME definition got covered majority, say 90% of the total industry. But the scope of accelerating business is not so visible. The entrepreneurs who starts or enhance their business in organized manner can grow and it will be visible through their performance. The main struggle for entrepreneurs is make business in an organized and systematic way. Based on that, we can expect shifting of unorganized sector business to countable and valuable businesses. MA

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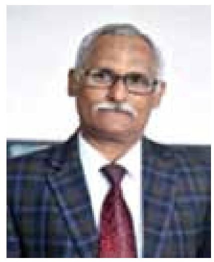
VISION OF "ATMA NIRBHAR BHARAT" ROLE AND SIGNIFICANCE OF MSME



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Abstract

Purpose: *The present paper aims to explore the changing role of MSMEs (Micro, Small and Medium Enterprises) in making India 'Atmanirbhar'. The said research paper proposes list of certain measures to be taken by the government to include and encourage MSMEs in making the mission of 'Atmanirbhar Bharat' realistically achievable. In this context, the authorities must address key MSME inputs such as access to financial equity, technical workforce, and building market competitiveness, and so on.*

Design / Methodology / Approach: *The study is based on secondary information gathered from diverse sources such as published articles, government and other web sites, news, etc.*

Findings: *Research paper findings indicate that a systematic framework is required to include MSMEs in making the 'Atmanirbhar Bharat' a reality. It may be advised that there is need to understand our strengths and accordingly to bring-up and support the industry. There is no point in getting driven by the 'anti-China' sentiments. It may be suggested to start with creation of agro-based MSMEs as agriculture is India's strength and is the largest employment generating industry. Artisans and craftsmen are using*

natural resources for making their products. Providing training and technology to artisans and craftsmen will definitely enhance their business prospects. Another sector is healthcare which will offer opportunity for MSMEs to provide a range of products and services for the masses. Later other sectors may be thought such as manufacturing (healthcare, consumer electronics, power equipment, to name a few) and lastly technology-based industry such as products and services making use of AI (artificial intelligence).

***Originality / Value:** This study attempts to offer some of the options that may be considered or implemented in the context of strengthening of MSMEs. With significant contribution from the MSME sector in the country's GDP and employment generation, their empowerment will certainly help in achieving the vision of 'Atmanirbhar Bharat'. Agriculture based manufacturing activity will definitely provide boost to MSMEs and will result in employment generation.*

Introduction: Changing Face of Indian Economy and the Background

It may be interesting to take a note of the journey embarked by the country from becoming a visionary towards becoming 'atmanirbhar'. Let us review some of the certain important reforms:

In 1991: Prime Minister Narasimha Rao and Minister of Finance Manmohan Singh, from June 1991 to May 1996 are credited with completing monetary change programs. These developments initiated by the Indian government in 1991 are focused on fast and generous mix of the Indian economy with the worldwide economy in a blended way. Accordingly, the industrial policy in the post reforms period mainly aimed at de-licensing, privatization, FDI promotion and trade liberalisation in the manufacturing sector (Ahluwalia, 2005) [1].

In 2016: The year 2016 checked 25 years of financial advancement in India. A fourth of a century has since passed, and the economy has seen different ages of changes in various circles of monetary undertaking; some succeeded, while others didn't. In November 2016, the Government of India announced 'demonetization policy' that may have adverse effects on some sectors, but it has helped digital payments to post good growth. (PIB, 2017) [2].There is an increased acceptance of debit card in the market is observed thereafter.

Here it may be stated that India has been a visionary country taking measures to improve the economy and the governance. This has been indicated by the annual growth rate of Gross Domestic Product (GDP), as provided by The World Bank. (See Exhibit 1 below)

Exhibit 1: GDP Growth (Annual %) - India

GDP Growth (Annual In %)	1995	2000	2005	2010	2015
	7.5%	3.8%	7.9%	8.5%	8%

Source: The World Bank Data [WB, 2019] [3]

Vision and Mission of Atmanirbhar India (OI, 2020) [4], (HT, 2020) [5], (ET, 2020) [6], (IE, 2020) [7]

Atmanirbhar Bharat, which means 'independent India', is the vision of the Prime Minister of India Narendra Modi (with a mission of) making India "a greater and more significant aspect of the worldwide economy". This will be accomplished by seeking after arrangements that are effective, serious and strong, and acting naturally supporting and self-creating.

'Atmanirbhar Bharat Abhiyan' upholds Indian economy in battling against Covid-19. The clarion call given by the Hon'ble Prime Minister to utilize these difficult occasions to become Atmanirbhar (confident) has been very generally welcomed to empower the resurgence of the Indian economy (Govt., 2020) [8]. It rests on five components viz. the Economy, Infrastructure, System, Vibrant Demography and Demand. As one of the elements of 'Atmanirbhar Bharat', Micro, Small and Medium Enterprise (MSME) area in India can assume a significant function by standing, vigorous on all the five aspects, in this manner accomplishing the vision of confident India (Sood, 2020) [9]. In view of this, strengthening of the MSMEs is the key to realize the vision of 'Atmanirbhar Bharat Abhiyan'.

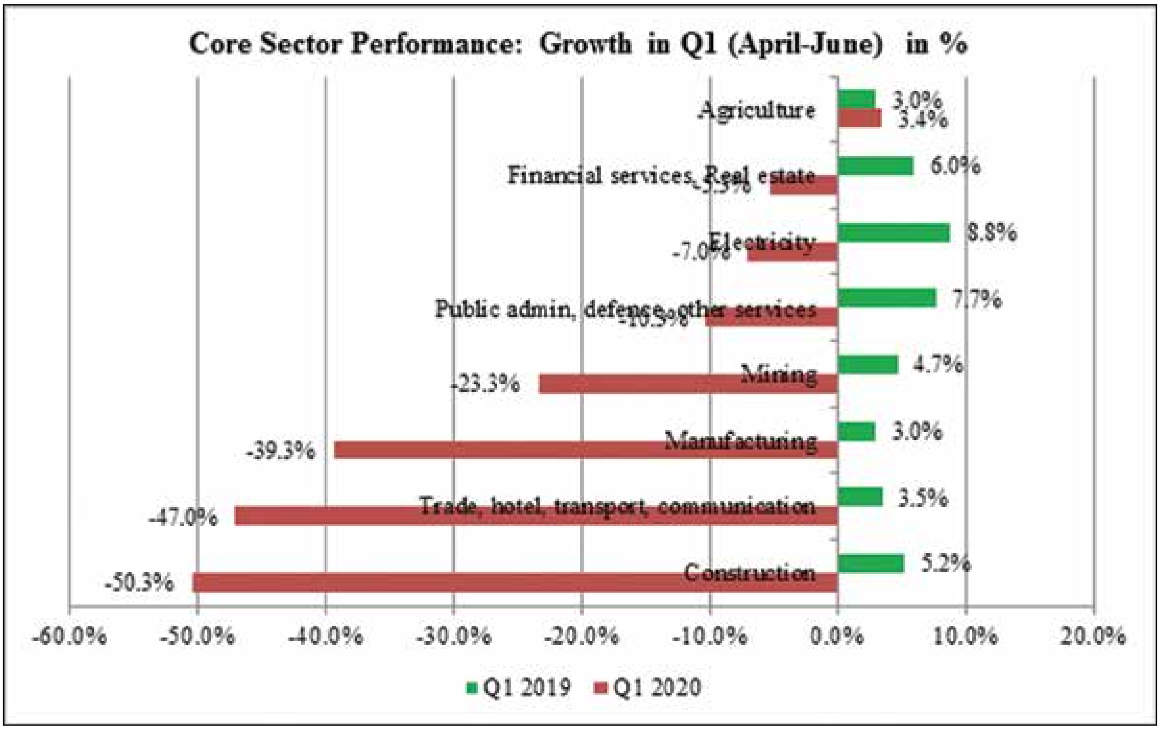
Significance of MSMEs (Sood, 2020) [9]

It may be noted that the role of MSME sector has been changing over the years. Earlier it is to provide the support to the economy. Now with this atmanirbhar mindset, MSME will become the backbone of the economy as conveyed by our Hon'ble Prime Minister by promoting the concept 'vocal for local'. Therefore, as mentioned earlier the concept 'vocal for local' calls from strengthening of the industry sectors and in particular the MSME sector. This will ensure making of required goods and services within the country making it self-sufficient country. It might be noticed that after farming, MSME is the second-biggest sector in India.

Industry Sectors suitable to MSMEs

When we look at the import export list of items for India, the import export balance is not uniform and is heavily skewed towards imports. Imports are dominating the exports. This needs to be changed to become 'Self Reliant' or 'Atmanirbhar Bharat' in reality.

India's economy posted its steepest contraction on record in the April-June quarter of the current fiscal year (2020-2021). This is mainly due to the fact that the strict lockdown imposed to prevent the spread of Covid infection has halted all kinds of economic activity, shut down consumption and investment, and lead to job and income losses. (Gupta, 2020) [10]. (See Exhibit 2)



Source: (Gupta, 2020) [11]

Exhibit 2: Core Sector Performance: Q1 Growth

It is observed that except agriculture, which grew at 3.4%, all other sectors saw a sharp fall in output in Q1 2020 (April to June).

In this context, when RBI has prepared list of 26 sectors for restructuring of loans for the banks, it has mentioned that sectors such as Agriculture, Food Processing, and Pharmaceuticals have no impact during pre and post - Covid period (Checklist, 2020) [11].

It may be observed that India boasts diversity in agricultural produce, fruits and vegetables and related farm produce that is consumed in domestic market. Presenting or offering this farm produce innovatively (in the domestic market) through agro-based enterprises or agro–based MSMEs will be advantageous for both the farmers and rural entrepreneurs. This will create more business opportunities.

Apart from the farm produce, eco friendly crafts are in demand. It may be observed that India also has diversity in skills in the form of presence of artisans and craftsmen across different regions in the country. These artisans and craftsmen use agricultural products and natural resources to produce different types of products. Providing training or technology to these people will certainly enhance their business prospects. Involvement of MSMEs from the rural areas may provide more business opportunities and employment generation. Making announcement of becoming 'self reliant' and making actual efforts for the same are two different things. Agriculture will certainly help India in becoming Atmanirbhar. Agro-based MSMEs will become key drivers in this process. Use of locally available resources will provide boost to domestic market. To summarize, agriculture is of prime importance in terms of employment generation and may lead to establishment of agro-based MSMEs. Food processing is sub-set of agriculture and offers good potential for employment as well as for domestic consumption.

It is required to strengthen the MSMEs by fixing the various issues that they are facing since last two decades (Sood, 2020) [9]. These are manpower, finance and support for promotion. If India as a country, looking to become a $5-trillion economy, it will not happen without a healthy, vibrant MSME sector, and a lot of entrepreneurship. This will not only enhance manufacturing activity but also create employment opportunities.

It may be suggested that following industry sectors may be seen as potential for MSMEs in achieving reality of becoming 'Atmanirbhar Bharat'. Some of these are agriculture, healthcare, low cost goods / everyday use goods, festive occasion goods and so on. Other sectors that may be considered for manufacturing (in a phased manner) are consumer electronics, organic chemicals, machinery, apparel, solar power equipments, telecom, and AI based products and services, etc. (Srivastava, 2020) [12], (Rama Rao and Ranjan, 2020) [13], (Sengupta and Katragadda, 2020) [14]

Steps to Follow: Inclusion of MSMEs in Building Atmanirbhar Bharat

In his Independence Day speech, Prime Minister Narendra Modi repositioned the 'Make in India' agenda as 'Make in India for the world'. This signifies India's aspiration to be a powerful trading nation on the back of quality products, competitive manufacturing, and integration into the world economy (Srivastava, 2020) [12].

It is required to strengthen the MSMEs by fixing the various issues that they are facing since last two decades. These are critical aspects for the success of MSMEs (Sood, 2020) [9] and are as listed below:

- Quality Workforce / Manpower.
- Access to Financial Credit.
- Branding and Promotion.

It is obvious that growth of manufacturing sector results in employment. As elaborated earlier, the MSME area has been supporting economy as industry sector that is contributing to both the GDP and exports. With the conversations gaining momentum, it is an opportunity for the MSME sector to capitalize on the 'Make in India' bandwagon and catch on with zeal. There is ample scope for the MSME sector to identify areas for local production of goods right from raw material to the finished product (Varaganti, 2020) [15].

In this context, India can plan to promote its manufacturing and trade with the help of MSMEs. According to (Srivastava, 2020) [12], there could be followings ways to encourage the MSMEs:

- Providing assurance of quality workforce.
- Making Financial Credit easily accessible so as to have financial stability.
- Providing Branding and Promotion support to enhance the market visibility of MSME's and their products in domestic markets.
- Good reforms towards 'reduction in input costs' will benefit MSMEs and make India an attractive place to do business. This will ensure domestic value addition which will make MSMEs attractive and competitive.
- With 'Make in India' agenda, support MSMEs and create a good infrastructure for them. Let the MSMEs get access to such resources such as design studios, innovation labs, and strengthening of standards and quality infrastructure.

It may be noted that these steps or approaches when systematically implemented will benefit the industry and in turn the country in long terms. Of course a word of caution is stated here that in this context much will depend on the seriousness of implementation and monitoring by all the respective agencies, including coordination from state authorities.

With this elaborate discussion, this paper has attempted to illustrate the fact that MSMEs can become the backbone of the economy if supported with suitable policy measures. They can be enough competitive to produce the required goods within the country and part of Atmanirbhar Bharat in a more significant way provided that the government offers them able support.

Note: The illustrations, names of the organizations, and brand names used in this research paper are provided as examples. They are used for representation purposes only. MA

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REFLECTIONS AND PROPOSED TACTICS OF THE DIGITALISATION AND INNOVATION PRACTICES PERSPECTIVE OF INDIAN MSMEs

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Abstract

MSMEs can significantly contribute to comprehensive industrial growth. Transition to digitalized and innovation oriented MSMEs shall facilitate the process of sustainable production. There has been an intense need to assess the vicious cyclic association among products-process-market innovation, digitalization and success of business models. The study tries to identify the prominent facilitators, reflections and proposed tactics to digitalization and innovation in Indian MSMEs. The creation, survival, reformation and sustainable performance of Indian MSMEs in near future will be arduously determined by these two pioneers of development.

Introduction

Unprecedented changes have taken place in India since the streamlining of its Science, Technology and Innovation Policy in 2013 providing a huge impetus in enhancement of innovation and digitalisation practices (IDP). The Ministry of Micro Small and Medium Enterprises (MSME) aids the Indian MSMEs through financial policies and incentives to buy equipment, expert advices and training among others to foster innovation and digitalisation practices (IDP) (Pachouri and Sharma, 2016; MSME annual Report 2019-2020).

Indian SMEs have often been criticised for their low innovation capacity and capability. MSMEs encounter massive pressures to improve product efficiency, quality, production capacity, operational efficacy, safety standards, strength to compete to generate sustainable profit in the domestic and global market. Innovation is defined as the firms' ability to manage knowledge creatively to persuade market demands and social-economic-environmental needs and creation of wealth (Pachouri and Sharma, 2016; MSME annual Report 2019-2020 Srinvasan et al., 2015).

Correspondingly, Digitalization means adopting advanced digital technologies such as predictive simulations, automations and algorithms in business modelling for value creation, effective decision making and generation of new ideas. It facilitates information and data sharing and exchange which shall enable stakeholders to take effective decisions. It aims at use of technologies for improvement of productive capacity. MSMEs can potentially contribute to comprehensive industrial growth, generating inclusive employment opportunities across all economic domains only if all industries are organised through standard process and procedure with indigenous solutions for smooth transition to digitalized and innovation oriented MSMEs (Pachouri and Sharma, 2016; Vivek and Chandrasekar, 2019). The study aims to appraise the major challenges that jeopardise the MSMEs to digitalize their value chains, business models, customer access and their innovation capacity for their transition to self-driven, potent and low cost automated organisations.

For developing economies which thrive on MSMEs for a large share of their production there has been an intense need to assess the vicious cyclic association among products-process-market innovation, digitalization and success of business model. It tries to identify the prominent facilitators and proposed tactics to digitalization and innovation in the present Science, technology and innovation domain.

Table 1: Definition of Micro, Small, and Medium Enterprises, India

	Manufacturing Sector (Investment in Plant and Machinery)	Services Sector (Investment in Equipment)
Micro enterprise	Does not exceed Rs2.5 million	Does not exceed Rs1 million
Small enterprise	More than Rs2.5 million but does not exceed Rs50 million	More than Rs1 million but does not exceed Rs20 million
Medium enterprise	More than Rs50 million but does not exceed Rs100 million	More than Rs20 million but does not exceed Rs50 million

Rs = Indian rupee.

Source: Government of India, Ministry of Micro, Small and Medium Enterprises.

MSMEs have been established across illustrative list of major industrial sectors inclusive of - Agricultural Inputs, Agro products, Bio-engineering, Chemicals and Pharmaceuticals, Electro-medical equipment, Engineering: Electricals – Electronics, Food Processing, Handloom and Handicrafts, Hosiery and garments, Jute products, Leather and Leather goods, Meat Products, Sports goods, Wooden products

Digitalization and Innovation Practices – Major Roadblocks

The effects of digitalization in the manufacturing sector can have immense impact on the MSMEs developing economies such as India, China, South Korea, Malaysia (www.wusme.org). Mass manufacturing shall be substituted by customised and individualized production. The major hurdles to both R&D (operational, scientific) and Non-R&D (organisational, marketing) innovation and digitalisation may be categorised as – Financial resource, human resource, information and communication technology, Management, infrastructure, Government policy decisions and target market factors.

- Financial Resource Constraint – Cost of internal and external sources of finance, cost of innovation, cost - benefit analysis of innovation, research and development, vicious cycle of financial confrontations, need of availability of requisite funding through organised, approved and authentic bodies to facilitate innovation
- Human Resource Constraint – Unavailability of skilled labour with specialised skills and competencies, incompetence of internal management, lack of professionalism, need of targeted capacity building programs
- Information and Communication Technology Constraint – Absence of customised training to cater to changing technology and demand needs, deficiency of focused research group with effective networking amongst industry, government organization and academia, lack awareness of new advanced technology, need to develop more incubation centres to facilitate entrepreneurial development.
- Inability to access valuable, apt and updated market information at the right time shall deter global competitiveness and export, limit domestic market's share and restrain strategic advantage in pursuing innovation practices for SMEs, dearth of awareness of intellectual property right issues to devise market entry and survival strategies, intense need to assess vicious cyclic association among products - process - market innovation, value chain, digitalization and business model.
- Managerial Constraint – Inefficiency in managerial planning, co-ordination and control, lack of management vision and skills, inaptitude towards changing trade trends, Deficiency in exposure to International Environment
- Constraint of Infrastructure – unavailability of necessary infrastructure crucial for R&D - orientated innovation practices, comprehensive percentage of innovative MSMEs suffer from want of infrastructure to conduct research and testing facilities, financial constraints impedes development of in-house research facilities, need for

more shared research facilities among manufacturing clusters and economic zones

- Government Policy Constraints – Exerts strong influence on the innovation capacity and capability of MSMEs, meeting stringent Governmental Regulations. According to World Bank's ease of doing business report 2019, Indian ranked 63rd and failed to achieve its target position of the 50th place. (https://economictimes.indiatimes.com/news/economy/indicators/india-jumps-to-63rd-position-in-world-banks-doing-business-2020-report/articleshow/71731589.cms). The high costs involved in conforming to the regulatory requirements adversely impacts innovation capacity of SMEs, sluggish process of rehabilitation and revival of sick units, procedural hassles in the procuring and meeting trade license and other licensing requirement, MSMEs shall be confronted with huge structural change owing to Government policies on digital transformation of industries
- Target Market Factors – inability to assess the nature and size of market forces and strategies of other market players, nature of competition, need of more focussed analysis of potential consumer needs and expectations to undertake new product and process development, lack of efficacy in exploration of firms' distinct competencies to conduct product, process and market oriented innovation for survival and growth opportunities, lack of effective market demand analysis in domestic as well as global market for products of MSMEs and hinders zeal to invest in revamping innovation capability and shouldering technology based product, process and design innovation, delicate market linkage and need for integration of the Indian MSMEs in the Global value chain.

Proposed tactics

- Business Accelerator programme for scaling up and promotion of entrepreneurship culture in India in the present scenario
- Information and Communication Technology can be the revolutionary and Innovation practices the visionary for MSMEs
- Fast developing technologies to foster employment opportunities, diverse job creations
- Digitalisation and improved product-process-market innovation to provide holistic approach and facilitate sustainable production in MSMEs
- There is a need for the government to take adequate steps, maybe in partnership with local industry associations, to disseminate key market and technology information while focusing on strengthening MSME–market linkages
- Diverse nature of MSMEs necessitates incessant innovation through technology usage
- Technology is a keen enabler of innovativeness in SMEs
- MSMEs needs transition towards addressing the challenges with ICT
- Digitalisation can enable cost reduction through effective internal process management, improved promotion and faster communication, empowering every link in the value chain
- Indian MSME equipment and machinery manufacturers' sustainability through digitalization and innovation shall give leverage to them over imported equipment which often results in cost escalation due to premium pricing
- Comprehensive studies have indicated that introduction of advanced machinery and equipment, reverse engineering with minor improvisations are critical to innovation in Indian MSMEs
- Reverse engineering, operational changes, minor modifications need in-house research facilities
- Increasing use of financial management software and electronic security systems among MSMEs
- Although the nation has been investing in scientific and technological infrastructure by virtue of formation of mostly publicly funded institutions however limited access, awareness and insight of MSMEs to these facilities and expertise, contemporary knowledge threatens their innovative capabilities
- Since prosperity in growth of MSMEs is critical to the economic development of a country, endeavour is needed from all stakeholders to foster their digitalisation and innovation capacity
- System Integration, a major mechanism which incorporates technology based infrastructure creation is being used in large manufacturing organizations. MSMEs must resort to such System Integration
- Cheaper and effective communication mechanism with suppliers and distributors through integrated supply chain systems
- Enterprise Resource Planning shall enable better forecasting of demand and ensure economic ordering
- Adoption of various prototyping and designing tools by smaller firms shall endure cost effective way and operational efficiency in designing new product models
- Efficient inventory management systems shall reduce manufacturing and operational losses
- Application of ICT shall open new avenues of e-commerce and e-marketing for MSME
- Long standing customer relationship and higher retention can be achieved through Customer Relationship Models

- Memorandum of Understanding with International Bodies such as the MOUs established by NSIC with several International MSME Bodies shall help to enhance their complementary competencies, capacity building, knowledge and technology sharing, sharing of IPR to gain competitiveness in the global market, export market promotion and sustainable collaboration
- Operational tactics - modernisation of manufacturing processes, product development and diversification, adoption of environmentally sustainable processes at all levels of a product life-cycle
- Setting up of testing and service facilities, NSIC Technical Service Centres, Livelihood Business Incubation Centre (LBI)
- Knowledge sharing and skill development through Seminars, webinars, workshops, entrepreneurship development programs, on-line training, exposure tours to impart knowledge by eminent professionals from the field
- Adoption of Clean technology and development of green energy
- Assistance scheme to motivate small scale exporters to enter global market and hence expand the export of Indian products
- The Government's proposed public procurement policy compels a mandatory 20% share for MSMEs in all government and public sector unit purchases over a period of three years or more, which is expected to boost their market share

(Biswas and Roy, 2016; Biswas and Roy, 2018; Biswas, 2019; Dutta et al., 2020; Devi and Ramachandran, 2014; MSME Development Institute, 2019; MSME Annual Report 2019-2020)

Major Reflections

Discussion and Conclusion

Over the past few years adoption of digitalisation practices have changed the scenario across various economic sectors however for MSMEs the pace of digitalisation has been slower which eventually has hindered their innovation capacity and willingness to innovate. Government's revolutionary digitalization initiatives such as Digital MSME Scheme, 'MSME Samadhan' is expected to change the strategic and operational course of action of MSMEs through effective use of IT, Cloud Computing and hence facilitate business process management, easy tracking of procurement and receivables, grievance redressal and more (Revanasiddappa and Reanasiddayya, 2018; Suman et al., 2014; Pachouri and Sharma, 2016). As stakeholders of the Indian Economy, Indian MSMEs must embrace the digital transformation to boost their market standing, long term profitability and contribute towards country's economic revival, growth and economic sustainability. Correspondingly the success of every organisation is contingent to its level of creativity to innovate and inventiveness. Accelerating changes and global diffusion have accentuated the need for MSMEs to imbibe the intense innovation practices. In-house research and development, sharing of Intellectual Property Rights and license can enable MSMEs to overcome the dearth of support from external agencies in this context. The area of clean energy production or clean technology is at present becoming the cynosure of innovation. MSMEs must identify these opportunities to explore the available raw materials to produce green energy such as Solar power, generation of energy from bio-waste and more. The creation, survival, reformation and sustainable performance of Indian MSMEs in near future will be arduously determined by the two pioneers of development – Digitalisation and Innovation. MA

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MICRO, SMALL & MEDIUM ENTERPRISES IN NEW TECHNOLOGICAL ERA CHALLENGES & ROAD AHEAD

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Abstract

We live in the world which is rapidly changing due to technological advancements. The technological advancements lead to fourth industry revolution which is known as "Industry 4.0". This digital revolution is changing the business models of all manufacturing & service industries whether it is large, small or medium. The need of adopting latest and modern technology is realised not only for large scale industries even small and medium size industries to compete in global market.

The role of Micro, Small and Medium Enterprises (MSMEs) in industrial development of any country cannot be denied. Even at the global front; it has been recognized that MSME sector has its significant contribution in achieving economic goals viz. creating huge employment opportunities, enhance economic growth, export promotion, developing entrepreneurship eco-system, enhancing output. Indian MSMEs form the backbone of the Indian economy making vital contributions to important economic indicators as well as household incomes. India's MSMEs base is the second largest in the world after China. It manufactures more than 6000 products and provides wide range of services which ranges from traditional to high-tech items. The programmes initiated by Government of India "Make in India" pushed the MSMEs to attract FDIs, achieving growth and integrate with major global value chains. The year 2019-20 Annual report published by the Ministry of Micro, Small and Medium Enterprises reports that India is home to more than 63 million MSMEs. The report also states that SMEs contributed 29 percent India's GDP and 37 per cent of the manufacturing output underlining their strategic importance to the Indian economy. It has contribution in Indian export basket of around 48% and employed more than 11 crores workers. With the constant growth of 10% the MSMEs has major contribution towards rural development. About 20% of MSMEs are based at rural area and employed rural workforce which shows its importance in sustainable development of Indian economy.

Key challenges faced by Indian MSMEs

The Indian MSMEs are facing number of strategic and operational challenges. The strategic challenge is the effective implementation of Intellectual Property Rights (IPR). IPR is the legal rights to protect inventions or creations through intellectual activity in the industrial fields as well as scientific, artistic or literary. The effective implementation of IPRs is important as weak implementation impact micro and small scale industries especially innovation driven units. The operational challenges are listed below:

1. **High cost of credit -** The cost of credit is high for this sector as cheap funds are not available. The innovation driven units require continuous flow of funds for their research and development (R&D) activity. The high transaction cost for bank loan and high risk perception towards this sector makes the cost of funds high. In this sector the units are not in a position to provide collateral securities which causes non availability of funds.
2. **Lower technology levels** – The MSMEs in India are characterized by low technology level units except few. The lower technology level in this sector pose a major drawback in emerging globalized market. As a result, the products from these sectors are not comparable to the imported one; which is a major cause for their sustainability.
3. **Insufficient infrastructure facilities** – The profitability and productivity of MSMEs are negatively affected due to insufficient infrastructure facilities including roads, water, power/electricity. There is a need to use updated technology to tune with the global trends to ensure MSMEs competitiveness with availability of skilled workforce and sufficient infrastructure facilities. The MSMEs which are located either at urban areas which are decades old or located at rural area which are in unorganized manner. The infrastructure facilities are poor and unreliable in these areas which pose great threat to innovate.
4. **Lack of skilled manpower** – Innovation needs skilled manpower; though India has a large pool of human resources but there is a dearth of skilled manpower. The industry continues facing the problem of shortage of skilled manpower which are required for manufacturing, marketing, servicing, etc. Apart from it; there is a lack of culture of research which directly affect the innovations in the industry.
5. **Problems of storage, product designing, packaging and display -** MSMEs face problems of storage, product designing, packaging and display their products. These units normally do not have any marketing organization hence products compare unfavourably with the quality products of large scale industries. Selling outlets are not available for their products which is also a serious constraint for MSMEs. The insufficient infrastructural facilities create problems for marketing their products even if a unit innovates the effective monetisation remains a key concern. Effective technology will resolve the hindrance and remove the road blocks and allow companies to concentrate on their core business of innovation.
6. **Delays in settlement** – Owing to limited bargaining power of MSMEs in the market; the large-scale buyers usually have long settlement lead times when they deal with these units. It causes shortage of funds for their capex requirements and performance R & D activities.

Today; we live in the world which is rapidly changing due to technological advancements. The technological advancements lead to fourth industry revolution which is known as "Industry 4.0". Industry 4.0 is characterised by the increasing digitization, innovation, interconnection of products, business models and value chains. Various technologies are integral part of Industry 4.0 which includes data volumes, internet of things (IOT), computational power, augmented reality, business analytics, artificial intelligence, simulation, elemental design, advanced robotics, sensor based technologies, additive manufacturing and cyber-physical systems. This digital revolution changing the business models of all manufacturing industries whether it is large, small or medium. Due to "industry 4.0" revolution the companies face pressure to transform itself as quickly as possible. The need of digitalisation is realised not only for large scale industries even small and medium size industries has to be digitised to compete in global market.

Technological Advancements & Innovations

Innovation is the only key to enrich the competitive craft of the MSMEs and its growth in this technological advancement era. The globalized economic activities have increased the importance of cross-border cooperation in terms of innovation. The technological changes in world affect almost all the sectors of economy which led innovation as driving force for economic development. It can be said that Innovations and technological advancements play an important role in deciding the manner in which businesses and ventures participate in the economic development of any country. In rapidly changing world the business strived to achieve competitiveness through continuous innovations by getting new technologies and work on these technologies. The technological advancements compel the business to adopt new technologies and advanced technologies to compete. The Micro, Small and Medium Enterprises can be adaptive to global economy when it continuously works on new and innovative technologies.

Government Initiatives

Adopting new technologies and innovate products is the need of the hour. The ministry of MSME understand the importance of technological advancements and run various schemes which helps MSMEs to work on upgraded technologies. The main purpose of these schemes of ministry is to promote and support untapped creativity of an individual and to promote adoption of new and latest technologies in knowledge based innovative MSMEs as well as in manufacturing.

- ***Digital MSMEs*** – Government of India proposed "digital MSMEs" scheme for promotion of information and communication technology (ICT) in MSME sector in year 2019. The previous scheme of digital MSMEs was only for providing subsidy for cloud based software but in order to make maximum number of MSMEs digitally empowered, the next version of the scheme has been conceived keeping in mind the diverse digital needs of the sector. The main motive of scheme is to make MSMEs digitally empowered and motivate them to adopt ICT tools and applications in their production & business processes with a view to improve their competitiveness in national and international market.

- ***Creation of technology centres to Untapped Creativity -*** The ministry of MSME has developed various technology centres which helps MSMEs in developing and expanding business by giving them support in designing strategies and its execution. The important role of these Technology Centres is to help MSMEs through access to advanced technologies, providing technical advisory support and talented labour by providing open doors for technical skill development to the youths at different levels extending from school dropouts to graduates and engineers. Variety of training programmes are provided by these technology centres in numerous fields such as Diploma in Tool & Die Making, diploma in advanced embedded technology, course in CAD/CAM, course in Artificial Intelligence & Internet of Things, diploma in footwear manufacturing design and courses in Fragrance & Flavour creation, etc.
- ***Technological Upgradation –*** Various schemes for technology upgradation has been initiated by the Ministry of MSME which has the objective to provide opportunity to the innovators in developing and nurturing their innovative and new ideas for production of products or services. The core objective of this incubation scheme is to support and promote untapped creativity of individual and adoption of latest technologies in manufacturing and knowledge based innovative MSMEs. The scheme will include mentoring support in business and technology, seed capital assistance, networking with other businesses and professional help to make the unit successful and achieve higher growth.
- ***Other Programmes -*** There are many other programmes and policies of the Ministry of MSME, apart from the Incubation scheme, which helps in technological upgradations such as Technology Upgradation and Quality Certification, Science and Technology Scheme for Coir, Credit Linked Capital Subsidy for Technology Upgradation (CLCSS), etc.
- ***Intellectual Property Rights (IPR) –*** The Ministry encourages the technological advancements and innovations of MSMEs as well as provides awareness on protection of ideas and inventions by the medium of scheme like Intellectual Property Rights (IPR). The core aim of the scheme is to increase awareness among the MSMEs about Intellectual Property Rights, to take measures to protect their ideas and business strategies. The Effective utilisation of IPR tools by MSMEs would definitely help them in technological upgradation and to increase their competitiveness.

Due to the spread of Covid-19 and consequently lockdown in the country posed serious threat to the Indian economy. To reboot the economy Hon'ble Prime Minister came up with a package of Rs. 20 lakh crore which accounts for 10% of India's GDP known as "Aatma Nirbhar Bharat Abhiyan" on May 12, 2020. The core objective is to become self-reliant with main focus on local manufactures and service providers. Strengthening our MSMEs will definitely shift away dependency on other countries and find the way of import substitution. Indian MSMEs will be on track in future to achieve economies of scale as India has internal demand potential and coupled with the demographic advantage. MA

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CDP ACTS AS DRIVING FORCE TO THE MSME SECTOR A CASE STUDY OF FAN CLUSTER IN WEST BENGAL

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Abstract

MSME sector well-regarded as the backbone of the country is facing with huge problems in connection with fund, technology, demand and efficiency. CDP acts as safeguard mechanism to the MSME sector which is generating second largest employment. The purpose of this study is to evaluate the effects of CDP on capacity building of the MSMEs, using electric fans industry in Kolkata, West Bengal as case study. Based on this sample, the results obtained indicate that CDP has a clear effect on the capacity building of the MSMEs. MSMEs have been immensely benefitted in terms of productivity and competitiveness from various capacity building measures. The findings can prove useful to MSME department and its policy makers, new entrepreneurs, researchers, as well as government and academic institutions.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are the growth accelerators and considered as the 'backbone of the Indian economy.' In spite of sizeable contribution to the economy, this sector is struggling for existence because of facing stiff competitions from large scale manufacturers as well as global corporations. In such circumstances, Cluster Development Programme (CDP) is an excellent platform and one of the finest schemes for the MSMEs in order to safeguard this sector properly. CDP acts as catalyst for channelizing the necessary resources in a social network towards enhancement of building confidence and competitiveness of this sector. The key objectives of CDP are to increase productivity and capacity building of the MSMEs. It also strengthens enterprises to combat internal challenges and to defeat global threats of the today's competitive business climate. CDP has its two successive interventions namely soft and hard interventions. CDP protects MSMEs through soft interventions or to build up soft skills development and hard interventions or to build up the common facility Centre (CFC).

The purpose of this study is to examine the effects of CDP on capacity building of the MSMEs, using electric fans cluster in Kolkata, West Bengal as case study. In order to understand the study's aim, entire study has divided into five sections. Section1 deals with introduction. Section 2 presents the existing scenario of CDP in the MSME sector. Section 3 focuses on various capacity building measures. Section 4 examines the effects of CDP on capacity building of the MSMEs and Section 5 concludes the study.

Objectives of the Study

i. To observe the existing scenario of CDP in the MSME Sector
ii. To focus on capacity building measures in the light of CDP
iii. To examine the effects of CDP on capacity building of the MSMEs

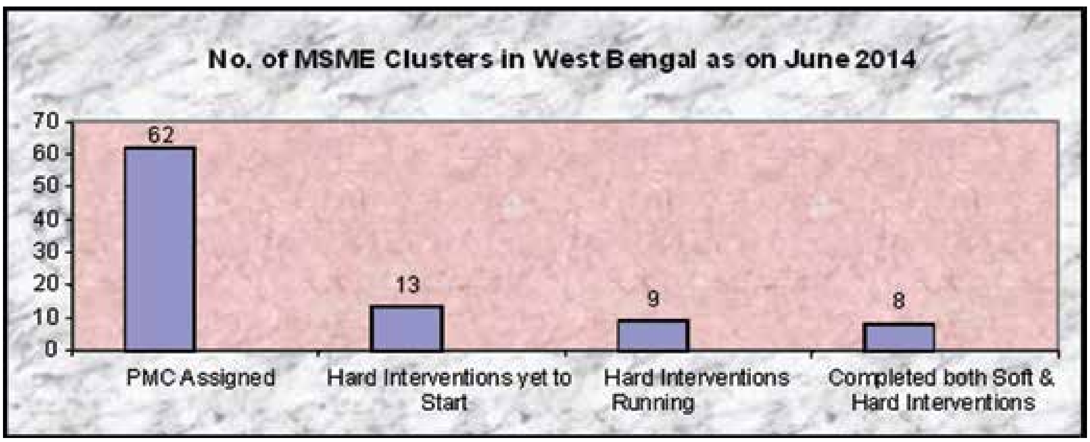
Database and Methodology

The study is both exploratory and empirical in nature. The exploratory part of the study is supported by the existing literature on the subject including books, journal articles, newspaper reports etc. The empirical analysis is based on both primary and secondary data. Secondary data have been collected from various web resources including electric fans cluster in Kolkata, West Bengal.

The main objective of the study is to examine the effects of CDP on capacity building of the MSMEs based on soft interventions. Currently eight MSME clusters in West Bengal have completed soft interventions and completed or nearing to complete hard interventions. Electric fans cluster is selected for case study because it has already received two successive interventions of CDP. In order to find out data analysis and findings, primary data have been collected from concerned cluster through structure questionnaire which consist of 6 questions. It has distributed to and collected from 54 respondents. Data have been presented through cross tabulations. In addition, Pearson correlation (r value) between individual measure and capacity building is also attached in this study. Finally, three hypotheses are tested for making valid conclusion whether there is any impact of CDP on capacity building of the MSMEs or not. Most of the primary data have been collected during 2018-19 financial year and SPSS 19 package has been used to analyze the data.

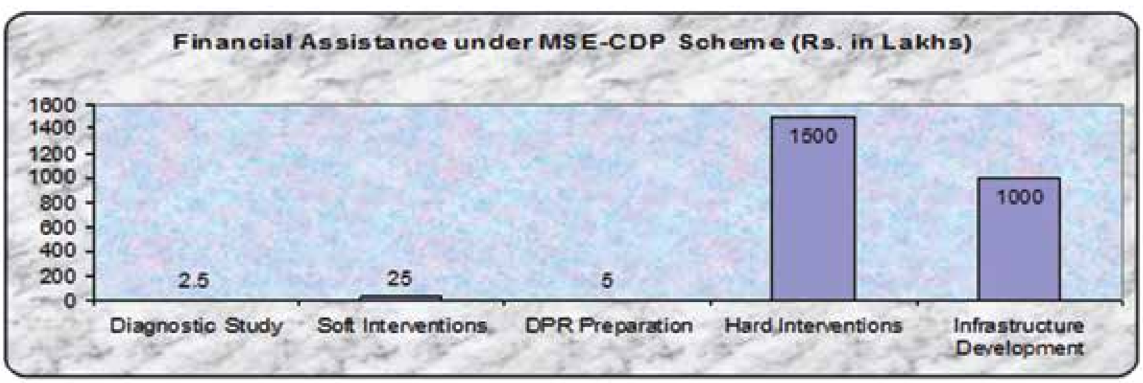
2. Overview of CDP in West Bengal

From the diagrammatic presentation, it is shown that as of June, 2014, 62 clusters were assigned PMCs for making feasibility study report about their future potentiality. 13 clusters yet to start CFCs, 9 clusters are running CFCs and 8 clusters have completed both interventions or nearing to complete hard interventions during the same period.



Source: Compiled by the Researcher

Financial Assistance under MSE-CDP Scheme



Source: MSE-CDP Guidelines, Ministry of MSME, Government of India, 2016

3. Capacity Building Measures

Capacity building becomes easy when collaborative approach is followed instead of individual attempt. A micro or small enterprise can't do this alone due to dearth of financial, technical and infrastructural constraints. In this situation, CDP is extremely useful and appropriate measure which introduced by the MSME Department, Government of India in August, 2007. However, various capacity building measures under soft interventions within the purview of CDP are mentioned below.

i. **Special Purpose Vehicle (SPV) Formation**: SPV is a legal entity which is formed through any mode of cooperative society, trust, registered society and company U/S 25.

ii. **Seminar and Workshop**: These are common promotional activities for both academic and corporate citizens. In seminar and workshop, specific subject is highlighted. Participants are getting knowledgeable and removed their confusions through interactive session. Seminar is presented through power point mode by a group of experts or seeking papers from participants to focus on selected issues. Workshop on the other hand, is presented through power point mode and or in practical fields.

iii. **Training Programme**: It is specially designed programme set for a group of newly appointed or existing employees in order to increase efficiencies for them. It has a positive impact on development of an organization as a whole.

iv. **Counseling and Motivation**: Motivation is an act of stimulating employees. Counseling is a way of selecting best option from available ones and prescribed some remedial measures. As a result, optimum use of physical, financial and human resources can be made possible.

v. **Participation in Foreign Fairs**: It is a strong medium for popularizing and promoting products in foreign markets. Besides, some orders may be executed. Through foreign fairs, entrepreneurs gain confidence and knowledge about various aspects of products including tests and fashions of consumers of their locations.

vi. **Exposure Visits to Model Clusters**: Exchange of ideas between two related clusters can identify their problems and make plan of actions for removing the same and retain confidence in the mind of participants.

vii. **Technology Demonstration**: Research and Development centre plays an important role in regard to consensus of using latest technology in every sphere of manufacturing activities or services. It has been increasing capacity building of the MSMEs.

viii. **Interlinked with Industry and Academia**: Clusters should have interlinked with industry for mass scale production and sales. Academic institutions support through tailor made solution in order to redress the problems of the MSMEs.

ix. **Backward linkage Programme**: Linked with companies for supplying of basic inputs, spare parts and equipment. This programme helps in continue production uninterruptedly and at the same time cost of product becomes competitive.

x. **Forward linkage Programme**: This programme is linked with export agencies in particular. It helps businesses to explore in foreign markets and earns foreign currencies.

4. Analysis of Effectiveness of CDP on Capacity Building of the MSMEs

This section deals with analysis of effectiveness of CDP of electric fans clusters in Kolkata, West Bengal. In this section, an attempt has been made to examine whether CDP is effective and to what extent. The main focus of the study is to measure whether capacity building of the MSMEs has been achieved or not. In order to evaluate the effectiveness of CDP, only three capacity building measures related to soft interventions such as SPV formation, exposure visits to model clusters and industry and academia involvement are taken into consideration for analysis and decision making.

Overview of Fan Cluster

Kolkata is one of the leading centres of electrical fans manufacturing in the Eastern India and home to leading brands like Usha, Polar, Khaitan and Orient, etc. In 1960, few units were started their activities as auxiliary to the Usha company at Bansdroni and Naktala areas.

Fan Manufacturers Cluster Foundation of Kolkata (FMCFK) is registered in the year of 2010. Electric Fan cluster in Kolkata started its journey since 1975. This cluster is very popular in West Bengal. The cluster has 260 functional units and predominantly concentrated at Naktala, Bansdroni, Wellington Square and Tollygunge areas within a radius of around 15 Kilometers from Kolkata Municipal Corporation.

MSMEs are divided into Fan Components Manufacturing Units and Fan Assembly Units. Products from this cluster are highly standardized and price competitive. Products such as Ceiling fan, Table fan, Exhaust fan, Air Circulator fan and Pedestal fan are produced. However, Ceiling and Table fans are produced at large scale due to high market demand while rest three types of fan are also produced by them in a small quantity.

Analysis of Capacity Building Measures of the MSMEs

In order to measure the effectiveness of CDP on capacity building of the MSMEs of fans cluster in Kolkata, three different sets of questions have been formulated. Each set consists of two related questions. Therefore, strength of capacity building can be measured with the help of primary data sources:

i. Role of Special Purpose Vehicle (SPV) Formation

Table: Role of SPV Formation

	Frequency	Percent	Cumulative Percent
Agree	41	75.9	75.9
Neutral	12	22.2	98.1

Disagree	1	1.9	100.0
Total	54	100.0	

Source: Compiled by the Researcher

From the above table, it shows that 75.9% of respondents accepted its importance of SPV formation while, 22.2% of respondents were silent and only one respondent had negatively replied in this regard.

ii. Impact of SPV formation on capacity building

Table: Impact of SPV formation on capacity building

	Frequency	Percent	Cumulative Percent
Agree	40	74.1	74.1
Neutral	12	22.2	96.3
Disagree	2	3.7	100.0
Total	54	100.0	

Source: Compiled by the Researcher

It shows from the above table that 74.1% of respondents were believed that there is an effect of SPV formation on capacity building of the MSMEs. Though, 22.2% of respondents were neutral and rest 3.7% of respondents was rejected on the ground that there is no relation between two variables.

Relationship between SPV and Capacity Building

Chi-Square Test:

Hypothesis-1

H_o = There is no relation between SPV formation and Capacity Building of the MSMEs

H_1 = There is a relation between SPV formation and Capacity Building of the MSMEs

A cross tabulation is drawn in order to determine sample opinion regarding impact of SPV formation on capacity building of the MSMEs and outcome is shown below in the following Table.

Table: Cross Tabulation: Special Purpose Vehicle enhances production* Special Purpose Vehicle effects on Capacity Building of the MSMEs

		Special Purpose Vehicle effects on Capacity Building of the MSMEs			Total
		Agree	Neutral	Disagree	
Special Purpose Vehicle enhances Production	Agree	40	1	0	41
	Neutral	0	11	1	12
	Disagree	0	0	1	1
Total		40	12	2	54

Source: Compiled by the Researcher

From the cross tabulation, it shows that more than 74% of respondents agreed on augmentation of capacity building through formation of SPV. SPV is one of the core issues under CDP.

Pearson Chi-Square Test is formulated to check out whether any kind of relationship exists between SPV formation and capacity building of the beneficiary units. Pearson Correlation is .935 and correlation is significant at the 0.01 level (2-tailed). Result of Chi-Square Test is shown below in the next Table.

Table: Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	73.418[a]	4	.000
Likelihood Ratio	57.003	4	.000
Linear-by-Linear Association	46.376	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is a significant relationship between SPV formation and capacity building of the MSMEs.

iii. Role of exposure visits to model clusters

Table: Exposure Visits to model clusters enhance Confidence Building

	Frequency	Percent	Cumulative Percent
Agree	41	75.9	75.9
Neutral	8	14.8	90.7
Disagree	5	9.3	100.0
Total	54	100.0	

Source: Compiled by the Researcher

With reference to role of exposure visits to model clusters, about 75.9% of respondents expressed their extreme satisfaction while, 14.8% and 9.3% of respondents were silent and disagreed respectively on the same issue.

iv. Impact of exposure visits to model clusters on capacity building

Table 4.10: Exposure Visits gear-up Capacity Building of the MSMEs			
	Frequency	Percent	Cumulative Percent
Agree	40	74.1	74.1
Neutral	9	16.7	90.7
Disagree	5	9.3	100.0
Total	54	100.0	

Source: Compiled by the Researcher

Whether exposure visits to model clusters has an impact on capacity building of the MSMEs, about 74.1% of respondents agreed on enhancement of capacity building. Though, roughly 16.7% of respondents were silent while rest 9.3% of respondents did not get approval on the particular issue.

Relationship between Exposure Visits and Capacity Building

Chi-Square Test:

Hypothesis-2

H_o = There is no relation between Exposure Visits and Capacity Building

H_1 = There is a relation between Exposure Visits and Capacity Building

A cross tabulation is drawn between exposure visits and capacity building of the MSMEs under three dimensional scale presented below in the next Table.

Table: Cross Tabulation: Exposure Visits to model clusters enhance Confidence Building * Exposure Visits gear up Capacity Building of the MSMEs					
		Exposure Visits gear up Capacity Building of the MSMEs			Total
		Agree	Neutral	Disagree	
Exposure Visits to model clusters enhance Confidence Building	Agree	39	2	0	41
	Neutral	1	7	0	8
	Disagree	0	0	5	5
Total		40	9	5	54

Source: Compiled by the Researcher

The Pearson correlation between two variables is .933 and correlation is significant at the 0.01 level (2-tailed). Correlation is also tested by the Pearson Chi-Square Test and P value is shown below in the following Table.

Table: Chi-Square Test			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	87.586[a]	4	.000
Likelihood Ratio	58.045	4	.000
Linear-by-Linear Association	46.111	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is a significant relationship between exposure visits to model clusters and capacity building of the MSMEs.

v. Industry and academia involvement in a CDP

Table: Industry and Academia support tailor made solution			
	Frequency	Percent	Cumulative Percent
Agree	38	70.4	70.4
Neutral	8	14.8	85.2
Disagree	8	14.8	100.0
Total	54	100.0	

Source: Compiled by the Researcher

With regard to industry and academia involvement in a CDP, roughly 70.4% of respondents were accepted its importance. While, 14.8% of respondents were denied to make any comment and remaining 14.8% of respondents were disagreed.

vi. Impact of involvement of industry and academia on capacity building

Table: Impact of Industry and Academia linkage on Capacity Building			
	Frequency	Percent	Cumulative Percent
Agree	37	68.5	68.5

Neutral	9	16.7	85.2
Disagree	8	14.8	100.0
Total	54	100.0	

Source: Compiled by the Researcher

From the above table, it shows that 68.5% of respondents were answered positively while, 16.7% and 14.8% of respondents were silent and disagreed respectively on the ground that there is no relationship between two variables.

Relationship between Industry and Academia linkage and Capacity Building

Chi-Square Test:

Hypothesis-3

H_o = There is no relation between Industry and Academia linkage and Capacity Building

H_1 = There is a relation between Industry and Academia linkage and Capacity Building

A cross tabulation is drawn between industry and academia linkage and capacity building of the MSMEs under three dimensional scale presented below in the next Table.

Table: Cross Tabulation: Industry and Academia support tailor made solution * Impact of Industry and Academia linkage on Capacity Building

		Impact of Industry and Academia linkage on Capacity Building			Total
		Agree	Neutral	Disagree	
Industry and Academia support tailor made solution	Agree	37	1	0	38
	Neutral	0	8	0	8
	Disagree	0	0	8	8
Total		37	9	8	54

Source: Compiled by the Researcher

The Pearson correlation between two variables is .983 and correlation is significant at the 0.01 level (2-tailed). Correlation is also tested by the Pearson Chi-Square Test and P value is shown below in the next Table.

Table: Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.737[a]	4	.000
Likelihood Ratio	81.533	4	.000
Linear-by-Linear Association	51.244	1	.000
N of Valid Cases	54		

Source: Computed by the Researcher

The Pearson Chi-Square or P value of the test is at 5% level of significance is 0.000 which is less than 0.05. So, null hypothesis is rejected and the alternative hypothesis is accepted. Now, it can be said that there is an impact of industry and academia linkage on capacity building of the MSMEs.

5. Concluding Observations

It is found that sample MSMEs in electric fans cluster, Kolkata have been built-up their individual capacity in terms of productivity and competitiveness. Therefore, CDP in the MSME sector as a whole is effective. However, conducting seminar and workshop at regular intervals are induced to build up confidence level of the beneficiary units and adoption of sophisticated technology is also being enhancing competitiveness of the MSMEs. Based on sample results obtained from capacity building of the MSMEs, specific observations may be summed-up below:

- Legal entity like SPV formation is a crucial step for enhancing capacity building and synergy.
- Exposure visits to model clusters is a constructive technique to strengthen their capacity building of the MSMEs and
- Industry and academia's involvement in a cluster is an excellent initiative for increasing capacity building of the beneficiary units. MA

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DIGITAL TRANSFORMATION AN INEVITABLE AGENDA FOR MSMEs TO SURVIVE, SURGE HEAD & SUCCEED

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Abstract

MSMEs segment is the backbone of the Indian economy. However, in past few years, MSMEs have been confronting some challenges viz demonetisation, supply chain bottlenecks, financial crisis and adopting to digital ecosystem.

Growing Importance of Digital MSMEs is not only the policy agenda but it is equally important for the survival and success of this segment. SMEs digitalization will not only improve their competitiveness, it will also benefit society at large because SMEs are the main service providers in the regional economic growth and innovations.

Though it is the buzzword, but anxieties about how to adopt it, what will be the impact of this transformation in business are still impairing many organisation

This article discuss the manner in which the digitalisation can help MSMEs in seizing better business opportunities, what are the major challenges MSMEs face in embracing digital transformation? How they can overcome these challenges?

In a country like India with population size of approximately 1.33 billion, MSME sector plays a pivotal role. It fosters growth of entrepreneurship and opportunities for employment. This sector reduces the problem of disguised unemployment by absorbing the agricultural labours during the lean season. This segment also extends support to the large industries in the form of ancillary units and plays a significant role in the entire value chain of the business. The sector contributes towards economic empowerment and social inclusion of the rural population as almost 51% of the MSMEs are based in rural India. They are engaged in diversified fields ranging from traditional rural handicrafts to technology oriented industrial units.

The percentage share of Micro, Small and Medium Enterprises (MSME) related products in the total Exports of the country was 49.81% in the year 2019-20 (till December 2019) as per the data from Directorate General of Commercial Intelligence & Statistics (DGCI&S)[1], which is the highest in the last four financial years.

The significance of this sector is evident from the numerous Government initiatives taken to boost its growth, the most significant one being the revision in the definition of the MSMEs. Global trends in classifying MSMEs revealed that most of the countries are using major parameters like number of employees, net worth, turnover, capital employed etc to define MSMEs. To facilitate ease of doing business the Government of India revised the definition of MSMEs vide the Gazette Notification S.O. 2119 (E) dated June 26, 2020. Accordingly, the definition of MSMEs is mentioned in the table given below:

Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment< Rs. 2 cr.	Investment<Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

Figure 1 Definition of MSME

The revised definition was in fact a need of the hour considering the changes in the economic scenario. The new definition is progressive, rational, transparent and easier to implement considering the fact that turnover can be ascertained from the GST returns of the entity. The registration under GST has also led to formalization of the MSME Sector to certain extent.

Despite the notable contribution by this Segment in the economy, it could not evolve as a robust, resilient player, setting a landmark for itself. MSMEs confront several challenges, the major being availability of low cost credit facilities, procurement of raw material, inertia to technology adoption, capacity building, supply chain disruption and the perennial problem of delayed payments among others. Apart from the inherent challenges, the COVID 19 pandemic continues to keep the world on the edge. Though businesses are getting back to pre-pandemic levels, the uncertainty over the length and intensity of the pandemic continues to cause concern. Just like boosting immunity of the population is a key to tackle the pandemic, the key to long-term sustainability for MSMEs would be to focus on innovation and digitalization.

Seizing opportunities from digitalization

Digitalization is not about technology implementation, it encompasses the transformation of business using technology, so as to make work simpler, cost effective and efficient.

Being digital is becoming the way of life, billions of people wake up in the morning and instead of brushing teeth, they prefer to scroll through their mobiles to check updates in Whatsapp, Facebook or e-mail notifications. The opportunities provided by the digitalisation are compelling business entities to look at their business models from different angles.

With the help of digitalisation infrastructure, one can reposition the risk of business by improving the reach beyond geographical boundaries. The era of invisible networks has created a new market for the economy at large. Information rushes through the networks in the blink of an eye, customers can pick and choose any services, products from across the globe. This new digital business model would overthrow the old way of doing business; it is time to embrace the change or to become obsolete. The data mentioned below speaks volumes about the increasing prominence of the digital world:

- There were **687.6 million** internet users in India in January 2020
- The number of internet users **in creased** by **128 million** (+23%) between 2019 and 2020
- Internet penetration in India stood at **50%** in January 2020
- The number of mobile connections in India in January 2020 was equivalent to 78% of the total population

Indian MSMEs & digitalisation

The MSME sector is yet to benefit from the advances in digital space. For several reasons they are unable to unlock the digital dividend for their benefit. Anxiety and confusion about how digitalisation will impact my business, how much amount will be required for the digitalisation, what if my organisation fails to implement it successfully etc and more such questions are gripping the MSMEs into inaction.

Given the present scenario, more and more customers are shifting to online platforms which are providing opportunities for MSMEs to transform and build on digitalisation of their businesses.

According to the Indian MSME Impact report 2019, out of 63 million MSMEs in India, 62 percent are still offline .The need of the hour is to have website of each MSME that showcases products and services and also have the facility to accept payment online. An online presence remains the most effective method of understanding and responding to customers' needs now and in the future.

Yes Bank had conducted a study on impact of digitalization on MSMEs according to which only 5% of over 2700 MSMEs which were surveyed had embraced complete digitalisation, even though over 60% of them were digitally enabled. Thus, it can be extrapolated that not only the availability of digital infrastructure but also the need for technical knowhow and skilled resources are impediment to the adoption of digital framework. However, those MSMEs who were digitally empowered were benefited by way of increased earrings, enhanced customer engagements and better operational efficiencies.

Digitalisation provides opportunity to thrive on enriched data and thereby take corrective actions on time.

Why Digitalisation is a challenge for MSMEs?

1. Digital Literacy: Digital transformation requires cultural and behavioural changes such as new way of approaching customers, monitoring the digital behaviour of the customers, keeping customers engaged using digital marketing, increased collaboration with tech savvy entities etc. It is very much important to develop a mindset to embrace the change. Digital literacy is the primary step towards ultimate goal of embracing the change and reinforcing new behaviours and way of working through the digital platforms. **The term "digital literacy" means ability to use information and communication technologies to find, evaluate, create and communicate information using both analytical and technical skills**. **It is defined as, "the ability of individuals**

and communities to understand and use digital technologies for meaningful actions within life situations" This is as per guidelines of "Pradhan Mantri Gramin Digital Saksharta Abhiyan" (PMGDISHA) scheme.

As per report of Digital Empowerment Foundation, in 2018 about 90% of the population in India was digitally illiterate.

2. **Denial from workforce**: Worries about being replaced by young tech-savvy staff, or machines are reasons enough to protest against digitalisation by the workforce. They fear that they may lose jobs and it is a threat to their autonomy. Insecurity and anxiety about unknown may even lead to sabotage the process of digital transformation.

3. **Switching Cost**: Majority of the MSMEs operate on a thin margin with limited capital. These units do not have easy access to formal credit system. Most of the firms run their business out of their own investment or borrowing money from friends and family. These entities feel that digital transformation requires big budget and therefore there is dormancy towards digitalisation

4. **Loss of revenue from non-digital customers:** Digitalisation is often considered as a cannibal that will eat away the share of business contributed by non-digital customers.

5. **Cyber Security:** An unsafe online environment presents another challenge in adopting digital framework. Instances of hacking, intellectual property infringement etc. are posing major threats.

6. **Inconsistency in quality of customers and digital agenda:** The real meaning of digitalisation is often misinterpreted. The business units assume that digital transformation means act of using some of the digital tools along with the traditional business model. They fail to understand that it is not a momentary event, but it is something that they have to sustain over the years.

Digital engagement levels of MSMEs in India:

The series of struggles which the MSMEs face leads to obstruction in their way to transformation. They try to adopt reform measures on a trial and error approach. They experiment and mend things and many a times come across cross roads. In this process some reach the final destination, some struggle in the initial stage while rest reach the mid-way and thrive to improve with perseverance and zeal.

The engagement level of MSMEs can be categorized as under:

Offline: MSMEs which do not use computers, social media platforms and have no access to internet.

Connected: Those MSMEs which have preliminary knowledge of digital platforms, and are using minimal level of digital channels like e-mails, search engines etc, but they do not make use of digital channels formally.

Enabled: These entities have corporate e-mail IDs, own website and social media presence to maintain relations with their clients. They understand the market using digital platforms.

Engaged: These segments of MSMEs are tech savvy and proficient in digital tools, predominant volume of their business activity is executed through digital platforms.

At present, over 80% of the MSMEs belong to the offline and connected engagement level.

Way Forward

The real digital transformation is about breaking down the barriers, leverage the technology for increased earnings and profitability. There is need for effective integration between the technology and all the available key resources of the business.

Acquiring Digital IQ: Acquisition of Digital IQ or Digital maturity is necessary to reap the benefits of digitalization. It is the measurement of the organisation's ability to harness growth and profitability from digital framework. The journey towards digital agility is not a onetime moment; it is a continuous and enduring process. It is a thing beyond a statement like, "we want to go paperless". The management must be clear about the specifics of the organisation, assess the effect of transformation on the culture and commercial side of the business and align the digital objective with the mission of the business entity.

Shift in the mindset & culture change: Regardless the effectiveness of the digital mission, it will be truly successful, if there has been a shift in the mindset of the entire workforce of the organisation. The employees should be directly involved in the transformation process. It is inevitable to win the confidence of the human resource of the entity for embarking into the new journey. The leader must set an example by getting actively involved into the process. Give insight to the employees what the customers want from them.

Identify the gaps: It is important to maintain close connection with the world outside the organisation to understand the external needs, temperament of the customers and strategies adopted by the competitors in the market. It is important to develop meaningful connections with the customers to understand the digital experience they value. From the needs of the customers, identify the digital model that will suitably bridge the gaps of the unmet customer expectations. Some methods to identify the gaps can be to host a virtual event for the customers to get their feedback, experience the digital products used by the customers etc.

Leveraging Government Schemes: The Government is introducing several schemes, incentives for MSMEs who want to adopt digitalisation. It is important to be aware about such measures and take maximum benefit of it. ZED is one such scheme introduced to encourage MSMEs to adopt quality tools/ systems and energy efficient manufacturing process.

Route to transformation: The path for digitalization is full of unknown. There may be hundreds of ways to accomplish the same goals, therefore, finding the right method that suits the dynamics of the organisation and best delivers the outcome that business needs, is very important.

Others: Some of the other vital measures for successful digital transformations are consistency in plan, establishing flexible framework, collaborative approach with expert service providers like digital hubs, start up support system etc.

Transformation isn't just an agenda; it must become a natural way of working of the entity. The emerging technologies must be the core competencies of the organisation. It is a journey without a final destination. It is important to embrace the challenges to make the journey meaningful and effective for the business. MA

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A STUDY FOR UNDERSTANDING THE PROBLEMS OF MSMEs UNDER CURRENT PANDEMIC SITUATION WITH SPECIAL REFERENCE TO KOLKATA

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Abstract

The Covid 19 pandemic has called for a massive economic slowdown in case of almost every industrial sector of India. Naturally small and micro-small shops are tremendously affected and they need appropriate strategies for their survival in the upcoming future. This study made an attempt to identify the ground level problems faced by the small and micro level enterprises and find some strategies to overcome the situation. The present study is basically a qualitative approach. To do so the researchers interviewed 121 shopkeepers running businesses before the lockdown through unstructured questionnaire. The researchers identified the problems and their definite or probable causes based on their opinions and views.

I. Research Problem

The unprecedented threat of Covid 19 pandemic has just shattered the entire structure of Indian economy in every aspect like any other economy across the whole world. Even the small and micro level enterprises that faced a clear way of growth earlier before pandemic situation sudden overshadowed by the unwelcoming financial and non-financial crisis awakened due to world-wide crisis generated due to such pandemic. They faced a bundle of crisis like short-fall of liquidity, steady fall of demand for their products and services offered to the public, problems related to migrant labourers, irregular supply of raw materials due to lockdown around three months along with serious issue of uneven transportation problems between different states, districts, regions within India. Naturally there should be an urgent requirement of appropriate survival strategy which helps to bring the financial solvency position of this micro sectors back to the previous level as soon as possible. This study aims to identify the ground level problems that are faced by the small and micro level enterprises and seek some glimpses of survival strategy which may help to eradicate the sorted-out problems. And to do so, this study comprises of five sections where First Section deals with Research Problems, Second Section highlights Research Objectives, Third Section mentions Research Methodology, Fourth Section portrays data Analysis and Presentations and Final Section concludes the Paper along with certain recommendations.

II. Research Objectives

The study has been based on following research objectives:

1. To identify the problems that has been newly raised or become more acute under current pandemic situation with reference to small and micro shops of greater Kolkata.
2. To provide feasible and efficient course of actions to be undertaken by these small and micro shops of greater Kolkata to reduce or eliminate the evils of these problems.

III. Research Methodology

The present study is basically a qualitative approach in deciphering the various unique and common problems faced by the small and micro shops of greater Kolkata, mainly accustomed with retailing. The data based on which main analysis has been done is being collected through Depth Interview technique of data collection. The researchers interviewed 121 shopkeepers running business before the pandemic associated lockdown through unstructured questionnaire. The greater Kolkata has been selected by the researchers. The researchers identified the problems and their probable causes based on those opinions and views.

IV. Data Presentation and Analysis

The small and micro shops are basically backbone of the Indian economy in terms of supporting daily livelihood of a large section of the Indian population. This particular section, an important part of the MSME sector; is extremely vulnerable to every problem that shook economic base of the country.

Rapid fall in sales volume is a major existential threat for many small and micro shops. The fall in purchasing power of majority of the customers is a big issue now for economic viability of many small and micro shops from demand side. Due to continuous lockdown for long period of time and continuation of moderate to low restrictions on free movements till now has put a lot on employment scenario of the citizens. Except those shops dealing in basic necessities; the revenue scenario is very worse for other shops. The revenue condition is more severe for several businesses like saloons and parlours providing personal services to individuals due to social distancing issues. Though spreading awareness is a big issue for maintaining safety protocols but developing of fear psychosis is truly detrimental for these businesses' prospect. The online mode of delivering education creates a downfall of revenue earnings of many shops.

In the supply side the picture is also not very much promising. The small and micro shops are basically retailer in nature and to cope with this huge revenue loss and resulting liquidity crisis; most of them are selling their products at MRP and on cash basis now. Previously, majority of these shops provide credit to their customers and sold products to varying extent below MRP, so this is obviously a burdensome issue for many customers now. Moreover, the procurement price of many products to retailers has been increased as whole sellers are giving commissions at lower rate. Finally, various industries also increased the price of their products. The reason behind this as understandable from observed views that most of the industries are running at lower production capacity due to employee unavailability mainly and for this a significant supply demand gap has been developed in market for various products, especially food articles. Though shop keepers opined that supply issue will be solved very soon, once the restrictions will be lessened further.

Another vital issue relating to hampering economic wellbeing of the micro and small shops of greater Kolkata is employee related problems arising from pandemic issues. Many shops, especially sweet shops and other small and micro eateries are facing huge problems in keeping adequate number of workers. Due to transport problems, especially non-availability of local train facilities keeps employees away from their work place. Apart from it; threat perception of the employees and inadequate financial strength in meeting employee compensation are also important factors in keeping employees away from their work place. Due to man-power shortage low capacity utilization is a big issue both in increasing per unit cost and in failure to meet market demand.

The threat perception of the customers is also a big deciding factor now in choosing large shops and departmental stores products in place of small and micro shops similar products. Basically customers are now looking for packaged products, even for day to day food items considering hygiene issue. Small and micro shops are basically dealing in loose products and it has also been observed by the researchers that hygiene issue in these small shops are not properly maintained or considered as a serious issue now. In safety aspect performance of large shops are much more admiring and hence customers are moving towards large shops.

In case of threat perception of shopkeepers, it has been observed that some shopkeepers have low threat perception and some have moderate to high threat perceptions regarding the COVID19. Shopkeepers having moderate to high threat perceptions are basically aware about the disease and they opined that for the sake of livelihood they are doing their jobs; knowing persistent threats. Researchers by closely observing the safety precautions taken by customers and shopkeepers concluded that hygiene issues are too much neglected here, especially in the local market based shops, as large numbers of shops are in very close proximity. Hence, shopkeepers in these small and micro shops are very much prone to infection.

After discussing the above issue one thing that is completely clear is all the above problems negatively impacts the liquidity position or financial strength of the concerned businesses. The liquidity scenario or cash strength is the main pillar of most of the small and micro entities, as fixed asset portion is basically owner financed here and small in proportion to total asset. These small and micro shops are basically running on cash working capital. Hence, rapid fall in revenue earning where as financial burdens are continuously creating a major existential threat for many shops, both in long run and short run. Researchers observed that many owners of small and micro shops stop running their business post lockdown due to this poor financial condition.

Finally, coming to government assistance issue, majority of the shopkeepers are not at all happy. They opined that giving basic food articles at subsidized rate is not all a long term and even not an inclusive approach or mechanism in solving their agonies. The food articles that they are getting at subsidized rate are only beneficial for adult members. There are no provision for welfare of small child and babies in terms of medicines and food articles. Nearly all of them faced huge problems in accessing government health facilities due pandemic issues. Moreover assistance that they are getting in no way helps their businesses to revive. Many of them said that government promised to waive various charges and taxes during lockdown, but ultimately those were not implemented. They think that if those promises are implemented it will become easier for them to revive from financial or liquidity point of view.

V. Conclusions and Recommendations

Based on the above information it can be clearly concluded that small and micro shops of greater Kolkata are under various problems threatening their future viability. The revenue loss and grim prospect of earning normal to high revenue in future is the direct and indirect result off all the problems. Considering above limitations; the researchers put forwarded following recommendations for reviving the small and micro shops' prospects.

1. To revive these shops financially, special financial package from central and state governments for them is very urgent.
2. Awareness regarding the disease and how to combat it need to be spread among these shopkeepers.
3. Spreading of various false information about the disease need to be reduced as much as possible, to counter the development of fear psychosis.
4. The governments and different institutions need to rethink about the implementation of waiving of various charges, payments and taxes due from small and micro shops.
5. The state government of West Bengal needs to rethink about opening of local train services after taking necessary safety precautions, because this issue directly and indirectly impacts the prospects of small and micro shops hugely.
6. Small and micro shops need to sell their products in air tight packets of varying quantities to ensure hygiene issue.

The scope of this research work is limited to small number of individuals and a small geographical area. So, same work can be conducted by considering much larger geographical areas and taking more individual views and opinions. MA

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CMA Umesh Dongre (ICoAS)

Director (Finance)
and Chief Financial Officer
Rashtriya Chemicals and Fertilizers Limited, Mumbai

***Q** How would you describe your journey as a CFO of world's leading fertilizer and chemical manufacturing company - Rashtriya Chemicals and Fertilizers (RCF) Limited, a "Mini-Ratna"?*

A. The last 3 years at RCF has been extremely challenging, though satisfying. However, the Company has grown from strength to strength in this period. The Plants at Trombay & Thal have grown older and with strengthening of energy norms of Urea, the various capex plans for energy efficiency have either been implemented or in advanced stage, since there have been delays due to the lockdown imposed in the wake of recent pandemic. However, the results of the capex decisions taken in earlier years are fructifying now, since the operations at both the Plants have become energy efficient which is likely to improve further in the next 2 years.

***Q** What is your perspective on the overall performance of RCF Ltd. in the past one year?*

A. There has been a tremendous improvement in the financial performance of the Company in the last one year despite huge outstanding Subsidy dues from Department of Fertilizers (DoF) putting pressure on working capital position. Further, Company was appointed as STE for import of Urea on behalf of GoI and Company has imported 61.26 LMT under the MoU Since November 2019. The notification under Modified New Policy Scheme (MNPS) - III towards revision of fixed cost on Urea with effect from 1.4.2014 helped the Company to post decent results for the year 2019-20. The quarterly results for the previous 2 quarters bears witness to the improvement despite the challenges posed by the onset of the pandemic. Energy efficiencies are better; though turnover was lower due to lower subsidy on Urea on account of lower gas prices, profitability improved due to impact of the same on non-Urea operations as well as better realisations of Industrial products. Trading activity also yielded better results due to faster evacuation of material despite lower volumes. The Company is poised for better all-round performance by the year end.

***Q** What are the key concern areas that need to be addressed in the New Normal to ensure selling fertilizers and chemicals in a reliable, ethical and socially responsible manner?*

A. Covid is the biggest setback to mankind in the recent history post World War-II. Entire world economy was on the verge of collapse. However Indian agriculture showed resilience and stood out in this difficult time. In fact, it absorbed lakhs of migrants from commercial capitals of India.

In new normal it is time to take agriculture in India to new heights by taking advanced agriculture techniques to the farmers and giving opportunity to farmers to get fair value of their produce.

Key area that needs to be addressed to ensure selling fertilizers in reliable, ethical & socially responsible manner is to remove bottlenecks in logistics for faster evacuation of fertilizers from plants & ports to ensure ample supply to farmers so that manipulation due to black marketing in case of shortage is checked. Making timely availability of quality fertilizers and complementing them with organic manures like city compost which enriches the soil and finally educating farmers to undertake advanced farming technologies and find better markets for their produce shall be achieved.

***Q** Growth usually is accompanied by some discomfited stumbles. What was your most unexpected lesson in leading for growth?*

A. Our plants of Trombay are situated in the heart of biggest metropolitan city of Mumbai and Thal in Alibag, 100 kms from Mumbai continued production and distribution of fertilizers & chemicals during lock down & thereafter, providing essential fertilizers & chemicals to farmers and chemical industry. Our IPD division is making record sales and supply of our fertilizers continues unhindered.

Stumbles or setbacks give opportunity to review the course of action towards growth and amend accordingly.

However, our plants are of old vintage and have experienced unexpected breakdowns. This, I view as early signals and would like to ensure steps for reliability in operations by phased replacements.

Shri Umesh Dongre is presently working as Director (Finance) in the board of Rashtriya Chemicals and Fertilizers Limited since 8th February 2018. He is a distinction holder in Master of Commerce (M. Com) from Osmania University and Cost and Management Accountant. Shri Dongre started his career with National Bank for Agriculture and Rural Development (NABARD). Post qualification he worked with BHEL. During his tenure at BHEL, he was exposed to plant level costing, overhead absorptions, variance analysis, aberration analysis of mega projects etc.

He joined Indian Cost Accounts Service (ICoAS) in the year 1991 at India Government Mint at Hyderabad and actively participated in 3-Mints' modernization involving capital outlay of around Rs. 350 crores during 1991 to 1997. He was on deputation to Security Paper Mill, now under SPMCIL, from 1997 to 2001. Shri Dongre introduced highest level of internal control and updated financial modules in the organisation. He also implemented a Court decision involving a financial implication of Rs. 70 Crore in a record timeline.

Shri Umesh Dongre was on deputation in Department of Fertilizers and worked with Fertilizer Industry Co-ordination Committee (FICC) from 2005 to 2011. He has formulated and implemented various Fertilizers subsidy policies during his tenure, which were duly accepted and appreciated by Government as well as by Industry. He has been associated with Department of Public Enterprises from 2011 to 2014, where he has interacted with all the CPSEs' in the country and got in-depth knowledge of CPSEs' working culture. During his tenure, he had formulated, modified and updated various guidelines and policies related to CPSEs.

Prior to joining RCF, Shri Dongre joined Office of Chief Advisor (Cost) (CAC) popularly known as Cost Account Branch under Department of Expenditure as Advisor (Cost) in the rank of Joint Secretary to GoI. He was on several committees and boards, few being NPPA, Interlinking of Rivers, Market Intervention Scheme for Food Grains etc. Shri Umesh Dongre has rich experience of over 35 years in various Ministries, Departments and CPSEs at various capacities and has expertise in Cost – Pricing studies, project finance, project management, corporate finance, budgetary control, statutory and management reporting, project funding to name a few. During the entire career his services have been recognised and appreciated.

***Q** Do you see any impact in terms of product pricing mechanism on account of sudden outbreak of pandemic Coronavirus?*

A. The impact is mixed one. On one hand there appears to be a big rush at farmers' level to buy and store fertilizers, may be due to perceived uncertainty about future, and on the other, land under cultivation has increased partly due to reverse migration of labour. In general Fertilizers sale has increased. The prices are largely administered ones.

***Q** Can you throw light on the response from the stakeholders post starting a Methanol Plant at Trombay Unit, Mumbai recently providing alternate to import and thus contributing towards Government's ambitious 'Atmanirbhar Bharat' Abhiyaan.*

A. Drawing inspiration from the Hon'ble Prime Minister's 'Atmanirbhar Bharat Abhiyaan', RCF has successfully resumed Methanol production at its Trombay Plant. This plant has been restarted after a gap of about two years. The plant had been stopped due to financial non-viability owing to high cost of imported RLNG (Raw material for Methanol) and cheap import prices of Methanol.

RCF Methanol plant has production capacity of around 220 MTPD. Around 60 MTPD of the Methanol produced is consumed in-house. 160 MTPD of methanol is available for sale. Though part of it, average 100 MTPD, is sold to the customers, around 60 MTPD of Methanol is excess.

NITI Aayog has plans for Implementation of M15 program (i.e. 15% Blending of Methanol in Petrol) in India. RCF proposes to be a partner in the implementation of this initiative in the western region. We have already intimated to NITI Aayog and sought intervention in facilitating a long term off-take agreement for Methanol between RCF and adjacent Oil companies. RCF has also intimated its willingness to supply methanol to HPCL and BPCL refineries, which are adjacent to our Trombay Plant, on long term basis.

***Q** "With continued government focus on MSMEs, recently with Atmanirbhar package the sector is expected to continue being the growth engine of the Indian economy and provide employment to millions of unskilled and semi-skilled people across the country". Elucidate your views regarding to what extent it will be successful for the MSME sector.*

A. Government's Atmanirbhar package definitely will be a growth engine of Indian Economy and help in employment of skilled and semi-skilled labourers.

As per MSE policy, purchase preference and other benefits are applicable to Micro and Small Enterprises only, for which enterprises with turnover up to Rs.50 crores stand to benefit. Therefore, only some enterprises are getting benefitted. MSEs in other industries like manufacture of HDPE bags have turnover of more than Rs.50 crores and hence will not get MSE benefit. Hence the scope in terms of turnover and also reserved items needs to be widened.

Government should also focus on quality offered by MSEs. They may be encouraged to take certifications like ISO. Their rating based on quality shall also be considered for financial benefits to MSE.

Similarly, MSEs should be trained to sensitise them on various contract laws and meeting contractual commitments. They often falter in fulfilling them like delay in supplies, incomplete deliveries etc.

At the national perspective, MSE policies have already started showing the visible results. Even during the lean financial patch, the nation has been passing through, at present, the share of MSEs, which stood at 30.95% at the end of the fiscal year 2019-20, (₹124,021.62 Cr. total procurement / ₹38,386.09 Cr. from MSEs) has gone up to 33.31% till the end of October, 2020 (₹47,031.54 Cr. total procurement / ₹15,620.91 Cr. from MSEs), as far as the procurements from Central Public Sector Enterprises is concerned. It is likely to go still up by the end of this financial year. With the more business and with better cash flow/ speedy payment realisations through the financial tool of TReDS (Trade Receivables electronic Discounting System), the business of the MSEs is expected to grow and so is the employment scenario leading to more even distribution of wealth.

***Q** According to you, what more improvement required in this arena?*

A. Latest Technology, ability to handle external environment and the financial support are the major ingredients for success of every business. With doing away of Global Tendering for procurements below ₹200 crores, the Government of India has already made its intent clear about the support to MSEs for handling external environment. More thrust is needed on part of the Government of India, in facilitating the MSEs an access to the Green Technology, which is the need of the hour. The Government can also step in by providing more and more Cluster Developments so that the latest machinery and Equipments are collectively available and already scarce resources of the MSEs are not blocked in getting these facilities individually. Any help on working capital and credit facilities and a due reasonable protection from predatory pricings by the industry big brothers is always welcome for any entrepreneurship and more so in case of the MSEs. I may suggest (although, it may sound presumptuous) that the list of 358 items exclusively reserved for the procurements from MSEs is grossly insufficient and the perimeter of this procurement may be expanded by including many more items, which are not of much critical nature to the industry. These measures will go a long way in strengthening the growth of MSE sector and thereby facilitating the Government of India's endeavour to generate the employment in general.

***Q** What is your outlook for the Fertilizers industry in the near medium and long term?*

A. The general age of Fertilizer Plants across the country is very old. To ensure food security uninterrupted ensured fertilizer supply is essential. This is possible only when Industry as a whole resort to upgradation or replacement of their plants with state of art technology plants of high energy efficiency. Some State assistance in financial terms may be necessary to ensure viability as Government is ultimate beneficiary. The focus need to shift away from chemical fertilizers. Use of Organic, Bio and Nano fertilizers need to be encouraged to stop erosion of soil health.

***Q** "In consonance with the PM's mission and Vision 2022, RCF endeavours to be one of the main driving forces behind India's sustainable agriculture." Which innovative projects are there in your pipeline for the next couple of years to promote Indian fertilizer and industrial products?*

A. With the notification of New Urea policy with reduced norms for RCF Trombay and Thal units, RCF in the past few years had focussed primarily on energy saving features to ensure viability/profitability of the existing operations.

Presently, in addition to energy saving schemes, RCF as an equal partner along with GAIL and CIL is implementing Coal based Fertilizer plant at Talcher Orissa. The project is of strategic importance to the country and its success shall be a game changer considering use of Coal as feedstock as an alternate to the ever depleting source of Natural gas.

RCF is currently exploring following projects for the overall growth of the company:

SN	Project	Present Status
1	City Compost, Trombay	Bidder identified Awaiting MDA confirmation
2	New AN melt plant at Trombay	Feasibility stage
3	New CNA (concentrated Nitric Acid) Plant based at Trombay	Feasibility stage
4	Water Soluble Fertilizer manufacturing plant at Thal	Feasibility stage
5	DAP / NPK plant at Thal	Feasibility stage
6	ISO Propyl Alcohol (IPA) manufacturing plant (Thal/ Trombay)	Feasibility stage
7	New Methylamines	Prefeasibility stage
8	New Ammonium Bicarbonate	Prefeasibility stage
9	New AN Melt and Nitric Acid Plant at Thal using excess available Ammonia.	Prefeasibility stage

***Q** What more eco-friendly and cost-effective measures are you planning to make our Nation proud? Please suggest in what ways Cost and Management Accountants (CMAs) may offer their expertise more effectively in this quest.*

A. The Company has taken various initiatives to support the Atma Nirbhar Bharat campaign of the GoI. It has restarted Methanol Plant, which had been shut down due to economic viability in the past few years.
The country is heavily dependent on imports of Methanol. It has ensured continuous production at its production facilities; keep the emission levels well within the prescribed limits and taking due care of the environment. The Company is committed to ensure continuous supply of fertilizers to maintain food security of the country. Further, the Company has ably imported Urea on behalf of GoI to fill the gap between supply and demand.

Ensuring optimal product mix and timely pricing and procurement decisions have ensured that optimum results are achieved. At the same time, facilitating capex decisions to improve the operating and financial performance of plants have been a key improvement area in which CMAs can and have contributed in the quest for posting better results.

Ensuring all statutory and financial compliances is another area where CMAs have offered their expertise. Ensuring fiscal discipline and efficient treasury management have also gone a long way in long term sustenance of the Company.

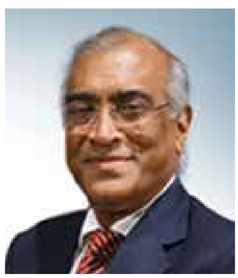
***Q** What are the various ways your organization can integrate with our Institute for the diverse avenues in professional development matters?*

A. RCF has continuous engagement with the Institute in various ways, starting from participations in various programs, award competitions to professional involvement. We look towards the Institute for professional guidance in the matters such as GST, impairment losses, past period expenses etc. Also Institute's guidance is valuable in costing matters of complicated nature.

30 CMAs are a part of RCF Finance Team. We can form a Study circle of these CMAs and programmes can be arranged for them in the company itself under guidance of the Institute. This will be of great help to group members for their professional development.

RCF is already imparting practical trainings to the students and scope for the same can be extended always.

DIGITAL TRANSFORMATION - TRANSMUTATION OF CROWD FUNDING FOR INDIAN STARTUPS INTO A FINANCIAL REVOLUTION



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Introduction

In this column of November 2020, a brief account of contemporary Indian startup ecosystem was presented with narratives on various initiative of Government of India for propagation of successful startups. Various schemes for crowd funding were briefly narrated as options for providing funds to young entrepreneurs for value generation by actualising their 'innoventive' ideas. Platforms designed using blockchain technology was ideated for facilitating the process of crowd funding with transparency and commitments by and between stakeholders under insightful oversight of a designated Regulator[1].

Crowd funding symbolises the old axiom "Many a drops make an ocean," It helps founders of new entities to approach hundreds of individuals to fund their entrepreneurial or social service activities. Often rewards are offered in return for products or equity when such funding is solicited by commercial ventures. Schwienbacher and Larralde (2010)[2] defined crowdfunding as projects that *".... can range greatly in both goal and magnitude, from small artistic projects to entrepreneurs seeking hundreds of thousands of dollars in seed capital as an alternative to traditional venture capital investment……. the crowd fund small amounts of money to accumulate into an investment large enough to finance a project or a start-up company*."

Albeit structured information being not available, unconfirmed information suggest that *"……India has seen a massive crowdfunding success story many years before the term was coined: the story of the Reliance Industries founder Dhirubhai Ambani. His small yet growing textile business was crowdfunded by communities across the Indian state of Gujarat."*[3] Crowdfunding is now a web-based model of the same old concept. Separate platforms for specified projects are hosted by service providers against the charge of nominal fees.

Objectives

In the said first volume the author called upon young corporate professionals and members of business families to allocate a small portion of their investible surplus by lending or participating in equity shares of those startups. Such contributors can collectively be called as an Angel Club orchestrated by a blockchain based platform. The call is also there for Indian business entities to extend support and derive benefits from various scheme-based reward options while funding startups, whose products and services can be used by them as inputs in course of time. Such a crowdfunding ecosystem would also provide opportunities to startups to become future ready by validating their concepts and products. Many such facilities are already available in the USA and European countries. Time is here and now for India to also implement this before being too late.

Objective of this article is to deal with certain preparatory initiative, which are to be actioned upon by startups, for achieving a state of readiness before launching their campaign for funds through a crowdfunding platform. Those would help

Figure: Options for Crowdfunding Schemes

Startups need to go through a drill of preparatory action steps, with their agile thinking cap on, for achieving a state of readiness before launching any campaign for crowdfunding. This should be started after they are ready with proof of concepts and receiving some tractions resulting into sales and value realisations from a few legitimate users of prospective customer groups. The following steps are essential for achieving that state of readiness:

1. **Goals:** Identification of the goals in terms of validations to be achieved for products / services, and quantum of funds to be raised from a defined set of target investors and / or future stakeholders?
2. **Talk to experienced people**: Gathering experiential learning points from stories of 'stratupians' who have run similar campaigns before is important. Objectives would be to replicate and fortify the keynotes of their success, or learn from the reasons of their failures as appropriate. Straight imitation may not be right as products and services being offered may have many differences.
3. **Tell the story**: Spend the needful time to make sure that reasonable number of people of the target audience group know the products and / services being offered by the startup. Upcoming bloggers / influencers in social media may be requested to write about those items. The objective would be to create a certain degree of awareness outside the known network of entrepreneurs.
4. **Platform selection**: Identify and evaluate options for campaign platforms, and selection of the one which can help best achieving the desired objectives against affordable charges for hosting the campaign. The selected platform should also facilitate online transactions for collection from contributors and any other services that may have to be taken with due compliance of legal and regulatory provisions in this regard.
5. **Create contents**: Contents are to be created for the selected platform to host and run the campaign. Such contents must ensure sharing information on a need to know basis with the target audience. The predominant objective should be to enhance credibility of products and services being offered. Every single image, video, infographic, illustrations, and even the story of the product should be created to familiarise future users with all unique features and benefits of the product.

   The author urges upon readers to please watch amazing videos of successful crowdfunding campaigns by two startups in the USA for products called 'Think Board'[4] and 'Coolest Cooler'.[5]

   The ultimate objective of such campaigns is also to create a large base of potential customers and convince contributors that there are potentials for the venture turning into a huge success in its journey to become an Unicorn and then a MNC. Such story telling should also create differentiation from the similar products / services if available in market. Yet at the same time, fundamental technology and secrets behind the product are not to be revealed to avoid risks of immediate replication.
6. **Activate inner-circle network**: Start campaigning in social media about the products and services with minimum contents out to those in point 5 above. Objective would be to keep the inner-circle network of family, friends, mentors, well-wishers, and other acquaintances alerted about the crowd funding campaign to be launched, and receive help in case raising of funds from external sources falls short of target.

7. **Duration of campaign**: Decide how long the campaign should run. The questions to be answered are, whether the campaign should stop once the targeted amount of fund is received, or run for the number days agreed beforehand, and / or period to be extended if the target amount of fund to be raised is not received within the agreed number of days. Extension may also be considered if there are overwhelming responses and the startup would be able to make best use of the additional funds to be received.
8. **Have everything in place before calling for funds**: One or more of the schemes framed for crowd funding could be with commitments to give rewards by way of a committed quantity of products / services sold at a discounted price within a given time line, or pay-off the loan taken out of sales realisations or give free products as a reward unit against equity contributed. Therefore, the entrepreneurs should ensure that production can immediately be upscaled once funds start flowing into the entity.
9. **Allocate responsibilities**: Identify specific activities and related duties and responsibilities to be discharged in a structured manner for meeting commitments made in the campaign. Allocate such responsibilities to founders and other leadership team members to ensure that failures and gaps in performance are to the minimum if not nil.
10. **Fund withdrawal:** Keep understanding ready and agreed with the service provider that funds from the collected amount may have to be withdrawn even before closure of campaign depending upon the extent of achieving the pre-decided milestones.

Startups must maintain a high degree of ethical standards while orchestrating all these actions with a deep sense of frugality, discipline and respect for commitments being made to the prospective contributors. They must plan such actions following the concept of critical path method (CPM) so that valuable time is not wasted while maximising benefits from the first movers' advantages with their unique offerings.

Domino Effect

Success is likely to be a sure shot if the product / service can solve a latent problem of society, or is the first of its kind like a robotic surgeon or electric vehicles, and / or have unique distinctions as opposed to those available in the market. If the above action steps are diligently executed with an agile thinking cap, there is every probability of receiving convincing validations about prospects and potentials of offerings. All these may result into a domino effect. Research findings indicate that successful crowd funding campaign may create a gold rush with destination being the startup. Such a domino effect should be managed with due care so that the startup can derive best advantages from success of the campaign by quickly scaling up product and / or service deliveries.

Crowdfunding Enablers

Readers by now must have been convinced that Indian Startup are critically in need for professional services providers for launching and running crowd funding campaigns. Through research, albeit limited, the author could not be convinced that in India there is a community of professional service providers who have clustered up with the predominant objective of communicating, collaborating and helping 'startupians' at an opportune point of time to launch crowdfunding campaigns. The following are essentially the enabling services that are required for this purpose:

Campaign Platforms and Content Creators

The first set of such services should come from web-based campaign platforms creators for hosting and conducting campaigns at an affordable cost. There should also be a community of professional content creators with charges befitting the imperatives of frugality that startups must observe. Providers of both these services must collaborate with and complement efforts of 'startupians' for ensuring success from funding campaigns.

Campaign platform service providers, through a pre-audit, must ensure that all the norms and standards of the Advertising Standards Council of India[6] (ASCI) have been complied with before launching the campaign. They themselves also should function under vigilant oversight of ASCI. Members of the Council may consider promulgating a separate set of standards for conducting such crowdfunding campaigns by Startups in India.

Blockchain Platform and Smart Contracts

The author has recommended Distributed Ledger Technology (DLT), i. e., Blockchain based platforms for entering into agreements and conducting financial transactions by and between startups and the contributors of funds. The essential pre-requisite for entering any transaction must be completion of the process of 'Know Your Participant or Customer' (KYP or KYC) in compliance with norms and standards to be recommended by a financial Regulator, preferably SEBI or RBI.

Smart Contracts (SCs), duly coded and whetted by eminent jurists, must digitally be embedded into such Blockchain platforms. These SCs must capture, inter alia, all the terms and conditions of different schemes that are being launched for funding. The entire drafting of different SCs should be done in compliance with all applicable laws, rules, and regulations. A digital library must be attached as an extended facility to the Blockchain platform for uploading and storage of documents by the concerned parties. This is required for any eventual requirement of retrieving and referencing such documents in future.

Introduction of such a Blockchain based platform will help resolving the inherent issues of 'Trust Deficit' as Blockchain technology has fundamental features and qualities for ensuring trust, safety, security and provides protections with almost zero probability of hacking.

Integration of Campaign Platform and Blockchain Platform

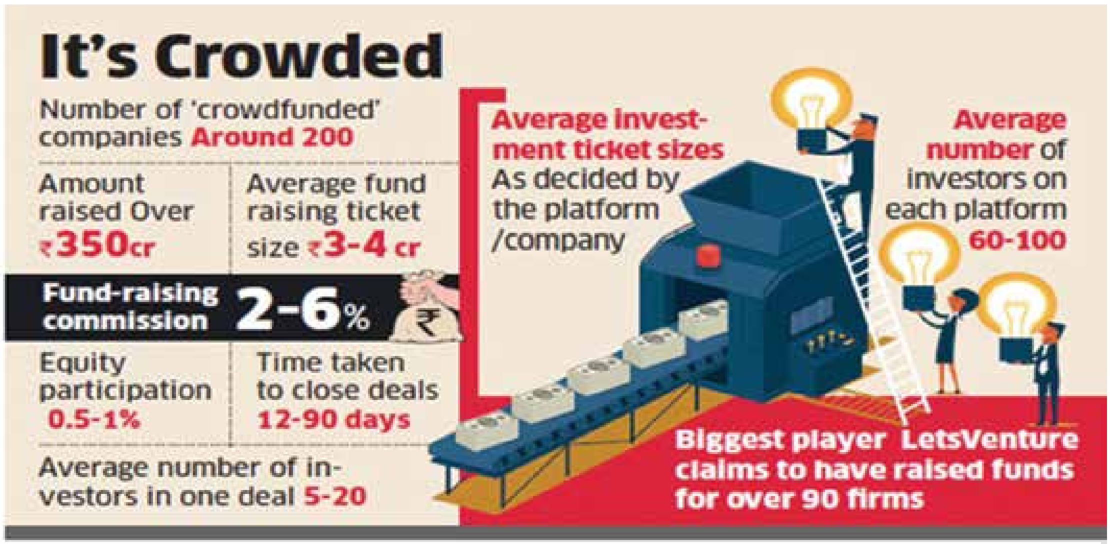
Government of India is contemplating introduction of a Blockchain based platform for registration of Startups in India. This platform can be integrated in a three-way link with the aforesaid web-based Campaign Platform and the Blockchain Platform for crowd-sourced funding transactions. Such an integrated facility would help the fund provider to form an informed judgement and take decision about funding, having seen the contents, being convinced about the products / services, and terms and conditions of funding schemes.

She / he can then conduct the funding transaction again using an integrated facility for conducting banking transaction. As and when the proposed Central Bank Digital Currency, christened as 'CBDR', is introduced by the Reserve Bank of India, funding transaction can be done without using INR as the fiat currency.

Amendment of Laws and Regulation

The major scheme for any crowdfunding initiative would be equity-based. But the Indian Companies Act, 2013 does not permit allotment of equity shares to more than 200 persons in any given financial year through a private placement mode. Therefore, through crowdfund based campaign if a startup becomes successful to get equity-based funds from more than 200 people, the scheme would be construed to be a deemed public offer and would automatically attract the concerned regulations of SEBI. It is reported that the startups in India have earlier resorted to equity funding from crowd sources as if the later are Angel Investors, which is a point of concern for SEBI.

The Economic Times reported on September 9, 2016[7] about a note from SEBI. It wrote that *"The Sebi note, issued last week, has virtually pronounced over half-a-dozen digital equity crowdfunding platforms (ECP), including prominent ones like Grex, LetsVenture, Termsheet, Equity Crest and Tracxn, as unauthorised, unregulated and illegal. Sebi, more specifically, has also asked Grex Alternative Investments Market (Grex), a two-year old crowd-funding platform, to stop "onboarding" new investors or taking up fund raising mandates from startups, it is reliably learnt.* The following picture contained in that report briefly provided an account of what happened in India four years back.



Source: Economic Times, September 9, 2016[7]

Since then not much actions are reported to have been taken by Indian Law Makers and Regulators to create an enabling environment and transforming crowdfunding of startups a movement in India It would be of relevant to mention here how the USA has successfully handled such a contentious issue. The Securities Exchange Commission (SEC)[8] reported that *"On April 5, 2012, the Jumpstart Our Business Startups (JOBS) Act was signed into law by President Barack Obama. The Act required the SEC to write rules and issue studies on capital formation, disclosure, and registration requirements."* Some of the key features of the Act are:

- Restrictions on the amount that can be borrowed via crowdfunding.
- Compulsory audit by a Certified Public Accountant in some cases of crowdfunding.
- Disclosures are mandatorily to be made by the company raising funds and utilising it.
- The company needs to explain everything about its project for which it is raising funds.
- The fund utilisation plan needs to be disclosed.

SEC subsequently issued regulatory guidance for raising funds against issuance of equity shares, salient features of which are as under:

- The maximum limit is $1 million for raising funds through issue of equity shares each year.
- Detailed information must be filed with SEC if the amount raised exceeds USD 500,000.
- Educational information must be provided to ensure that the investors are adequately informed about what they are subscribing for after due understanding of the risks being taken.
- Investors can invest 5% of annual income or net worth in a year. Any person with a net income of less than USD 100,000 per annum can invest up to only USD 2,000.
- Investors with net income of more than USD 100,000 per annum would be able to invest 10% of that every year.
- Minimum lock in period for holding such securities purchased from crowdfunding portal is one year.
- SEC created a a new class of securities and transactions were permitted only through online crowdfunding portals.

Stakeholders in leading roles of startup ecosystem in India might have realised that first generation young entrepreneurs must have to be provided with the much-needed life blood called cash. They must also be allowed to make mistakes and burn cash without keeping any qualms about these, albeit with discipline and frugality. These two are essential for creating an enabling environment for innovation and proliferation successful startups in India. But the questions that remain to be answered are: Whether the present community of Angel Investors and initial stage VC Funds are good enough for this? How long a startup can bootstrap and young entrepreneurs can put their precious little savings and limited family assets at stake?

Keeping cues from the examples set by developed countries, Indian Law Makers and Regulators must have to come forward with concrete initiatives and enunciated actions so that crowdfunding of startups through equity-based schemes is given the due fillip it deserves. The author must hasten to add that financial Regulators of India have earned reputation for their resilience and financial wisdom during periods of crisis the world has faced in recent past. More of such are expected from them in this front living up to that expectation.

When both investors and investees are ready to collaborate and cooperate, nothing should stop enacting and promulgating enabling acts and regulations from broader perspective of public interests. There is no need to blindly follow western examples. India can introduce enabling provisions best befitting its own startup and business ecosystems. The author is of the view that enabling regulatory provisions should be announced for allowing at least crowdfunding transactions for three other C2S schemes based on reward, donation, and loan.

Again, if business entities find it commercially expedient to provide funds to startups, other than by way of equity, there is no need for colouring those transactions with any other ulterior commercial hue. Enabling provisions can follow thereafter for equity-based schemes. Blockchain based platforms can certainly help minimising trust deficits, if at all any felt to be there.

Due to shortage of space details are not being included in this article about various organisations who are providing services for hosing crowd funding campaigns by startups and enabling financial transactions. Readers can gather information from various sources about this, including from the report of Inc42.[9] a brief except from which reads as follows:

"In India, platforms such as Kickstarter, Wishberry, Ketto, Indiegogo, MesoTown, ImpactGuru, Catapooolt, FuelADream, Fundable and Dream Wallets have proven themselves as good options for startups …… some are meant for creative products and services and operate on the reward-based model, others act as a marketplace…….Rang De, for example, is a leading based crowdfunding platform that provides microloans to rural entrepreneurs. Wishberry, on the other hand, is a reward-based platform for art and culture or creative projects while FuelADream and Catapooolt are similar kind of platforms that caters to political or charity projects and social causes as well."

Conclusion

It would be far from facts to say that crowdfunding as a facility had not started in India and service providers for campaign platforms had sighed away from providing services to startups. People and business entities in general also had extended support. These are evident from the afore-quoted report of the Economic Times published about four years ago. Recently Government of India has also taken many initiatives for successful advancement of startup based business ecosystem in India with the ultimate objective of value additions to industry, trade, and commerce. Readers may know more about these from the immediate previous volume of this column.

What is left to be done is transmuting crowd funding into a financial revolution and structurally building it as a rallying ground for all to join, collaborate and cooperate for providing funds to startups. All concerned may pull their thoughts together and articulate suggestions for Law Makers and Regulators to provide enabling provisions. Federal level organisations like NITI Ayaog can rejuvenate such an initiative and bring momentum before India loses more precious time and 'startupians' become more disheartened, if not frustrated. An optimist as always, the author is hopeful that days are not far for the sun to shine more light on Indian startups. MA

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INTERVIEW INTERVENTION
INTERVIEWERS NEED TO EQUIP WITH INTERVIEW TECHNIQUES

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Abstract

Human assets are the most precious assets in an organization. Interviewers need to do a lot of homework before an interview. They need to keep the industry and age syndrome at bay, while shortlisting resumes. First impression of a candidate though great but should not be given too much weightage, rather go deep into the career to observe the kind of value creation they can bring to the organization. Interviewers should be able to establish whether the candidate is a real one, reliable and can be trusted upon and not a good actor. The key to have a successful interview is to test with situational level questions. Candidates who have got quality work experience and possess the right skill sets will be able to respond adequately with solutions and separate themselves from others. Do an ethical test to figure out honesty. Interviewers should be futuristic rather than focusing on the past.

It is a pity that several interviews are conducted by the line managers and recruiters in a hasty manner without putting serious efforts and homework. Some interviewers even do not read resumes before the interview. They casually ask candidates with an opening question and glanced through the resume when the candidate is speaking without giving any serious attention to their feedback.

Then after, they randomly pick-up a few points, and shift to judgmental mode and arrive at a conclusion of suitability or otherwise very fast, usually in 20-25 minutes and then wrap up in the next 5 minutes or so. Lot of interviews are being done in these fashions though there are some exceptions.

Do we need to hire human capital like this? Human capital is the most precious asset in an organization. They can make or break an organization. Few correct selections of manpower can bring greater vibe and energy into the organization and help turnaround business performance. Sametime, few incorrect selections of manpower can create havoc in the organization and gradually can ruin the organization. It is like *"one rotten apple can spoil the entire basket"*. Interviewers need to do some homework and prepare well prior to the interview. Most importantly they need to allocate sufficient time. In the first round, hiring managers need to earmark at least 60 to 90 minutes. You may prolong or cut short as you go along during the discussion. Consider as if you are acquiring a fixed asset and the kind of check and balance you are required to perform. The same level of efforts and caution required too while selecting or rejecting a candidate. Conducting a second round of interview helps a lot both ways. This gives an opportunity to the candidate to express fully to claim suitability and to the interviewer to have a relook for a potential fitment or otherwise.

Industry syndrome

Some organizations require prior industry wise experience. We can understand if they are hiring a CEO, COO or CMO. But the same mandatorily not required if you are hiring for service functions like finance & accounting, commercial, information technology, human resources and so on. A person having excellent skills in sales and marketing will be very successful, even if coming from a different industry background compared to a person coming from the same industry lacking those skills. Ambitious, energetic and high achievers love to take challenges. It is a good proposition to identify and hire those kinds of people having these behavioral skill sets in comparison to people having several years in the same industry and lacking skill sets in a challenging environment. *Persons having the right skills can sell ice-cream to Siberian Eskimos whereas persons not having these skills even fail to sell ice-cream to Bedouins of the Arab deserts.*

Some organizations do right by ignoring industry exposure and go about a holistic approach in the selection process. For an example; Infosys hired a CFO ~ a couple of years ago from a non-IT industry i.e. from telecom industry, Bharti Airtel. The same incumbent was hired previously at Bharti Airtel from FMCG industry, Unilever. Another example; Axis Bank hired MD & CEO ~ a couple of years ago from an insurance industry, HDFC Life. The same incumbent was hired previously at HDFC Life from an IT industry, Infosys BPO. These examples show some light in the right direction. In fact, these kinds of hiring bring challenges to the new joiner onboard. Challenges are charming and enjoyable for the right skillset people. One of the greatest monks of India, Swami Vivekanand said *"Life without challenges is a dead body".*

Age syndrome

Another big fuss, self-created by recruiters in the hiring process is the age limit criteria with upper age cap. Even, some put floor age too. Do age matters in taking leadership roles? Barack Obama retired as US President at 55 years of age after serving 8 years of presidential term, whereas Joe Biden set to commence his term as US President at 78 years age. There are many such examples across various professions. Some can argue, these are political examples. But, if the head of a country can function successfully at 60 or 70 age, why can't a similar age group person can function in managing a company or department. Which is more demanding? Definitely running a country.

Age is just a number. Kumar Mangalam Birla took over chairmanship of Aditya Birla group at the age of 28 years, following the accidental demise of his father in the year 1995. Thereafter, he has transformed the group into a global enterprise with a USD 48.3 billion revenue in the year 2019 from just USD 3.3 billion in 1995. The average age data of fortune 500 company's CEO is 58 years and the most common age for a CEO to be hired is 57. The average age of a fortune 500 company's CFO is 53 and C-suite executive is 54. These data are good takeaway for the talent scouting recruiters. Get the right person on board instead of thinking too much on age.

Candidate at 'first sight'

As per some research, "first impression" of the interview eventually determines the success or failure of the candidate. It is actually the first 7 second. This is utterly absurd that an interviewer can judge in 7 second about the suitability of a candidate based on first impressions with non-verbal communications like smiling, eye contact, look, hand shake and with little verbal communications. Another research data suggests that interviewers give 93% weightage to nonverbal things such as 38% for the tone and 55% towards body language and balance 7% only for the words spoken by the candidate. It is difficult to digest how interviewers tend to be so judgmental on nonverbal matters rather than discussing in length and understanding the potential caliber of the candidate.

Find the 'real' person and eliminate actors

During the interview the purpose of the interviewer should be to identify the real person and distinguish it from actors. Interviewer should be able to establish at the end of the interview whether the candidate is a real one, can be relied upon and trustworthy and not a good actor. There are some candidates in the marketplace, who do not have even decent functional skills and do not possess desired behavioral skills but they possess excellent acting skills. These sets of persons come to interview and tend to excel with their acting skills and impress the interviewer and even get the offer. So, the onus is on the interviewer to judge with a lot of cross questioning, situational and behavioral level questions to pick the real ones. Even if some are good with 80% functional skill sets but are real persons and do possess good behavioral skills, they can be good human assets to the organization.

Focus on situational level questions

The key to have a successful interview is to ask situational level questions. Give examples of a real-life situation or even imaginary scenario. Candidates who have got quality work experience and got the right skill sets will be able to respond with solutions and separate themselves from others. Interviewers can plan ahead and come with a bag full of situational based questions from different areas such as functional, behavioral, leadership and ethics. These types of situational level tests are called 'STAR' (S- Situation, T-Task, A-Action, R-Result). Give information to candidates with the situation and task and ask them to describe what action they can take and the results they can bring. This will be a good test of the candidates' reflexes, strategic mindset, presentation skill, responsiveness and so on.

For example, if you are interviewing for a corporate finance role, instead of asking a direct question to understand fund raising experience of a candidate, give a challenging scenario e.g. a company XYZ not having a strong balance sheet, got one notch credit rating downgrade, drop in revenue and profitability by ~ 10% since last 2 quarters etc. XYZ tried raising a long-term loan but lenders are reluctant. Provide the candidate with more information and observe how the candidate is responding. You should put yourself in the lender's shoes and observe whether you will be able to buy the candidate's argument, presentation and convincing skill to justify a lending decision. You can create several situational level questions for functional areas as well as for behavioral level areas.

Ethical test

This is one of the most important attributes of an employee. Identifying this trait is not an easy one during an interview. Whether the candidate proactively discovers the unethical circumstances on a companywide basis. You can find out this trait by using a situational test ('STAR' mechanism). Ethical persons with high levels of integrity will be able to demonstrate that they are fearless in escalating unethical issues to the top management of the company including the ethical cell, audit committee and Board. Even they will be ready to quit the company, if management takes no action to address unethical issues.

Be futuristic rather than focusing on the past

Several line managers and recruiters focus most of the time, digging out the past career. They try to figure out why candidates left the 1st company, 2nd company, 3rd company and so on. They do not buy the answers given by the candidates and tend to suspect the credibility. Rather, interviewers should focus on the potential capabilities of the candidates and what they can bring to the table. Give the candidates a gist of challenges as the job demands at your place, and tell them to demonstrate how they can bring changes and make meaningful contributions to your organization.

Skill development

Prefer candidates with an aptitude of skill development. Scan through the resumes, whether the candidates have acquired any additional certifications to upgrade functional knowledge. Do they attain periodically any training program to sharpen functional, managerial and soft skills? Whether candidates are technology savvy and able to demonstrate with certifications and practical implementation exposure. Find out whether they have specialized skills such as keynote speaker, publications in newspapers & journals, imparting off-the job training etc. Look for candidates having demonstrated ability of commitment to the organization. Prefer candidates having entrepreneurship skills, even though they may not have got desired success in some kind of start-up ventures. But, they might have learned from their entrepreneurial mistakes and are ready to go now with an urge to put best efforts with a new opportunity.

Reference checks

Reference checks should be done ideally with the direct reporting manager of the candidates' ex-employers. You should have a detailed discussion to understand a bit more about the candidate's skill relating to project execution, reliability, commitment, transparency, negotiation and so on. Look for past performance appraisal reports from the candidates. This will give a lot of information about the candidate's success stories or otherwise.

Interview feedback

Many of the interviewers do not provide any feedback to candidates after the interview. Candidates were kept in the dark. Some candidates even tried to reach out to the company to get feedback but they are viewed as a desperate attempt by some employers. As a good corporate practice, employers must give an honest opinion about the candidates and revert to them with regret letters when they did not find them matching to their openings. You never know once clock changes there might be some openings, you may be desperate to hire the same candidate. MA

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COVID 19
BUILDING INNATE IMMUNITY

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Abstract

The cause of Covid-19 deaths and the rate of Covid 19 infection also varies between countries. This observation led us to perform statistical analysis using disease and vaccination data in the public domain. Effect of majority of Covid 19 strains are cough and cold leading to acute fever and breathing trouble – same symptoms as Influenza – leading to Pneumonia or Tuberculosis. And the outcome of the study is, Vaccines against all these diseases are tested and available, and if all are taken, then the impact of Covid 19 is reduced hugely.

Introduction

The Covid 19 virus consists of a single strand of RNA which is protected by a fatty outer membrane, which is a bit fragile in the sense it breaks down in contact with soap and water. The outer membrane of the virus is studded with club like spikes which gives the virus its name, (corona meaning crowns). We do not know how it happens but the spikes on the surface of the Covid 19 Virus are just the right shape to lock onto the ACE2 enzymes on the surface of our body cells and multiply. The ability of this virus to multiply undetected is also the key to its success in community spreading. The common symptoms are dry cough, cold, fever, fatigue and diarrhoea.

While the medical scientists race to develop the Corona Vaccine, can we protect ourselves with the existing vaccines, namely BCG, Influenza and Pneumonia which protect us against all the above symptoms except diarrhoea? Maybe we can. The aim of this article is to study the weapons at hand, and how we can use them in the battle against Corona.

Background and Framework of Study

In this article, we try and find out the reason behind spread of Covid 19 or SARS-Cov-2, which has affected 232 countries, 40 million people, with 1.1 million having died and 70% recovered.

The recent Covid-19 pandemic has caused a great loss of lives as well as created recession through lockdown in several countries. However, the cause of Covid-19 deaths is far greater in some countries compared to others. Again rate of Covid infection also varies between countries. This observation led us to perform statistical analysis using disease and vaccination data in the public domain. The logic was Covid is a form of cough and cold leading to acute fever and breathing trouble- same symptoms as influenza leading to pneumonia or tuberculosis. So, is there a relation between them?

While countries like India, Egypt, South Africa, with high BCG vaccination coverage show a significant negative correlation with Covid-19 deaths, countries such as the USA, France and Spain which have flu vaccination, but not BCG vaccination, show maximum number of Covid-19 deaths. It seems mandatory BCG Vaccination in countries like India does indeed have a beneficial effect in Covid Fatality Rates (1.5%) compared to the rest of the world (2.75%). Our view is that BCG Vaccination also acts as a preventive against Covid 19 infection. Then, what is the role of Flu vaccinations? While the influenza vaccine is reportedly not effective against COVID-19 virus, it is highly recommended by all relevant institutions to get vaccinated each year to prevent influenza infection. On the other hand, research projects prove that the resultant immunity from flu vaccination against prior influenza infection would, at least in part, foster immunity against SARS-CoV-2. This hypothesis is supported by which the similarity in the quality of immunity toward both viruses, and by the previous studies showing cross reactivity of immunity between Flu and Corona virus due to the similarity in their structures. The inference is that both BCG Vaccination and Flu Vaccination provide protection against Covid 19, but the protection from BCG is higher and both combined gives the maximum protection. **(2)**

Table 1: Top 10 Nations affected by Covid 19

Rank	Country	Population	No of reported cases	Covid 19 infection rate	No of deaths	Recoveries	P value
1	USA	330965224	7824485	2.36%	217925	5332926	<0.001
2	India	1379715223	7053806	0.5%	108334	6077976	
3	Brazil	212529324	5082637	2.39%	150198	4453722	
4	Russia	145933426	1298718	0.89%	22597	1020442	
5	Colombia	50882891	902747	1.77%	27660	783131	
6	Argentina	45195774	883869	1.95%	23581	709451	
7	Spain	46754479	861112	1.84%	32929	700000*	
8	Peru	32961088	846088	2.56%	33223	738189	
9	Mexico	128932753	814328	0.63%	83642	591150	
10	France	65273511	718873	1.1%	32684	100828	

As on 11.10.20 *(Source: WHO & Wikipedia)*

***estimates based on research**

Further, Pneumococci have been identified as a major source for often fatal secondary bacterial infections following Covid 19 infections, particularly for those not having Pneumonia Vaccine. Co morbidity is also induced by presence of other diseases like cancer, cardiovascular disease, renal failure and diabetes.

Given the above, we do a global analysis of the determining factors before doing a statistical analysis of the same in India's case.

Analysis of Factor#1: Covid 19 and BCG Vaccine

SARS-CoV-2 consists of a single-stranded positive-sense RNA genome. It belongs to the Coronaviridae family and is the 7th of its kind known to have critically infected humans. The other six members of the family, including the SARS-CoV-1 and MERS-CoV (the Middle East Respiratory Syndrome Coronavirus), have also been encountered by us and we had relatively higher morbidity than the current SARS-virus. SARS-CoV-2 is comprised of a genome that is approximately 30 kb long (29,903 nucleotides to be precise). *Orf1ab* gene known to encode for the non-structural proteins (NSPs) which are present at the 5′ end of the genome. The genome also consists of genes encoding structural proteins like a spike (S), membrane (M), nucleocapsid (N), and envelope (E) along with genes encoding the accessory proteins like orf3a, orf6, orf7, and orf10 etc. **(3)**

BCG mediated prime immune response usually involves the release of chemokines and cytokines which further activates the immune cells at the site in the microenvironment. These mediators released are considered to function in a non-specific pattern or manner. The primary cytokines stimulated by BCG include Interleukin-2 (IL-2), TNF-α (tumor necrosis factor), and IFN-γ (interferon- γ), which are released upon the activation of $CD4^+$ T cells. Antigen presentation to the APCs (antigen presenting cells) is the first and the most crucial step for BCG to act as a powerful vaccine resulting in an effective immune response. Activation of T helper cells occurs upon the internalization of BCG by APCs. The activation is carried out with the help of MHC class II molecules which are expressed on the surface of APCs and are recognized by the $CD4^+$ T cells via the T cell receptor (TCR). The interaction between MHC II molecules and TCR are regulated by the binding of co-stimulatory molecules (CD28) to B7–1 on the T cells. The binding of co-stimulatory molecules results in an upregulation of adhesion molecules like LFA-1 (lymphocytes function associated antigens-1) which binds to the macrophages via ICAM-1 (intracellular adhesion molecule-1). **(3)**

S Pathak et.al from Indian Institute of Science, Bangalore observed that countries which had high BCG vaccination coverage had the best protection against Covid–19 mortalities. However, countries with only a well-established Flu vaccination program, in the absence of BCG vaccination, were the most susceptible towards Covid–19 mortality. Importantly, countries with both BCG and Flu vaccinations had relative less mortality as compared to those with Flu vaccination alone. **(2)**

At present, there are 3 active clinical trials going on to find out whether the BCG vaccination prevents SARS-CoV-2 infection in healthcare workers involved in the care of COVID-19 patients. In the third study, called "BCG Vaccine for Health Care Workers as Defense Against COVID-19 (BADAS)" (clinical trial number: NCT04348370), researchers argue that BCG vaccination can reduce infection and severity of disease in healthcare workers during the epidemic phase of SARS-CoV-2. According to them, the BCG vaccine was able to prevent several respiratory tract infections and reduced the mortality and morbidity by percentage as high as 70%. **(3)**

Dr. Banik et. al. of International Management Institute (IMI) , find that the poverty rate has had a proportionally higher impact on the fatality rate of Covid-19, in the sense it denied access to healthcare services. They see that BCG and poverty rate add an interaction term to their model and thus drastically changed the interpretation of all the coefficients. Their findings indicate that the interaction means the effect of poverty rate on fatality rate is different for different values of BCG vaccination. This approach implies that the magnitude of the devastation would have been very high due to COVID-19 in poor economies. But, it is BCG vaccination that has to some extent neutralized the loss in poor economies. **(10)**

Since we are focused on the determining factors, we conclude that BCG vaccination either reduces the strain of Covid 19 or acts as one of the preventing factors. However, WHO does not recommend BCG as a preventive against Covid 19, because there is not enough evidence to clinically establish the same till now. At the same time, the above is worth a thought.

Analysis of Factor#2: Covid 19 and Influenza Vaccine

"While the influenza vaccine is not effective against COVID-19 virus, it is highly recommended to get vaccinated each year to prevent influenza infection"-Centre for Disease Control and Prevention, USA.

Very recently a study was conducted in over 92,000 COVID-19 patients in Brazil (3rd highest Covid infected country), who had and had not taken flu shots recently. About 84% of these patients had tested positive for the virus by RT-PCR. The rest were clinically diagnosed. About 57% were male, with a group-wise median age of 59 years. The researchers found that in the non-immunized group, the COVID-19 mortality rose from about 14% in the under-10 age group to 84% among those aged 90 years or more. However, mortality was lower in all age groups in the immunized group, with the risk being lower by 18%.

The explanation is the vaccine's effect of eliciting long-lasting protective neutralizing antibodies and specific T cell responses. These could cross-react with SARS-CoV-2. However, this is unlikely because of the great diversity among influenza viruses. **(9)**

Then what could be the reason for the positive response to the Flu shot? The most likely reason is a vaccine-induced change in innate immunity. Immunological memory cells are found in the innate immune compartment and tissue-resident stem cells. These can be activated both by natural or artificial antigen challenges. As a result, these innate immune cells will defend the body against multiple pathogens, including those not targeted by the vaccine. **(9)**

The researchers suggest: "Given the high similarities of SARS-CoV-2 and influenza viruses with respect to viral structure, transmission, and pathogenic mechanisms, it seems plausible that both viruses are detected by similar or identical pattern recognition receptors. Their binding to viral RNA can then trigger suitable inflammatory and antiviral responses."

This would explain why the rate of SARS-CoV-2 in children is low since they catch flu more than adults do and as a consequence they receive the highest Influenza Vaccines in the world. As such, their immune systems are often alerted against influenza, generating bystander immunity that harnesses the immune responses against related viral infection.**(4) Moreover, if a child has both BCG and Influenza Vaccination, then possibly Covid 19 would not be able to touch the child as he or she would have multi factorial immunity. This has been tested in Indian context by the author, in the context of both children and adults. A control group of 2 kids and 7 Adults who had BCG (mandatory at birth), were given Influenza and Pneumonia Vaccines in April 2020. They are unaffected by Covid 19 till date and are expected to continue the same , assuming the booster dose of Influenza Vaccination for 2021 is given by January 2021 .**

Analysis of Factor#3: Covid 19 and Pneumonia Vaccine

"Vaccines against pneumonia, such as Pneumococcal Vaccine (PCV) and Haemophilus influenza type B (Hib) vaccine, do not provide protection against the new corona virus. The virus is so new and different that it needs its own vaccine. Researchers are trying to develop a vaccine against COVID-19, and WHO is supporting their efforts. Although these vaccines are not effective against COVID-19, vaccination against respiratory illnesses is highly recommended to protect your health." - World Health Organisation.

Pneumococci have been identified as a major source for often fatal secondary bacterial infections during pandemic and seasonal influenza infections.

Table 2: Covid-19 death due to Pneumococcal coinfection

Parameter	Minimum value	Maximum value
Seasonal Influenza Vaccine Efficacy	20%	60%
Covid 19 deaths attributable to Influenza Coinfection	0%	60%
Preventible Covid 19 deaths due to Influenza Coinfection	0%	0.6*0.6=36%
PPV23 vaccine efficacy	20%	60%
PPV23preventible serotypes in adults	48%	66%
Covid-19 deaths attributable to pneumococcal coinfection	0%	25%
Preventable Covid-19 deaths attributable to pneumococcal coinfection	0%	0.6*0.66*0.25=10%

Source: Reference#6, July 2020

Estimates for the proportion of pneumococcal co-infections among pandemic influenza deaths range from about 7% during the 2009 H1N1 pandemic to more than 50% during the 1918 pandemic. Few studies so far have tried to identify bacterial co-infections among COVID-19 cases, and those that did found very few bacteria and only a limited number of cases with pneumococci. This may be due to the empirical treatment with antimicrobials for the majority of severely ill suspected COVID-19 patients, or because bacterial infection plays little role in the severity of COVID-19 disease. However, elevated procalcitonin levels, a sensitive but not very specific biomarker for bacterial infections, have been reported in 13% of severe and 25% of fatal COVID-19 infections, but largely absent in COVID-19 infected persons with less severe outcomes, which may suggest some role for bacterial co infection. **(6)**

The logical conclusion which emerges is that Pneumococcal Vaccine has no role to play as a preventive or guard against Covid 19, but can very well prevent a Covid 19 infection from attracting a bacterial pneumococcal co infection.

Analysis of Factor#4: Covid 19 and Comorbidity

Co morbidity is also due to presence of other diseases like Pneumonia, Cancer, Cardiovascular disease, Renal failure, Diabetes and other Diseases. The overall Case Fatality Rate (CFR) of Indian people with Co morbidities stood at 17.9% and for those without Co morbidities, it was 1.2% . In the age group of 60 years and above, the CFR for people with Co morbidities was 24.6% and for those without Co morbidities, it was 4.8%. In the age group of 45-60 years, the CFR for those with Co morbidities was 13.9%, while for those without any Co morbidities, it was 1.5%. Among the patients aged below 45 years, those with Co morbidities had a CFR of 8.8%, while it was 0.2% for those who did not have any Co morbidity. These data are from the Ministry of Health, Government of India. **Clearly, Co morbidity is a cause of death, but our view is Co morbidity is also a cause of Covid 19 because it weakens immune systems, which we would examine in India's context.**

Research Methodology

The hypothesis is

Covid Affected People = F (BCG Vaccine, Co morbidity and Influenza Vaccine) and while both these Vaccines would reduce the number of Covid affected people, Co morbidity would do just the reverse.

We assume all have equal access to healthcare services and age related reduced immunity is taken care by Co morbidity.

Let us look at India's Covid 19 scenario in the below table.

Table 3: Covid Scenario in India

State name	Total confirmed	Cured/ discharged/ migrated	Death
Andaman & Nicobar	3992	3744	55
Andhra Pradesh	750517	697699	6194
Arunachal Pradesh	11998	9035	23
Assam	193387	163355	811
Bihar	195499	183390	944
Chandigarh	13081	11662	190
Chhatisgarh	140258	111654	1235
Dadra & Nagar Haveli, Daman & Diu	3152	3050	2
Delhi	306559	278812	5740
Goa	37934	32777	499
Gujarat	150253	130760	3557
Haryana	141090	128841	1572
Himachal Pradesh	17244	14278	248
Jammu & Kashmir	83064	70955	1313

Jharkhand	91951	82805	784
Karnataka	700786	569947	9891
Kerala	279855	182874	978
Ladakh	5059	3973	64
Lakshwadeep	0	0	0
Maharashtra	1517434	125579	40040
Manipur	13092	10396	88
Meghalaya	7544	5045	62
Mizoram	2175	1984	0
Madhya Pradesh	145245	127034	2599
Nagaland	6949	5694	17
Odisha	249693	224273	1006
Puducherry	31233	25955	559
Punjab	123317	109767	3798
Rajasthan	156908	133918	1636
Sikkim	3321	2816	55
Tamil Nadu	651370	597033	10187
Telangana	212063	185128	1222
Tripura	28352	24086	315
Uttar Pradesh	433712	387149	6353
Uttarakhand	54525	46470	734
West Bengal	291194	255838	5563
Total	7053806	6077976	108334

Source: mygov.in on 11.10.20

We find that of these states only 10 have 70% of the Covid infected people of India (as on 11th October, may change a little, but clustering pattern is observed from beginning) having 83% Influenza Rate and 77% Co morbidity on an average. The key states are:

Table 4: Effect of Influenza & Co morbidity on 10 key states of India affected by Covid 19

State	Covid affected people	Co morbidity	Influenza Rate
Andhra Pradesh	10.64%	74%	1.20%
Delhi	4.35%	80%	12.60%
Gujarat	2.13%	71%	16.80%
Karnataka	9.93%	67%	7.00%
Maharashtra	21.50%	81%	7.94%
Rajasthan	2.22%	70%	17.70%
Tamil Nadu	9.23%	83%	3.60%
Telangana	3.00%	80%	4.80%
Uttar Pradesh	6.15%	80%	7.28%
West Bengal	4.13%	87%	3.72%

Source: Ministry of Health

Therefore, we run the Regression Equation on these 10 states instead of the entire nation and try to analyse the results. We assume dummy variables for both BCG Vaccine and Influenza Vaccine. With BCG being mandatory at birth in India, we assume the value of BCG Vaccine=1, in these 10 states. Influenza Vaccine is not even 10% in India, the value of the variable is assumed to be 1 in 2 states which are West Bengal and Telangana where telephonic survey revealed a large proportion of people being alert on the same.

Table 5: Statistical Analysis on 10 key states of India affected by Covid 19

State	Covid affected people	Comorbidity	Influenza Vaccine	BCG vaccine
Andhra Pradesh	10.64%	74%	0	1
Delhi	4.35%	80%	0	1
Gujarat	2.13%	71%	0	1
Karnataka	9.93%	67%	0	1
Maharashtra	21.50%	81%	0	1
Rajasthan	2.22%	70%	0	1
Tamil Nadu	9.23%	83%	0	1
Telengana	3.00%	80%	1	1
Uttar Pradesh	6.15%	80%	0	1
West Bengal	4.13%	87%	1	1

Source: Ministry of Health & survey

Results & Conclusion

Effect of Regression

	coefficient	Standard error	T ratio	P value
BCG vaccine	-0.182673	0.249664	-.0.7317	0.4881
Comorbidity	0.362931	0.330665	1.098	0.3087
Flu vaccine	-0.0901084	0.0549304	-1.640	0.1449

Mean dependent variable	0.073280	Standard Deviation dependent variable	.059117
Sum Squared Residuals	0.022382	Standard Error of Regression	.056546
R squared	0.288386	Adjusted R squared	0.085067
F (2,7)	1.418396	P Value (F)	0.303988
Log-likelihood	16.32096	Akaike criterion	-26.64192
Schwarz criterion	-25.73417	Hannan-Quinn	-27.63773

BCG Vaccine has a negative correlation and Co morbidity has a positive correlation with Covid affected rate and both have a strong probability of the same. Flu vaccine has a negative correlation with Covid affected rate, but the probability of the same is not high.

These statistical results need to be correlated with clinical research in Indian context, before drawing any firm conclusion.

Acknowledgement

All the faculty of IMI Kolkata who brought out the path breaking article, mentioned as reference#10.

Funding

This research was not funded by anyone

Declaration of Conflicting Interest

The aim of this article is to throw some light on the topic of Covid 19 and not to pull down any one or any institution. How useful or not the light is, it is for the reader to judge. MA

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SOME ISSUES IN THE DETERMINATION OF RING FRAME-TENTERS' WAGE COST PER KG OF YARN

Abstract

The correct Ring Frame(RF)-tenters' wage costs for different yarn counts, are arrived at, only when the respective RF- tenter-allocation, the allotted RF- utilisation% and the ***respective wages*** *are taken into consideration in the calculation. The average wage per spindle-shift, when applied to find the wages/Kg of different yarn counts, will be much different from the actual wages per Kg of yarn.* ***An estimate*** *of RF- tenter-wage ratio when applied to find the RF-tenter wage cost/Kg of yarn, the error is very much reduced, but the estimate should be based at least on a few month's actual figs in the financial year.include the disputes referred by the Medium Enterprises too. Therefore, the Councils can be said to be the heart of the Act as the mechanism devised helps the MSEs to recover their dues expeditiously."*

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A. INTRODUCTION

(In the entire write-up the "wage cost/Kg" refers to the "RF- tenters' wage cost/kg of different yarn")

The effort of a Cost accountant is to arrive at the nearly correct cost of a cost object. But sometimes the errors associated with the wrong assumptions go unnoticed. In absorption of direct labour(DL) cost (such as RF Tenter Wages) to cost objects (like Yarn counts), the traditional method is to find the DL cost per machine shift and based on number of mc shift required to produce one unit of the cost object, the DL cost per unit is arrived at. This method takes the average cost per mc shift where the average of tenter-machine **allocation**, average of spindle **utilisation** and the average of the tenter-**wage-rates** are assumed to be equally applicable to each of the yarn-counts involved. But in reality, in Spinning Mills, the "sides" allocation will differ with yarn counts (in a small ranges). Further the utilisation of the RF involved in different yarn-counts may differ. Also, the RF tenters of more experience and /or skill- and therefore drawing different wages per period, would have been employed for finer yarn counts, thus their wage rate might differ.

In the traditional method, due to adoption of average wage per sp.shift to arrive at the wages/Kg, the differences in the actual(correct) wages cost/Kg of different yarn- count are blunted(or evened out).This brings out distortions in the absorbed Cost per Kg of different yarn counts. The correct cost for the yarn counts, is arrived at, only when the respective allocation, utilisation% and wage rates are taken in the calculation.

B. ACTUAL WAGES OF TENTERS for DIFFERENT SIDE- ALLOCATION

Often, in Spinning Unit with no ERP or elaborate MIS, the actual wages of tenters associated with different side-allocation (i.e.for different yarn counts) are not recorded and hence not available, thus forcing the accountants to take the average cost per tenter. The calculation based on it, distorts the wage cost/Kg of different yarn. But if the **ratio** of the wages of the tenters of different counts (the allocation is applicable for a small range of yarn counts) are recorded, the error in the absorbed cost per Kg will be significantly reduced. If not recorded, an "estimated–ratio" taken from an empirical base of the actual wage rate applicable to different yarn counts, derived from actual data of the Spinning Mills, preferably from one-month data per quarter, (or at least of any one-month data in a year) is required. The reduction in the error, will depend on how near the "estimated-ratio" is to the "actual-ratio" and nearer the two ratios, lesser will be error in the absorbed DL-cost per kg of different yarn counts.

C. ABBERATIONS

The tenters meant for a particular count(group)-i.e. drawing the same wages is assumed here to be working on the same allotted count (group) throughout the year. But there may be aberrations in this assumptions if the tenters work on different yarn-counts in different period-especially to fill the absenteeism. But it is a small aberration to be ignored, when the absenteeism level Is about 8-10% on an average in a year.

D. SUGGESTED CALCULATIONS

The wage & salary of R/F operators is to be segregated from the total W&S of the Spinning Division. The (RF-tenter's) wage cost /Yarn-Kg is arrived at from three methods.

1. Actual wages for a Yarn count/ Actual Kg of the yarn count. This is taken as the **correct wage cost/Kg of the count**
2. Actual S.S/Kg of a yarn count (arrived at from Actual S.S p.a of the count/Actual Kg of the yarn count) X (Avg wages/S.S) the latter arrived at as : Total wages p.a. (of all the tenters) / Total S.S p.a (of all the yarn-counts)…. this is termed as "**Wages/kg as per avg S.S method**".
3. Arriving at the total wages of all the tenters per shift (NB: not mc shift) which is distributed to the different Yarn count group based on **the estimated ratio of the wage** rate applicable to tenters of different yarn-count group.

The three wages are compared for each count group and the difference is explained. The counts are so chosen that the tenter's "side- allocation" differs. The method-3 is shown to be much better than the method-2. This is proved from four tables shown below.

In Table-1, the tenter allotion, wage rates for different count(groups) and utilisation% are kept same for all the Yarn counts.

In Table-2, tenter allocation alone is changed.

In Table-3, tenter allocation and utilisation% are changed and

In Table-4, all – tenter-allocation, utilisation% and wage ratio are changed.

General Information: Total RF=40, Spindles/RF=1008, Days p.a=360, Shifts/day=3, Constant(C)=360X3=1080 which indicates number of shifts p.a.

RF Utilisation=95%(Avg). Yarn=100% Cot, Carded, count in Ne.

In Rows 1,2,3 the assumptions of the table are shown. Row-4 shows the mcs allotted for each yarn count (remains same in all the tables)

Table-1. Showing Actual RF-Tenter Wages/Kg Vs Calculated RF-Tenter Wages/Kg of diff.Yarn- counts. (same:tenter-allocation, Wage rate and RF-utilisation)

A	B	C	D	E	F	G	H
Row #	Particulars	10^S	20^s	34^s	40^s	Tot.	Remarks
1	**Mcs/Tenter**	**2**	**2**	**2**	**2**		**Same allocation**
2	**Actual Wages Ratio**	**1.0**	**1.0**	**1.0**	**1.0**		**Same**
3	**RF-Utilisation%**	**95**	**95**	**95**	**95**	**95(NB:1)**	**Same**
4	**# Mcs for each yarn**	**4**	**16**	**10**	**10**	**40**	
5	#Tenters/shift	2	8	5	5	20	Row-4/Row-1
6	# tenters/day	6	24	15	15	60	3XRow-5
7	Actual Wages p.m(000)	15	15	15	15		Per tenter
8	Actual Wages p.a per tenter(000)	180	180	180	180		12XRow-7 See NB(2)
9	Tot.wages p.a.(000)	1080	4320	2700	2700	10800	Row-6XRow-8
10	# allotted Mc shift p.a	4320	17280	10800	10800	43200	Row-4X"c"
11	Wages/Shift	1000	4000	2500	2500	10000(B)	See NB(3)

12	Act S.S worked	4136832	16547328	10342080	10342080	41368320	See N.B(4)
13	Wages/S.S	0.2611	0.2611	0.2611	0.2611	0.2611(A)	Row-9/Row-12
14	**Gms/s,s**	**546**	**262**	**133**	**110**		
15	Kg p.a	2258,700	4385,400	1375,497	1137,629	9107,236	Row-12X Row-14/1000
16	Act.S.S/Kg	1.83	3.77	7.52	9.09	4.54	Row-12/Row-15
17	**Act.wags/Kg**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**	Row-9/Row15
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**	Item(A)XRow16 **MATCHES**
19	Diff%(Row17-Row18)	0	0	0	0	0	
20	Tenter wt'age on wages	2	8	5	5	20	Row-6/3
21	Wages/Shift(1:1:1:1)	1000	4000	2500	2500	10000	See NB(5)
22	Wages/mc shift	250	250	250	250	250	Row-21/row-4
23	Kg/mc.shift	522.85	253.78	127.36	105.34	210.82	Row-15/Row-10
24	**Wages/Kg(based on Est.Wage Ratio)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**	Row-22/Row-23
25	Diff.(%)	0	0	0	0	0	(Row-17-Row24)/ Row17

N.B (1): avg Utilisation%=Tot act SS worked(see row-12 -Tot)/ [Tot. RF (i.e40) X Sp.per RF (I,e 1008)X Const."C" (i.e.1080)] = 41368320/ (40X1008X1080) = 95%

N.B(2):The actual wages paid to tenters running a particular count is usually not available. If available, the information will be the proper base to find the correct RF-tenter cost/Kg of a particular yarn count. Other information like actual S.S worked and Actual Kg produced for individual counts is usually available in all the Spinning Units.

N.B (3): The wages per shift is for wages of **all** the tenters running a particular count in ONE shift. The amount is derived from total wages (as wages for particular count is not available): Tot. wages p.a X (allotted mc of the yarn-count)/Tot. alloted Mc shifts p.a, Cal'n : for 10s =10800,000 X 4/43200.=1000. In the total col.it indicates the wages of **all** the tenters of all machines for ONE shift. This fig is called "Item-B".Cal'n: =10800000X40/43200 = 10,000

N.B(4):Cal'n: (No: of allotted Mcs for the count) X (Sp/RF) X"C" X Utilisan % .i.e:Row-4X1008 X CXRow-3. Eg: for 20s=16X1008 X 1080X0.95= 16,547,328.

N.B(5): In the absence of information on actual tenter-wages for a period for each count, the information can be extracted using the [the **estimated wage ratio as in Row-21B**X #tenters in a shift of the count/(Sum of the values in the cols of the individual counts)]X total wages per shift. Eg: for 30s: ("1"X5/ (sum of individual count wt'ages))X ItemB in G11=5X"1"/20X10000=2,500. It is important to note that Rs2500 is the total wages of all the five tenters on Yarn-34s working in a shift.

Table-2 :Showing Actual RF-Tenter Wages/Kg Vs Calculated RF-Tenter Wages/Kg of different Yarn counts. (Different tenter allocation, but same Wage rate and RF-utilisation)

A	B	C	D	E	F	G	H
Row #	Particulars	10s	20s	34s	40s	Tot.	Remarks
1	**Mcs/Tenter**	**1**	**2**	**2.5**	**2.5**		**Diff. allocation**
2	**Actual Wages Ratio**	**1.0**	**1.0**	**1.0**	**1.0**		**Same**
3	**RF-Utilisation%**	**95**	**95**	**95**	**95**	**95(NB:1)**	**Same**
4	**# Mcs for each yarn**	**4**	**16**	**10**	**10**	**40**	
5	#Tenters/shift	4	8	4	4	20	Row-4/Row-1

6	# tenters/day	12	24	12	12	60	3XRow-5
7	Actual Wages p.m/ tenter(000)	15	15	15	15		
8	Actual Wages p.a/ tenter(000)	180	180	180	180		12XRow-7 See NB(2)
9	Tot.wages p.a.(000)	2160	4320	2160	2160	10800	Row-6XRow-8
10	# allotted Mc shift p.a	4320	17280	10800	10800	43200	Row-4X"c"
11	Wages/Shift	2000	4000	2000	2000	10000(B)	Taken from Row-21
12	Act S.S worked	4136832	16547328	10342080	10342080	41368320	See N.B(4)
13	Wages/S.S	0.5221	0.2611	0.2089	0.2089	0.2611(A)	Row-9/Row-12
14	Gms/s,s	546	262	133	110		
15	Kg p.a	2258,700	4385,400	1375,497	1137,629	9107,236	Row-12X Row-14/1000
16	Act.S.S/Kg	1.83	3.77	7.52	9.09	4.54	Row-12/Row-15
17	**Act.wags/Kg**	**0.9563**	**0.9964**	**1.5703**	**1.8987**	**1.1859**	Row-9/Row15
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3734**	**1.1859**	Item(A)XRow16 **Only 20_s-MATCHES**
19	Diff%(Row17-Row18)	**50**	0	**-25**	**-25**	0	
20	Tenter wt'age on wages	4	8	4	4	20	Row-6/3
21	Wages/Shift(1:1:1:1)	2000	4000	2000	2000	10,000	See NB(5)
22	Wages/mc shift	500	250	200	200	250	Row-21/row-4
23	Kg/mc.shift	522.85	253.78	127.36	105.34	210.82	Row-15/Row-10
24	**Wages/Kg(based on wage ratio)**	**0.9563**	**0.9964**	**1.5703**	**1.8987**	**1.1859**	Row-22/Row-23 **MATCHES**
25	Diff.(%)	0	0	0	0	0	(Row-17-Row24)/Row17

Table-3 :Showing Act. RF-Tenter Wages/Kg Vs Calc. RF-Tenter Wages/Kg of diff.Yarn (Diff. tenter allocation, and RF Utilisation%, but same wage ratio)

A	B	C	D	E	F	G	H
Row #	Particulars	10^S	20^s	34^s	40^s	Tot.	Remarks
1	**Mcs/Tenter**	**1**	**2**	**2.5**	**2.5**		**Actual**
2	**Actual Wages Ratio**	**1.0**	**1.0**	**1.0**	**1.0**		**Same**
3	**RF-Utilisation%**	**92**	**94.5**	**96**	**96**	**95**	**Different**
4	**# Mcs for each yarn**	**4**	**16**	**10**	**10**	**40**	
5	#Tenters/shift	4	8	4	4	20	Row-4/Row-1
6	# tenters/day	12	24	12	12	60	3XRow-5
7	Actual Wages p.m/ tenter(000)	15	15	15	15		

8	Actual Wages p.a/ tenter(000)	180	180	180	180		12XRow-7 See NB(2)
9	Tot.wages p.a.(000)	2160	4320	2160	2160	10800	Row-6XRow-8
10	# allotted Mc shift p.a	4320	17280	10800	10800	43200	Row-4X"c"
11	Wages/Shift	2000	4000	2000	2000	10000(B)	See NB(3)
12	Act S.S worked	4,006,195	16,460,237	10450944	10450944	41368320	See N.B(4)
13	Wages/S.S	0.5392	0.2625	0.2067	0.2067	0.2611(A)	Row-9/Row-12
14	Gms/s,s	546	262	133	110		
15	Kg p.a	2187383	4312,582	1389,976	1149,604	9039544	Row-12X Row-14/1000
16	Act.S.S/Kg	1.83	3.82	7.52	9.09	4.58	Row-12/Row-15
17	**Act.wages/Kg**	**0.9875**	**1.0017**	**1.5540**	**1.8789**	**1.1948**	Row-9/Row15
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1948**	Item(A)XRow16 Nearly matches for 20S as avg utilisn=20s utilisn
19	Diff%(Row17-Row18)	51.28	0.53	-26.32	-26.32	0	
20	Tenter wt'age on wages	4	8	4	4	20	Row-6/3
21	Wages/Shift(1:1:1:1)	2000	4000	2000	2000	10000	See NB(5)
22	Wages/mc shift	500	250	200	200	250	Row-21/row-4
23	Kg/mc.shift	506.34	249.57	128.70	106.44	209.25	Row-15/Row-10
24	**Wages/Kg(based on est.wage ratio)**	**0.9875**	**1.0017**	**1.5540**	**1.8789**	**1.1948**	Row-22/Row-23,Matches, as no change in wage ratio..
25	Diff.(%)	0	0	-0	0	0	(Row-17-Row24)/ Row17

In Table2&3, in row-24, the calculations on the Wages/Kg(based on wage ratio), takes the changes that occurred due to change in tenter-allocation(table-2) and utilisation(Tble-3),and as the actual wage ratio and the estimated wage ratio still remained the same, the Wages/Kg matched for all the Yarn-counts.

Table-4 : Showing Actual RF-Tenter Wages/Kg Vs Calculated RF-Tenter Wages/Kg of different Yarn counts. (All Different- tenter allocation, RF Utilisation%, Wage ratio)

A	B	C	D	E	F	G	H
Row #	Particulars	10^S	20^s	34^s	40^s	Tot.	Remarks
1	**Mcs/Tenter**	**1**	**2**	**2.5**	**2.5**		**Actual**
2	**Actual Wages Ratio**	**1.0**	**1.15**	**1.25**	**1.30**		**Diff**
3	**RF-Utilisation%**	**92**	**94.5**	**96**	**96**	**95**	**Diff.**
4	**# Mcs for each yarn**	**4**	**16**	**10**	**10**	**40**	
5	#Tenters/shift	4	8	4	4	20	Row-4/ Row-1
6	# tenters/day	12	24	12	12	60	3XRow-5

7	Actual Wages p.m/ tenter(000)	15	17.25	18.75	19.50		
8	Actual Wages p.a/ tenter(000)	180	207	225	234		12XRow-7 See NB(2)
9	Tot.wages p.a.(000)	2160	4968	2700	2808	12,636	Row-6XRow-8
10	# allotted Mc shift p.a	4320	17280	10800	10800	43200	Row-4X"c"
11	Wages/Shift	2071	4556	2485	2589	11,700(B)	Taken from Row-21
12	Act S.S worked	4,006,195	16,460,237	10450944	10450944	41368320	See N.B(4)
13	Wages/S.S	0.5392	0.3018	0.2583	0.2687	0.3055A)	Row-9/Row-12
14	Gms/s,s	546	262	133	110		
15	Kg p.a	2187383	4312,582	1389,976	1149,604	9039544	Row-12X Row-14/1000
16	Act.S.S/Kg	1.83	3.82	7.52	9.09	4.54	Row-12/Row-15
17	**Act.wags/Kg**	**0.9875**	**1.1520**	**1.9425**	**2.4426**	**1.3979**	Row-9/Row15
18	**Allotted wages/Kg (based on avg SS)**	**0.5594**	**1.1658**	**2.2966**	**2.7768**	**1.3979**	Item(A)XRow16 Nearly matches for 20S as avg utilisn=20s utilisn
19	Diff%(Row17-Row18)	43.35	-1.2	-18.23	-13.68	0	
20	Tenter wt'age on wages	4*1=4	8*1.1=8.8	4*1.2 =4.8	4*1.25 =5	22.6	Row-6*est.ratio/3
21	Wages/Shift[1:(1.1):(1.2):((1.25)]	2071	4556	2485	2589	11.700	See NB(5)
22	Wages/mc shift	517.7	284.73	248.5	258.85	292.5	Row-21/row-4
23	Kg/mc.shift	506.34	249.57	128.70	106.44	209.25	Row-15/Row-10
24	**Wages/Kg(based on est.wage ratio)**	**1.0224**	**1.1409**	**1.9308**	**2.4318**	**1.3979**	Row-22/Row-23,Matches only for 20s,as its values are near the avg values.
25	Diff.(%)	**-3.54**	0.96	0.60	0.44	0	(Row-17-Row24)/ Row17

Summary (Note the figs in Row-19 and Row-25)

Table-1: Same a)Sides –allocatios,b) Utilisation and c) Wage Ratio

17	**Act.wags/Kg**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**
19	Diff%(Row17-Row18)	**0**	**0**	**0**	**0**	**0**
24	**Wages/Kg(based on Est.Wage Ratio)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1859**
25	Diff.(%)	**0**	**0**	**0**	**0**	**0**

Table-2 Diff.side-allocation but same Utilisation & Wage Ratio

17	**Act. wags/Kg**	**0.9563**	**0.9964**	**1.5703**	**1.8987**	**1.1859**
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3734**	**1.1859**
19	Diff% (Row17-Row18)	**50**	**0**	**-25**	**-25**	**0**
24	**Wages/Kg (based on wage ratio)**	**0.9563**	**0.9964**	**1.5703**	**1.8987**	**1.1859**
25	Diff. (%)	**0**	**0**	**0**	**0**	**0**

Ref: Row-17: In Table-2 the actual wages/Kg changes for 10s 34[s] and 40[s] in proportion to the Mcs (or sides) per tenter in the two tables (i.e.2 & 1). In 20[s],there is no change in tenter allocation and therefore no change in the fig.

Ref: Row-18: The avg side allocation of 2mcs per tenter, matches with the actual allocation of 2 Mcs per tenter for the Yarn count (20[s]) and therefore, the wage cost/Kg based on avg ss, matches only for the 20[s].. For other counts it differs as there is no match in the "side-allocation" w.r.t. the average "side-allocation".

Ref: Row-24:All the wage cost figs (based on wage-ratio) matches with the actual, as the changes in data due to different side-allocation are also taken into account, in this method of calculation

Table-3: Diff side allocation& utilisation but same Wage ratio.

17	**Act.wages/Kg**	**0.9875**	**1.0017**	**1.5540**	**1.8789**	**1.1948**
18	**Allotted wages/Kg (based on avg SS)**	**0.4781**	**0.9964**	**1.9629**	**2.3733**	**1.1948**
19	Diff% (Row17-Row18)	51.28	0.53	-26.32	-26.32	0
24	**Wages/Kg (based on est.wage ratio)**	**0.9875**	**1.0017**	**1.5540**	**1.8789**	**1.1948**
25	Diff. (%)	0	0	-0	0	0

Row-17:Act. Wages of individual yarn counts-changed as per their utilisation% compared to the avg utilisation% of 95%.

Row-18:The figs of Table 3&2 are same, as the change in the utilisation% of the individual yarn count has no influence in the calculation, as the average wages /S.S is taken into account. As there are no changes in the average wages/s.s and S.S/Kg ,in both the tables, the figs remain the same.

Row-24: All figs Matches, with Row-17, as there is no change in wage ratio. The other figs involved in the calculations move as per the change in the utilisation%

Table-4: Change in all-side allocation, utilistaion and wage ratio.

17	**Act.wags/Kg**	**0.9875**	**1.1520**	**1.9425**	**2.4426**	**1.3979**
18	**Allotted wages/Kg (based on avg SS)**	**0.5594**	**1.1658**	**2.2966**	**2.7768**	**1.3979**
19	Diff%(Row17-Row18)	43.35	-1.2	-18.23	-13.68	0
24	**Wages/Kg(based on est.wage ratio)**	**1.0224**	**1.1409**	**1.9308**	**2.4318**	**1.3979**
25	Diff.(%)	**-3.54**	0.96	0.60	0.44	0

Row-17: Compared to Table-3,the actual wages changed as per the wage ratio.

Row—18: The avg.wages/s.s also changed as per the wage ratio, as there was increase in the total wages(Row-9 in each table) from 10800K(in Tables 1.2&3) to Rs 12,636K in Table-4. Therefore, the Row-18 of Table-3 & 4 differ.

Row-24:The value for 20s nearly matches as its figs are nr. to the average figs.

Row-25: The diff.% is much less than the diff.% of Row19.

E. CONCLUSION

The aim in cost determination is to present as nearly a true cost as possible and in finding the RF tenter cost/Yarn Kg, the empirically based data (at least one month data in year, if used, to find the wage ratio of tenters of different count, the DL-wage cost/Kg will be nearer to the actual. MA

Reference:

1. *SITRA norms -2010*

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ROLE OF ECO-EFFICIENCY IN EVALUATING ENVIRONMENTAL PERFORMANCE AND IN ACCOMPLISHING SUSTAINABLE DEVELOPMENT GOALS
CASE STUDY OF ITC LTD.

Abstract

In this paradigm of global climate-change there is a need to address environmental concerns along with economic concerns for better management of corporate resources and to achieve the sustainable development goals (SDGs). Companies are becoming increasingly keen to take into consideration the role of environmental issues in economic information or in the financial markets, either due to legal mandates or at times, voluntarily. Hence, there is a situational demand of a shift of their attention towards measuring eco-efficiency. "Eco-efficiency" refers to economic-ecological efficiency which is a ratio between an economic performance indicator and an environmental performance indicator of an enterprise. As a tool, it can help to integrate conventional accounting with ecological accounting. Contextually, the present study makes an attempt to calculate eco-efficiency of ITC Ltd., an environmentally-conscious Indian conglomerate, both in a business-as-usual scenario, as well as after considering the environment-friendly measures taken by them, to find out how they are contributing towards the achievement of the SDGs. The results are based on the analysis of secondary data compiled and calculated for a five-year period of 2014-15 to 2018-19.

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Introduction

In this paradigm of climate-change there is a need to address environmental concerns along with economic concerns for better management of corporate resources and for achieving the sustainable development goals (SDGs). Companies are becoming increasingly keen to take into consideration the role of environmental issues in economic information or in the financial markets, either due to legal mandates or at times, voluntarily. Hence, there is a situational demand of a shift of their attention towards measuring eco-efficiency. 'Eco-efficiency', is economic-ecological efficiency, or a ratio between an economic performance indicator and an environmental performance indicator of an enterprise (Schaltegger & Burritt, 2000). The concept of eco-efficiency was first introduced by World Business Council for Sustainable Development (WBCSD) in the year 1992. Eco-efficiency, as defined by Bjorn Stigson, the President of WBCSD can be termed as a combination of the goals of business excellence and environmental excellence which establishes a connection through which corporate behaviour can support sustainable development (World Business Council for Sustainable Development, 2006). It is a flexible and relevant approach and can be analysed at a global, regional, corporate, project, product or process level. The concept provides a way of measuring the combined effect of economic and ecological performance of the management of an organization for a specified period of time, which again helps towards mapping of trends of eco-efficiency over a time series.

The two main environmental objectives that help towards the management of the companies are 'sustainable development' and 'eco- efficiency'. The value of environmental information management can be measured by an increase in eco-efficiency and comparison of an actual and expected eco-efficiency for a period of time. It is the first step towards strong sustainable development and so it has become quite a mandate for industries in developing nations like China, Brazil and more of so for India because these nations contribute significantly to the world economy.

India has suffered many natural disasters like, severe drought, unprecedented water crisis, frequent floods, crop failure, tsunami, cyclones, extreme heat waves, earthquake etc. over the last few years. The Global Climate Risk Index 2020 finds that India has reached the 5th position in the list of the 10 most affected countries of 2018, from a rank of 14 in 2017 (Eckstein, et al., 2019). Moreover, according to a report by the Centre for Research on the Epidemology of Disasters, (2018) financial losses worth USD 79.5 billion are attributable to such climate change disasters in India, to be magnified to an absolute loss in purchasing power parity of USD 378.08 billion in 2018 (Eckstein, et al., 2019). Weather-related hazards of India also include warming of the atmosphere by 1.2 degrees and its consequent changes, directly in monsoon pattern, receding coastlines, melting of glaciers and many more, and indirectly in lower per capita consumption leading to further poverty and inequality in the distribution of income. The worst hit regions have also been found to be quite alarmingly, the poorest of all. For peace and prosperity of the people and the planet, now and into the future, all United Nations Member States in 2015 adopted the 2030 Agenda for Sustainable Development. The agenda constituting of 17 Sustainable Development Goals (SDGs) calls for action from both developed and developing countries to achieve these SDGs. (United Nations).

Joe Phelan, the India Director of WBCSD believes that India has the potential to lead the inevitable transformation of the present business-as-usual scenario to net zero GHG emissions by 2050 and the achievement of SDGs. Limiting warming to 1.5°C above pre-industrial levels would require transformative systemic changes integrated with sustainable development. The 1.5°C pathways indicate robust synergies, particularly for the SDG 3 (health), 7 (energy), 12 (responsible consumption and production) and 14 (oceans) (very high confidence). For SDGs 1 (poverty), 2 (hunger), 6 (water) and 7 (energy), there is a risk of negative side effects from stringent mitigation actions compatible with 1.5°C of warming (medium evidence, high agreement). This demands unmatched liaison and initiative among businesses, investors and government (De Coninck, 2018). Furthermore, the demand for energy is supposed to get doubled by 2040 due to increasing appliance ownership and cooling needs (CDP, 2020). In this given scenarion Indian companies are taking proactive role to focus on eco-efficiency and achieve SDGs, which is considered to be the first step towards 'Strong' Sustainable Development.

Therefore, the present study makes an attempt to calculate eco-efficiency of ITC Ltd., an environmentally-conscious Indian conglomerate, both in a business as usual (BAU) scenario, as well as after considering the environment-friendly measures taken by them, to find out how they are contributing towards the achievement of the SDGs. The results are based on the analysis of secondary data compiled and calculated for a five-year period of 2014-15 to 2018-19.

Materials & Methods

This study has implemented the eco-efficiency model propounded by Schaltegger & Burritt (2000), and the guidelines on measuring and reporting corporate performance structured by WBCSD (Verfaillie & Bidwell, 2000) to estimate the overall corporate eco-efficiency of ITC Ltd., an environmentally resposible Indian conglomerate.

The eco-efficiency measurement framework comprises of recognizing certain economic as well as ecological indicators and finding out the ratio between them.

$$\textbf{Eco-efficiency} = \frac{\textit{Economic Value}}{\textit{Environmental Influence}}$$

Schaltegger & Burritt, way back in 2000, had identified three levels of measuring eco-efficiency:

a. Overall corporate eco-efficiency, where the eco-efficiency is measured by comparing the economic value added (EVA) of a company with its environmental impact added (EIA);

b. General eco-efficiency of a project, where net present value (NPV) of an investment is compared to the net present environmental impact added (NPEIA) of the project, and

c. Specific eco-efficiency of a product or service, where contribution-margin of a product or service is compared to its EIA.

The present study is based on secondary data extracted from the Annual Reports and Sustainability Reports of ITC Limited, and from Ace Equity, a financial research database of Accord Fintech, for the financial years 2014-15 to 2018-2019, i.e., for a period of five years. Hence, only the overall corporate eco-efficiency could be measured in this study, where, to identify the eco-efficiency profile of ITC Ltd., the following indicators have been identified and applied (Verfaillie & Bidwell, 2000):

A. **Economic Value Indicators**:

a. Gross Sales/ Revenue from Operations

b. Earning before Interest and Tax (EBIT) or Operating Profit

c. Net Profit after Tax (PAT)

d. Economic Value Added (EVA)

- EVA= Net Operating Profit after Tax (NOPAT) – (Weighted Average Cost of Capital (WACC) × Capital employed)

  where, NOPAT= EBIT * (1 – tax rate)

  WACC (in absence of debt in the capital structure) ≅ K_e= Cost of Equity=

  $$\frac{Earnings\ per\ share\ (EPS)}{Market\ Price\ per\ share\ (MPS)} \times 100 \text{ and}$$

  Capital employed has been considered at beginning-of-the-period value

  (Kishore, 2009)

B. Environmental Influence Indicators:

a. Material Consumption

b. Energy Consumption

i. Purchased from Grid

ii. From non-renewable sources

iii. From renewable sources

c. Water Consumption

d. GHG Emissions

e. Waste generation

Supplementary Indicators:

a. Material Recycled

b. Water Recycled

i. Rainwater Harvested

ii. Treated Effluent Discharged

c. Carbon Sequestration/ Removal

d. Waste Recycled

The study has also endeavoured to compare the eco-efficiency of ITC Ltd. in a BAU scenario assuming that no measures have been adopted by them to reduce environmental footprints, with their actual environmental performance scenario, where their recycling initiatives have been taken into consideration. The gross and adjusted eco-efficiency ratios thus computed are as follows:

Table 1: Eco-efficiency Ratios

	Eco-efficiency Ratios (Gross)	Eco-efficiency Ratios (Adjusted)
1.	Gross Sales/ Revenue from Operations per unit of: a) Material Consumption b) Energy Consumption c) Water Consumption d) GHG Emissions e) Waste generation	Gross Sales/ Revenue from Operations per unit of: a) Material Consumption less Material Recycled b) Energy Consumption less Renewable Energy used c) Water Consumption less Water Recycled d) GHG Emissions less Carbon Sequestered e) Waste generation less Waste Recycled
2.	EBIT per unit of: a) Material Consumption b) Energy Consumption c) Water Consumption d) GHG Emissions e) Waste generation	EBIT per unit of: a) Material Consumption less Material Recycled b) Energy Consumption less Renewable Energy used c) Water Consumption less Water Recycled d) GHG Emissions less Carbon Sequestered e) Waste generation less Waste Recycled
3.	PAT per unit of: a) Material Consumption b) Energy Consumption c) Water Consumption d) GHG Emissions e) Waste generation	PAT per unit of: a) Material Consumption less Material Recycled b) Energy Consumption less Renewable Energy used c) Water Consumption less Water Recycled d) GHG Emissions less Carbon Sequestered e) Waste generation less Waste Recycled
4.	EVA per unit of: a) Material Consumption b) Energy Consumption c) Water Consumption d) GHG Emissions e) Waste generation	EVA per unit of: a) Material Consumption less Material Recycled b) Energy Consumption less Renewable Energy used c) Water Consumption less Water Recycled d) GHG Emissions less Carbon Sequestered e) Waste generation less Waste Recycled

Results & Discussions

This segment of the paper begins with the graphical representation of the computed economic performance indicators of ITC Ltd., to encapsulate their five-year financial performance:

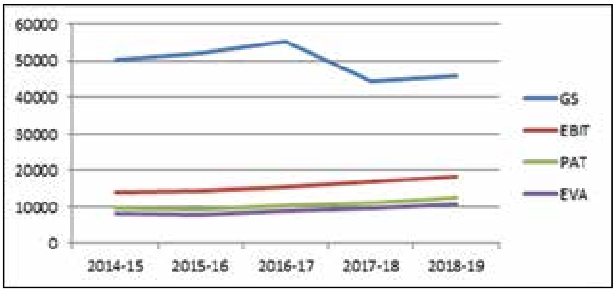

Figure 1: Economic Performance of ITC Ltd. (₹ in crores)

The above Figure (1) establishes that in spite of fluctuating revenue from operations, ITC Ltd. has succeeded in consistently improving their EBIT, PAT and EVA. Though at a slower pace, this improvement is because of the reduction in the operating expenses, which primarily have been caused by efficient resource use.

Moving on to the environmental indicators, the usage of the different resources and how it has been improved upon over the years has been depicted through various figures below:

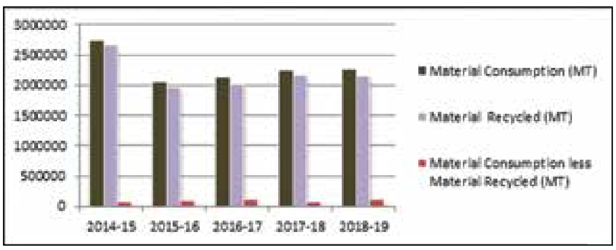

Figure 2: Material Consumption vs. Material Recycled

Figure (2) is a portrayal of material recycled against material consumed. ITC Ltd. focuses on increasing the overall efficiency of supply chain management by consistently pursuing cost optimisation initiatives and eliminating non value-adding activities. It could be observed that it has been able to reduce the material consumption significantly in 2015-16 as against 2014-15 without negatively impacting their gross sales (Figure 1). Moreover, they have consistently recycled almost 90 per cent of the material consumed by them. Over the 5 year study period, ITC Ltd. showed an upward trend in procuring its wood for manufacture of paper and paperboards: 97,000 MT in 2018-2019 as compared to 60,000 MT in 2017-2018, 55,000 in 2016-2017 and so on. But as a part of its sustainability practice, more than 80 per cent of the wood required for the largest paper producing unit at Bhadrachalam, is from wood procured from ITCs Social Farm and forestry initiatives. Moreover, since 2017-18 it has started using self-made pulp, which has significantly reduced the use of imported pulp for paper production.

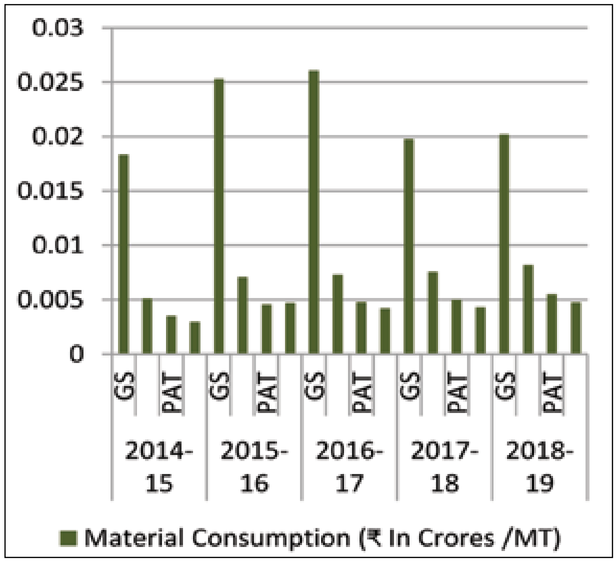

Figure 3: Economic parameters per unit of Material Consumption

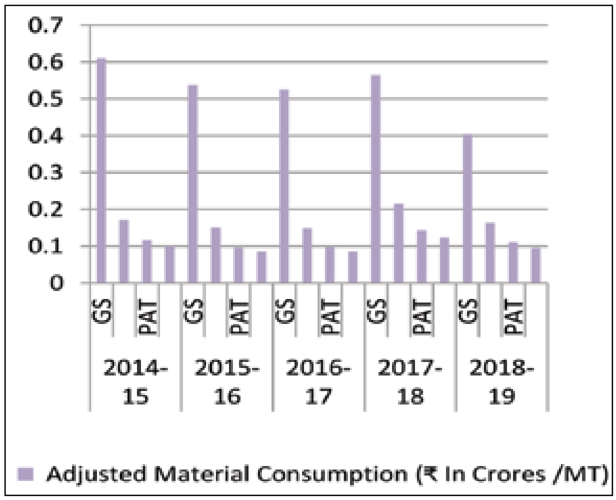

Figure 4: Economic parameters per unit of Adjusted Material Consumption

Hence, as obvious, it is visible from the above Figures (3) and (4) that had the materials not been recycled, the eco-efficiency ratios per unit of material consumed would have been significantly lower. They achieved the highest EVA per metric tonne (MT) of Adjusted Material Consumed in 2017-18 at ₹12,28,917 as against ₹43,058 EVA per MT of Material Consumed.

While studying about the efficiency of resource use, energy consumed is considered among the most critical ones. The sources of energy for ITC Ltd. are purchases from the grid, from non-renewable sources as well as from renewable sources. In this study, the total energy consumption has been measured by clubbing the energy used from all these three sources; while, total energy savings has been calculated by summing up the energy used from renewable sources and energy saved by using efficient technologies.

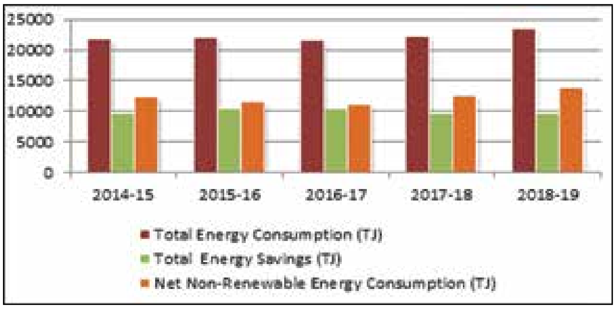

Figure 5: Total Energy Consumption vs. Net Non-Renewable Energy Consumption

According to ITC Sustainability Report 2016-2017, an increase in renewable energy usage could be observed in 2016-2017 as compared to 2015-2016 due to the use of saw dust, chip and charcoal in production at the Kovai unit, higher utilization of wind energy and installation of Circulating Fluidised Bed Combustion (CBFC) Boiler at Bhadrachalam unit which has been reflected in Figure (7). Nonetheless, the above Figure (5) depicts that there is immense scope of further improvement in non-renewable energy savings by ITC Ltd.

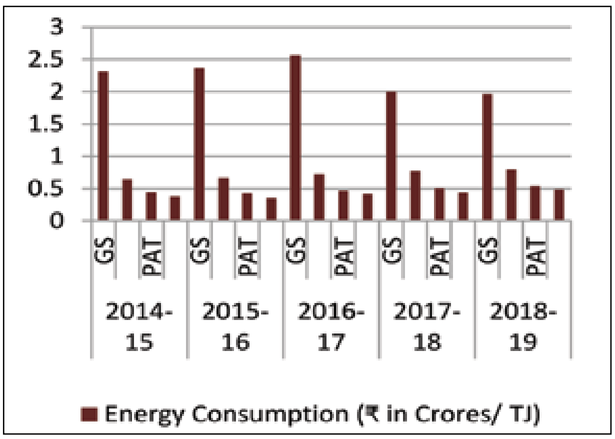

Figure 6: Economic parameters per unit of Energy Consumption

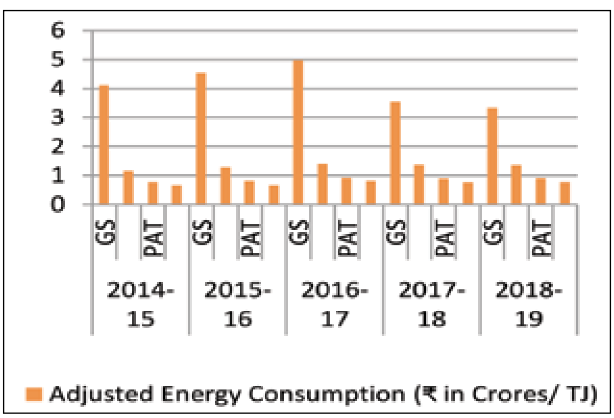

Figure 7: Economic parameters per unit of Adjusted Energy Consumption

The above Figures (6) and (7) substantiates that had the renewable source of energy been not explored, the eco-efficiency ratios per terra joule (TJ) of energy consumed would have been much lower. They achieved the highest EVA per TJ of Adjusted Energy Consumption in 2016-17 at ₹ 80,60,572 as against ₹ 41,58,393 EVA per TJ of Energy Consumed.

Water consumption is the third parameter for measuring and monitoring resource use. ITC Ltd. is one of the rarest companies, who, in spite of being resource-intensive, has remained water positive since last 17 years straight. They treat majority of their effluent discharge for recycling, and also harvest gallons of rainwater.

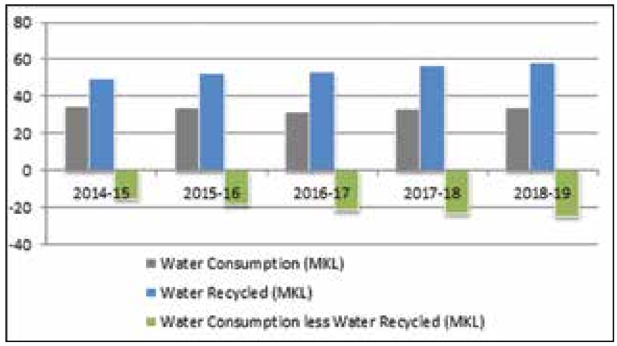

Figure 8: Water Consumption vs. Water Recycled

It is evident from Figure (8) that though the industrial water consumption of ITC Ltd. has remained consistent over the years, the water recycled by them through rainwater harvesting and treatment of effluents has increased over time. Notably, the water recycled by them has far outgrown (over three times) their net water consumption making them increasingly water positive.

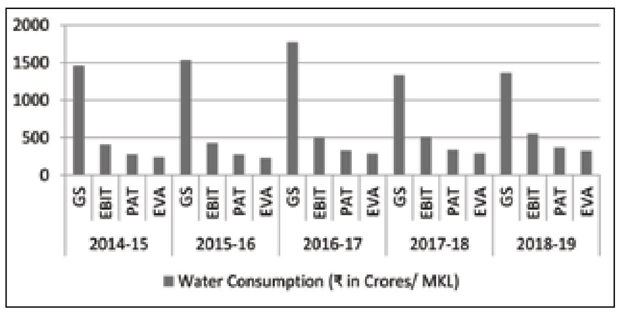

Figure 9: Economic parameters per MKL of Water Consumption

The economic parameters per million kilolitres (MKL) of water consumption has been presented in Figure (9) where EVA per MKL of water consumed has been found to be the highest in the year 2018-19 at ₹ 321 crores. In this case, we are avoiding the preparation of eco-efficiency ratios of Adjusted Water Consumption as, though mathematically it is feasible to compute, logically it seems irrelevant. Instead it might be analysed as, the company is more than 100 per cent efficient in using its water resources. Instead of depleting it, they are helping in its generation.

From various resource usages, to emissions and waste generation – every aspect of environmental concern needs to be pondered over for proper eco-efficiency measurement.

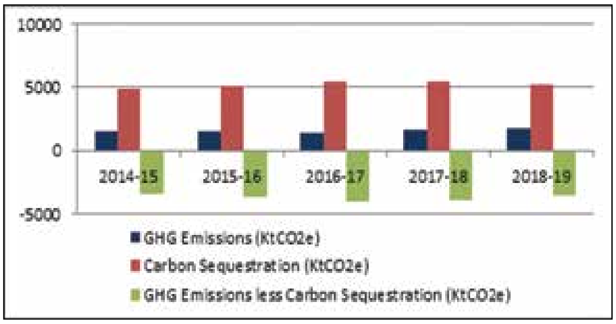

Figure 10: Greenhouse Gas Emissions vs. Carbon Sequestration

The above Figure (10) shows that similar to being water positive, ITC Ltd. has been carbon positive during the five years under study and has being maintaining its carbon positive status for the last 12 years at a row. Furthermore, the quantum of carbon sequestration has far outweighed the GHG emissions by them. In 2016-17 higher reduction in GHG emission was achieved by displacing grid electricity with captive wind electricity at various ITC units. Other energy-saving initiatives were also undertaken along with this. In 2018-2019 a significant increase GHG emission was due to: opening of new units and increased production at existing units using grid electricity, use of coal instead of biomass at Paperboard and Specialty Papers Division (PSPD), Kovai unit, increase in logistic emissions due to increase in production, increased output and opening of a new Bleached Chemical Thermo Mechanical Pulp (BCTMP) unit at Bhadrachalam, which helped the company to reduce its dependence on imported pulp at Bhadrachalam PSPD unit (a major step towards sustainability).

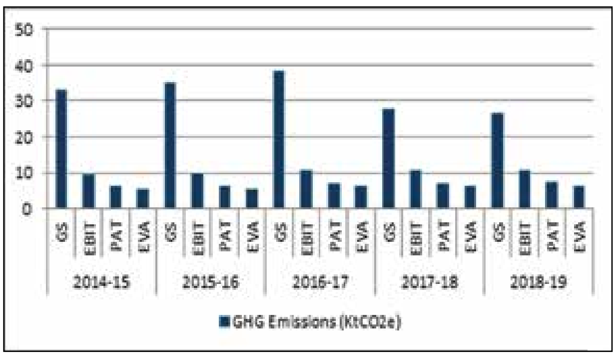

Figure 11: Economic parameters per $KtCO_2e$ of GHG Emissions

ITC Ltd. being carbon positive, we cannot logically measure the Adjusted GHG Emission in this case also. Instead we can mention it to be more than 100 per cent efficient in GHG emissions management against the EVA. In the BAU scenario, as depicted in Figure (11) above, it can be found that EVA generated per kilo-tonne of carbon-dioxide equivalent ($KtCO_2e$) was maximum in 2018-19 at ₹ 6.26 crores.

The management of waste in business operations is one of the most critical factors of sustainability studies. It is perceived from the Figure (12) below that ITC Ltd. has succeeded in recycling about 100 per cent of their wastes and has been solid-waste-recycling positive for 12 years at a stretch.

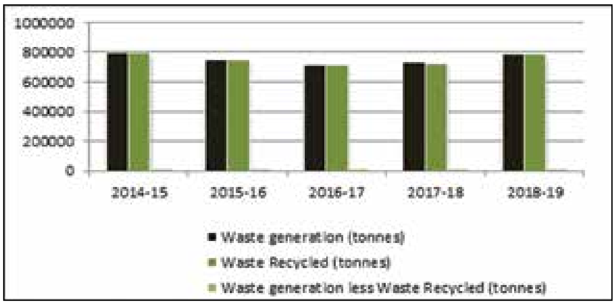

Figure 12: Waste Generated vs. Waste Recycled

In 2016-2017 4.5 per cent decrease in waste generation was due to reduction in fly ash waste at Bhadrachalam unit. There had been an 8 per cent increase in waste generation in 2018-2019 as compared to 2017-2018 due to inclusion of new hotels and new units. However, on an average, more than 99 per cent of the wastes were recycled and used in cement and brick making, and as fuel in boilers, leading to cost savings in other areas. Moreover, a considerable amount of external wastes was also used as raw materials by the company, consistently from 2007-2008 to 2018-2019.

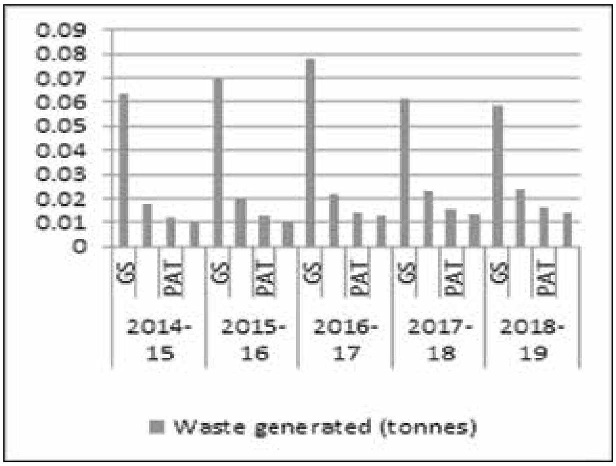

Figure 13: Economic parameters per tonne of Waste Generated

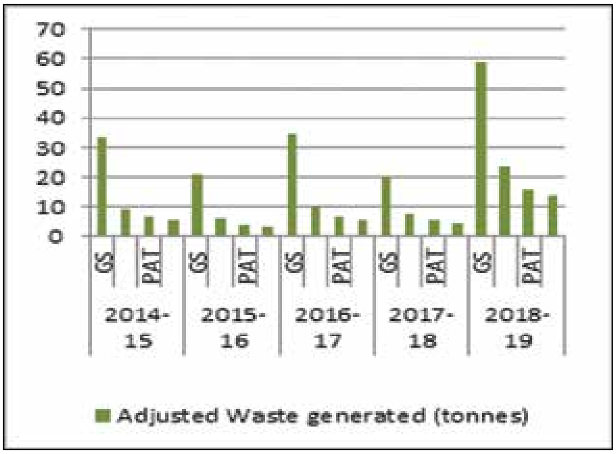

Figure 14: Economic parameters per tonne of Adjusted Waste Generated

The above Figures (13) and (14) establish that had the wastes been not recycled, the eco-efficiency ratios per tonne of waste generated would have been significantly, almost 1000 times, lower. ITC Ltd. has achieved the highest EVA per tonne of Adjusted Waste Generated in 2018-19 at ₹ 1375 lakhs as against ₹ 1.38 lakhs of EVA per tonne of Waste Generated.

Conclusion

ITC Ltd., as we know it, is among the top three private-sector conglomerates in terms of its contribution to the Indian exchequer. It is one of the fore-runners in considering corporate social responsibility (CSR) and sustainable development as parts of their corporate vision, way before they became legal mandates. For Sustainable Development and Inclusive Growth ITC Ltd. initiated the Mission Sunehra Kal (MSK) based on two horizons strategy. Horizon 1 addresses sustainable livelihood of today and horizon 2 aims to create capabilities for tomorrow. MSK addresses the rural communities with whom ITC Ltd.'s agri-businesses have long and enduring partnerships, and communities residing in close proximity to the manufacturing units of the company. ITC Ltd. has 24 accredited Green-buildings across their businesses. Another remarkable move by ITC Ltd. is setting up village internet kiosks (e-Choupals), which made real-time, up-to-date, relevant information on weather, price discovery, and knowhow about agri-business and best practices, etc. readily available to local farmers. E-choupals are the largest internet-based intervention in rural India empowering 4 million farmers across 10 Indian states up to 2019. Moreover, the footprint of their Social Intervention Programme is dispersed across 27 states/ Union Territories of India.

The overall efficiency of supply chain management, recycling initiatives and efficacy of resource use have helped ITC Ltd. achieve the economic SDG 2- Zero Hunger, SDG 5- Gender Equality, SDG 8- Decent work and Economic Growth, and environmental SDG 6- Clean water and Sanitation, SDG 13- Climate Action and SDG 15- Life on Land, right from 2015. But paradoxically in 2018-19, they have also achieved the environmental SDG 12 of Responsible Production & Consumption, even after manufacturing and trading of tobacco & tobacco-related products. 45-50 per cent of the net turnover of the corporation is generated out of cigarettes only, the consumption of which is factually believed to be biologically, economically, socially and environmentally harmful. However, this contradiction makes the company a unique case to be studied, where an effort has been made to project the colossal positive environmental impact made by them, but has become hard to answer the question whether they actually are socially and environmentally sustainable. MA

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Down The Memory Lane

December 2010

Regional Cost Conference on "Emerging Challenges to Sustain Growth & Competitiveness" organized by the Kalyan Ambernath Chapter, WIRC of ICWAI on 24th and 25th of December, 2010. Sitting from the left to right are: CMA M. Gopalakrishnan, Vice President, ICWAI; CMA B.M. Sharma, President, ICWAI; CMA Deepak Ghaisas, Member, ICWAI and a doyen in the IT Sector; CMA Amit Apte, Chairman, WIRC of ICWAI and CMA G.B. Samnani, Chairman, Kalyan Ambernath Chapter, WIRC of ICWAI.

In the Inaugural Ceremony of the Regional Cost Conference organized by the Kalyan Ambernath Chapter, WIRC of ICWAI, Hon'ble M.L.A., Sri Kumar Ailani is lighting the lamp. Seen in the picture CMA B.M. Sharma, President, ICWAI.

President & Vice President of ICWAI met with Hon'ble Dr. M. Veerappa Moily, Minister of Law and Justice, Govt. of India. Seen in the picture from left to right: CMA Om Prakash, Member, SIRC; CMA M. Gopalakrishnan, Vice President, ICWAI; Hon'ble Dr. M. Veerappa Moily, Minister of Law and Justice, Govt. of India; CMA B.M. Sharma, President, ICWAI and CMA G.N. Venkataraman, Immediate Past President, ICWAI.

December 2000

N.J. Pandya, Coordinator; J.A. Khakher, Chairman, Baroda Chapter; R.C. Shah, Former CMD of Bank of Baroda and Founder Chairman and Managing Director of EXIM Bank of India; H.V. Shah, Executive Director-Finance, GSFC; Manubhai Shroff, Former Editor of the Economic Times; A.G. Dalwadi, Chairman, Ahmedabad Chapter and S.J. Joshi, Vice Chairman, Baroda Chapter seen at the Seminar on Strategic Financial Management in Global Economy at Baroda.

Dr. Debendra Pradhan, Union Minister of State for Agriculture is seen along with D.C. Bajaj, President, Biswarup Basu, Chairman, Convention Committee; S.S. Sonthalia, Chairman, EIRC and others at Science City, Calcutta during Silver Jubilee Regional Cost convention of EIRC on 22-23 December, 2000.

Down The Memory Lane

Viren J. Shah, Governor of West Bengal presents the State Award to Shyamalendu Chakraborty, Joint Director, ICWAI on the occasion of World Disabled Day (International Day for persons with Disabilities) at Sisir Mancha, Kolkata.

December 1990

One Day Workshop on Central Excise on December-15, 1990. Seen in the Picture: Shri S.R. Bal; Shri Bidhan K. Mitra; Mr. Justice Ajit Sengupta, Shri Amal Kumar Das and Shri D. Radhakrishnan.

Shri N. Mohanty, IAS giving Inaugural address in the Seminar on Company Law on 16th December, 1990. Sitting from L to R: S/shri T.P. Subbaraman; P. Venugopal; S. Dutta; J.K. Bhattacharyya and N.C. Sunderajan.

December 1980

W.I.R.C. Regional Conference, 1980 was held on December 28, 1980. Shri A.V. Ramana Rao, Vice President of ICWAI addressing the Inaugural Session. Sitting (L. to R.), Shri K.S. Nagi, Acting MD of Bhillai Steel Plant; Shri S.R. Jain, CMD, Heavy Engineering Corporation, Ranchi; Shri V. Basavaraju, President, ICWAI; Shri Onkar Dayal, Controller of Finanace & Accounts, Bhillai Steel Plant and Shri R. Manikkam, Chairman, WIRC.

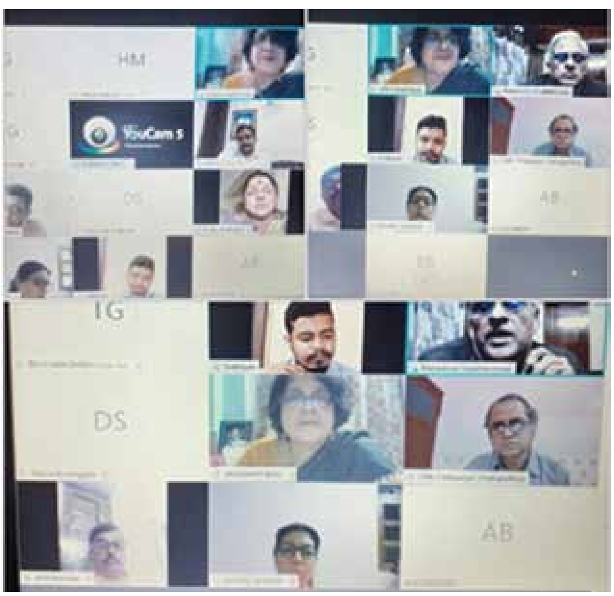
December 1970

Kanpur Chapter Seminar on December-20, 1970. Dr. Radhakrishna, VC, Kanpur University is delivering the inaugural address. L to R.: Shri S.K. Mitra, Chairman, NIRC; Dr. Radhakrishna and Shri S. Vasudevan,Chairman, Kanpur Chapter.

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

EASTERN INDIA REGIONAL COUNCIL

The Region under the aegis of Women Empowerment Committee of EIRC in association with Business Standard had organised a virtual seminar on 'Atmanirbhar Bharat - The Role of Cost Accountants' on 29th August, 2020. CMA Arundhati Basu, Chairperson- Women Empowerment Committee of ICAI - EIRC welcomed all the dignitaries and guests in the programme and she focused that the Cost Accountants would play an important role specially in the MSME Sectors. The organizing committee is EIRC of ICAI highly grateful to Smt. Locket Chatterjee Member of Parliament (Lok Sabha) Hooghly Constituency, West Bengal for her kind and gracious presence during the programme. CMA Pallab Bhattacharya, Chairman, EIRC suggested for a separate legislation for Cost Accountants and also highlighted that the MSME sectors may utilizes the services of Cost Accountants to boost the growth of their businesses. CMA Biswarup Basu, Vice President, ICAI said the Institute is proactively supporting the Government in various areas like Goods and Service Tax and also by opening up MSME helpdesk. CMA Chittaranjan Chattopadhyay, Central Council Member and Chairman, BFSI Committee, ICAI highlighted that in the growth of MSME, Cost Accountants will play a crucial role in making India self-reliant. CMA Ashis Banerjee, Regional Council Member, EIRC said in the current economy where exports and scalability are becoming integral to business operations. CMA Parvathy Venkatesh. Partner at Ramanath lyer &. Co said rather than being seen as financial cleanup professionals Cost Accountants should increasingly position themselves as broad performance enablers for companies at a time when the Atmanirbhar Bharat program opens up the chan. of incremental growth across sectors. CMA M Gopalakrishnan, Former President. ICAI said rationalisation of resources and informing industry of confidence-building measures to stabilize the flow of workers, would be among the most important jobs of a cost accountant in the aftermath of the COVID -19 pandemic. There was an overwhelming response and also all the participants had highly appreciated the programme.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

The Chapter organized and hosted a WEBINT in association with other Chapters at Odisha in the theme "An Overview of IPR: Importance and Impacts of Patents" on 04.11.2020. Dr. Togapur Pavan Kumar, Senior Scientist, CSIR-IMMT, Bhubaneswar graced and delivered on the topic as "Resource Person". CMA Saktidhar Singh, Chairman. Professional Development Committee delivered welcome address, introduced Guest and extended formal vote of thanks. CMA Mukesh Chaubey, Chairman of the Chapter delivered key note address. A WEBINT on "Investment Opportunities and Infrastructure Availability in Odisha and Role of Professionals in Fostering Growth" was held on 07.11.2020. The Chapter organized and hosted in association with IPICOL, Odisha a WEBINT on the theme "Investment Opportunities and Infrastructure Availability in Odisha and Role of Professionals in Fostering Growth" on 07.11.2020 . Shri Debasish Das, G.M (Investment and Promotion), IPICOL, Odisha Chaired the technical session and delivered concluding address .Shri Rajib Kumar Dhal, G. M (SLNA), IPICOL, Odisha and CMA Santanu Kumar Panigrahi, CFO, IPICOL delivered details on the topic as "Resource Person". CMA Saktidhar Singh, Chairman Professional Development Committee delivered welcome address and introduced Guests. CMA Mukesh Chaubey, Chairman of the Chapter delivered Keynote address and CMA Ajay Kumar Samal, Secretary of the Chapter extended formal vote of thanks. The Chapter organized and hosted a WEBINT in the theme "Faceless e-Appeal Scheme for Tax Payers – Issues and Key Challenges" in association with all other Chapters at Odisha on 18th November, 2020. Shri Asit Kumar Mohapatra, IRS, Commissioner of Income Tax (Appeals), Bhubaneswar Zone inaugurated and graced the occasion as event "Chief Guest". CMA Niranjan Swain, Advocate, Odisha High Court and Tax Consultant delivered in details on the topic as "Resource Person". CMA Saktidhar Singh, Chairman Professional Development Committee delivered welcome address and introduced Guests. CMA Mukesh Chaubey, Chairman of the Chapter delivered Keynote address and CMA Ajay Kumar Samal, Secretary of the Chapter extended formal vote of thanks.

SOUTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

On October 2, 2020 the chapter organized a programme on Filing of ITRs and Resolution on Technical Issues. Shri Shravan Kumar Nemani, clearly explained by showing Income tax deptt. portal about Income tax e filing, registration, filing of Income tax Returns and Forms, E verification, Link Aadhar with PAN, Technical issues. On October 3, 2020 the chapter organized a programme on Professional Networking among CMAs and Membership Benevolent Fund. CMA Dr. A.S. Durga Prasad garu emphasized the importance of Professional networking, how to build professional network, networking skills etc. CMA TCA Srinivasa Prasad garu clearly explained about benevolent fund, objective of benevolent fund, Procedure of life membership etc. He urges all members to make their contribution to the Members Benevolent Fund so that it is useful for members in distress. On 04.10.2020 the chapter organized a programme on Reorienting the Cost Audit Framework and CMA M. Gopalakrishnan garu was the speaker for this programme. CMA M. Gopalakrishnan garu with his authoritative knowledge explained the topic "Reorienting Cost Audit Framework" He has detailed about the current scenario, board room realities, Importance given to external professionals - how it impacts cost audit, how to reorient cost audit, adopting a futuristic outlook, Sample approach to cost audit –Construction Industry etc. On 06.10.2020 the chapter organized a Panel Discussion on GST Audit with Shri C. Mallikarjun Reddy, Superintendent of Central Tax and Custom, CMA Debasish Ghosh. CMA B. Mallikarjuna Gupta. CMA Vishwanth Bhat briefed about CMAS RO IN GST Audit, Challenges faced by him in the first year and how he addresses them for the subsequent years, tools for the audit, etc. CMA Debasish Ghosh discussed about how GST Audit is different from the erstwhile audit of Indirect taxes, Role of organizations for smooth conduct of GST Audit, Challenges faced by him and how he resolved those issues etc. Shri Mallikarjun Reddy answered the questions from a department perspective why there is major shift in the audit approach, how should taxpayer respond when they receiving notices for submission of records without UDIN etc. The Chapter organized a two-day webinar on "GSTR 9 & 9C on 08th and 09th October, 2020 through webex meetings. CA Vamsi Krishna Javvaji, Partner- JVN & Associates has detailed his agenda topics Importance of annual returns, Key terms, Provisions of the Law, Quick view of GSTR -1 & 3B, Understanding of the GSTR -9 along with FAQs. Management Accounting is all about Decision making. CMA has a role in this process by providing necessary decision support tools. CMA D. Zitendra Rao, Practicing Cost Accountant has explained about Costing system, enhancing its functionality, Cost Control and Cost Reductions activities etc on October 11, 2020. On October 18, 2020 the chapter organized a programme on Cost Audit -2 Angles for Success & Identifying Cost Elements for Cost Audit. CMA Dantu Mitra senior member has detailed the topics Statutory Cost Audit and Voluntary Cost Audit. CMA A.V.N.S. Nageswara Rao garu explained about legal frame work of Cost audit, Maintenance of Cost Records, Identification of Cost Elements, Standards on Cost Auditing, Audit documentation in detail. The Chapter on October 24, 2020 organized panel discussion on "Issues Relating to Cost Records, Cost Audit and Compliance" with CMA A.V.N.S. Nageswara Rao, Past Chairman- HCCA, CMA D. Zitendra Rao, Practicing Cost Accountant, CMA U. Lakshmana Rao, Practicing Cost Accountant, CMA M. Kameswara Rao, Past Chairman-HCCA. CMA Lavanya K.V.N. played the role of Moderator. This programme was very effective and well appreciated by the participants. The Chapter on October 27, 2020 organized a programme on Planning and Taxation of Capital Gains. Shri Abishek Murali elaborated about Long Term & Short Term Capital Assets, period of holding the asset, Transfer of a Capital Asset, how to compute capital gains, sale consideration, Cost of acquisition, Capital gains exemptions etc. On 30.10.2020 the chapter organized a programme on Relevance of RPTs in Cost Audit. Ms. U. Padma shenoy, Company Secretary was the speaker for this programme. She detailed about Leveraging Reports, Challenges, Auditor Role, Common RPTs, Way forward, Group RPTs, RPT Controls and other aspects.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

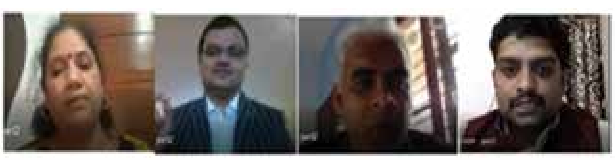
The Chapter Chairman conducted online career counselling programs to the students at various Colleges on various dates of October and November 2020.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BANGALORE CHAPTER

The Chapter organized a Webinar Professional Development Programme on Topic 'Stress Management: Science of Mind and Body by the famous Consultant & Neurologist and Corona Warrior Dr. Advait Kulkarni on 11th of July, 2020. Dr. Advait Kulkarni is a Consultant Neurologist trained from Most Prestigious neurology institute NIMHANS, Bangalore with more than 11 years' experience in clinical neurology. Chairperson of the chapter, CMA Manjula B.S welcomed the guest, CMA Members and the Students. CMA Satish R., Secretary of the chapter gave a brief introduction of the Speaker. Dr. Advait Kulkarni, Consultant Neurologist in his speech explained about the Covid – 19 situation, symptoms of Covid, precautionary measures to be taken to handle Covid situation, Do's and Don'ts by the Covid patient hand wash at regular intervals, regular using of Sanitizer, using of Face Mask & keeping Social distance. Staffs are also instructed to follow Covid norms. Staffs are advised to work with proper distance, regular hand washing, sanitization, face mask, face shield, etc. CMA Sreepada H.R, Chairman PD Committee of the chapter and CMA Kumar HN, Vice Chairman of the chapter were also present in the programme.

Professional Development Meets were organized on different dates of October 2020 on different dates of September and October 2020.

"Kannada Rajyothsava Celebration Parivartaneya Parisaradalli Rajyotsava" at Bengaluru Chapter were organized through online Webinar. "Faceless: The new norm in Income Tax Assessment" a joint webinar of Bengaluru Chapter & Hosur Chapter was organized through online Webinar on November 4, 2020. "Recent Tech Enhancements and e Invoicing in GST and 2A and 2B Practical difficulties" was organized at the Chapter through online Webinar. "The All New Tally Prime Product Walkthrough" was organized at the Chapter, through online Webinar on October 11, 2020. "IBC-2016- revisit IN 2020" at the Chapter, through online Webinar on October 18, 2020 and CMA Gorur N. Venkataraman, B Com, LLB, FCMA, FCMA (SL), AMBIM (London) - Past President – ICAI & Insolvency Professional, CMA Dr. V. Murali, B Com, FCMA, FCA, D.Lit. – Central Council Member–ICAI & Chairman Members' Facilities Committee, CMA Dr. P.V.S. Jagan Mohan Rao, Past President SAFA & ICSI were the speakers of the programme.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SALEM CHAPTER

The Chapter conducted a Career Counselling Programme at Sri Vidya Bharathi Matriculation Higher Secondary School, Kondalampatty, Salem through Zoom on 21st Oct 2020 in which around 100 delegates (Students and their parents) participated for around 2 hours. CMA KM Krishnamurthy, CMA Dr C Dhanapal and CMA V Krishnakumar addressed the students and their parents and clarified their doubts. The CMA members explained the cost of the study, syllabus, examinations, scope in employment and practice for the CMAs etc in detail through a Power Point presentation. The programme was concluded around 1 pm with the vote of thanks by Principal, Sri Vidya Bharathi Matriculation Hr Secondary School.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AHMEDABAD CHAPTER

The Chapter arranged a Webinar on 'Mock Test and Online Exam Process for Intermediate' on 23rd Oct'2020. Faculty CMA Sunil Tejwani, Member of Task Force for Members in Academics of WIRC gave briefing to students about the features of online exams. CMA Haren Bhatt Chairman of the chapter gave his welcome address. CMA A G Dalwadi-CCM interacted with students and other participants and explained about benefits of online exams. The program received overwhelming response from students, parents and faculties. The Chapter arranged WEBINT on 'CMA ONLINE EXAM WELCOME TO THE NEW NORMAL' on 31st Oct' 2020. The program was graced by President CMA Biswarup Basu, Vice president CMA P. Raju Iyer and Immediate Past President and Chairman of Training and Education facilities and placement committee CMA Balwinder Singh, CMA Ashwin Dalwadi CCM and CMA Ashish Bhavsar, Secretary of WIRC. CMA Haren Bhatt, Chairman of the chapter welcomed all the dignitaries and participants. CMA Biswarup Basu President, CMA P. Raju Iyer Vice President and CMA Ashwin Dalwadi CCM shared their thoughts regarding online exam with the participants.

CMA Balwinder Singh, Immediate Past President explained the methods; pattern, other features of online examinations and answered questions raised by the CMA students of Intermediate and final. CMA Ashish Bhavsar Secretary WIRC who anchored the program proposed the vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PIMPRI CHINCHWAD AKURDI CHAPTER

The Chapter conducted the webinar on "Lean Six Sigma" on October 10, 2020 at 6:00pm to 8:30 pm through Google Meet platform. CMA Dhananjay Kumar Vatsyayan, Vice-Chairman PCA Chapter welcomed and introduced the speaker CMA Ashish Deshmukh, Practicing Cost Accountant & Past Chairman PCA Chapter of ICAI and CMA Ashish Deshmukh introduced Mr. Sameer Kulkarni, Vice-President Operations, Parekhplast. CMA Ashish Deshmukh in his speech focused on basics of Lean Six Sigma in which he said Lean and Six Sigma complement each other. Mr. Sameer Kulkarni in his speech explained about what makes accounts & finance professional ideal users of Lean Six Sigma, Applicability of Lean Six Sigma for Accounting & Finance Process. The Chapter conducted the webinar on "Microsoft Excel Tools" on October 11, 2020 at 11:00pm to 13:30pm through Google Meet platform. CMA Sagar Malpure P D Committee Member, PCA Chapter has welcomed and introduced the speaker CMA Tripti Patwa, Senior Process Analyst, R2R, Finance Operations Centre, SKF India Limited. CMA Tripti in her speech said Microsoft Excel is one of the highly used tools of Microsoft. It is a spreadsheet developed by Microsoft having its basic feature of calculation, graphical tool, Pivot table and a macro programming language called Visual Basic for application. It has been a very widely applied spreadsheet for this platform, especially since 1993. The program ended with vote of thanks. The Chapter conducted the webinar on "Demystifying the Role of Purchase Finance Controller in Purchase Management" on October 17, 2020 at 6:00pm to 8:30pm through Google Meet platform. CMA Pradeep Deshpande, Secretary of the Chapter welcomed all the participants and introduced the guest speaker CMA Himanshu Dhar, Head – Business Finance, Supply Chain, Tata Motors Ltd. CMA Sagar Malpure, P D Committee Member gave the vote of thanks. The Chapter conducted the webinar on "Data Analytics" on October 24, 2020 at 6:00pm to 8:30pm through Google Meet platform. CMA Dhananjay Kumar Vatsyayan, Vice-Chairman PCA Chapter welcomed all the participants and introduced the guest speaker CMA Dr. Shilpa Parkhi, Practicing Cost Accountant. CMA Dr. Shilpa Parkhi in her speech said the term Data Analytics refers to the process of examining datasets to draw conclusions about the information they contain. The Chapter conducted the webinar on "Beyond Breath – A Stress Relief Session" on October 31, 2020 at 6:00pm to 8:30pm through Google Meet platform. CMA Sagar Malpure – P D Committee Member, PCA Chapter welcomed and introduced the speaker Mr. Saurabh Ratnakar, IITian, Life Coach Trainer, Art of Living. Mr. Saurabh Ratnakar in his speech started with discussions with the participants. The program ended with vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAVI MUMBAI CHAPTER

The Chapter conducted a Career Counselling session on 29th September 2020 to more than 150 Commerce students through a webinar on topic Profit Management thru Cost Management in today's Economy for SME. The said Webinar was conducted jointly by Chairman Sirish Mohite & Secretary CMA Ajay Mohan. CMA Sirish Mohite, Chairman of the chapter introduced the Managing Committee to the Students. The chairman explained the importance of cost management and costing tools to maximize profits for SME in today's challenging economic world. He explained that qualified cost accountant is well trained and skilled to use the cost management techniques to maximize profits. The students interacted very well with the managing committee members of Navi Mumbai chapter. CMA Ajay Mohan, secretary of the chapter also addressed the students highlighting the importance of having a CMA qualification. Mr. Vivek Bhoir, HOD of Commerce Dept., provided excellent support and co-operation for conducting career counselling in the college and was well supported by the Principal & Vice -Principal. The Chapter conducted a Webinar CEP programme on "Insight on Cost Audit with special reference to Covid 19 Requirements" on 17th October, 2020 via Google Meet app. The speaker for this event was CMA Sukrut Mehta Practicing Cost Accountant. CMA Vivek Bhalerao, PD Chairman of the Chapter, introduced the speaker and the importance of the topic for Practicing Cost Accountants. A large number of professionals & students also participated in the programme. The lucid presentation & the interactive workshop came to an end with the speaker being felicitated by CMA Vivek Bhalerao, PD Committee Chairman of the chapter and the vote of thanks being proposed by Chairman CMA Sirish Vasant Mohite.

Kind Attention !!!

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

DIRECT & INDIRECT TAX UPDATES - NOVEMBER 2020

DIRECT TAXES

- **Notification No 89/2020 dated 2nd Nov 2020**: In exercise of powers conferred by sub-clause (vi) of clause (b) of the Explanation to clause (23FE) of section 10 of the Income-tax Act, 1961 (hereinafter referred to as the "Act"), the Central Government hereby specifies the sovereign wealth fund, namely, the MIC Redwood 1 RSC Limited, Abu Dhabi, United Arab Emirates, (hereinafter referred to as "the assessee") as the specified person for the purposes of the said clause in respect of the investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 (hereinafter referred to as "said investments") subject to the fulfilment of the following conditions:

  (i) the assessee shall file return of income, for all the relevant previous years falling within the period beginning from the date in which the said investment has been made and ending on the date on which such investment is liquidated, on or before the due date specified for furnishing the return of income under sub-section (1) of section 139 of the Act;

  (ii) the assessee shall get its books of account audited for the previous years referred to in clause (i) by any accountant specified in the Explanation below sub-section (2) of section 288 of the Act and furnish the Audit Report in the format annexed as Annexure to this notification herewith at least one month prior to the due date specified for furnishing the return of income under subsection (1) of section 139 of the Act.

  (iii) the assessee shall furnish a quarterly statement within one month from the end of each quarter electronically in Form II as annexed to the Circular No 15 of 2020, dated the 22nd July, 2020 with F. No. 370142/26/2020-TPL, issued by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes (Tax Policy and Legislation Division), in respect of each investment made by it during the said quarter;

  (iv) the assessee shall maintain a segmented account of income and expenditure in respect of such investment which qualifies for exemption under clause (23FE) of section 10 of the Act;

  (v) the assessee shall continue to be owned and controlled, directly or indirectly, by the Government of the Abu Dhabi and at no point of time any other person should have any ownership or control, directly or indirectly, in the assessee;

  (vi) the assessee shall continue to be regulated under the law of the Government of Abu Dhabi;

  (vii) the earnings of the assessee shall be credited either to the account of the Government of Abu Dhabi or to any other account designated by that Government so that no portion of the earnings inures to any private person;

  (viii) (a) the assessee does not and shall not have any loan, borrowing, advances, deposits or investment in it of any kind directly or indirectly from any person other than the Government of the Abu Dhabi; (b) The assessee shall only invest the surplus fund of the Government of Abu Dhabi and that Government shall not raise any loan, debt etc. directly or indirectly, from the market or any entity to make the said investment;

  (ix) the asset of the assessee shall vest in the Government of Abu Dhabi upon dissolution;

  (x) the assessee does not and shall not undertake any commercial activity whether within or outside India other than the said investment or investment of similar nature;

  (xi) the assessee shall have monitoring mechanism to protect the said investment with investee but shall not manage day to day operations of the investee or appoint executive directors in the investee company or participate in the decision making process or control them; and

  (xii) the assessee shall not carry out asset management activity for any person other than itself.

Violation of any of the conditions as stipulated in the said clause (23FE) and this notification shall render the assessee ineligible for the tax exemption.

- **Circular No 19/2020 dated 3rd Nov 2020**: Under the provisions of section 10(23C) of Income-tax Act, 1961 (hereafter ' Act') where the total income, of the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via), without giving effect to the provisions of the said subclauses, exceeds the maximum amount which is not chargeable to tax in any previous year, such trust or institution or any university or other educational institution or any hospital or other medical institution shall get its accounts audited in respect of that year by an accountant as defined in the Explanation below sub-section (2) of section 288 before the specified date referred to in section 44AB and furnish by that date, the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed.

  As per Rule 16CC of the Income-tax Rules, 1962 (hereafter 'Rules') the audit report of the accounts of such a fund or trust or institution or any university or other educational institution or any hospital or other medical institution is to be furnished in Form No. 10BB. As per Rule 12(2) of the Rules, such audit report is to be furnished electronically. The failure to furnish such report in the prescribed form along with the return results in disentitlement of such entity from claiming exemption under section 10(23C) of the Act.

With a view to expedite the disposal of applications filed by such entities for condoning the delay and in exercise of the powers conferred under section I 19(2) (b) of the Act, the Central Board of Direct Taxes hereby directs that:

(i) In all the cases of belated applications in filing of Form No. 10BB for years prior to A.Y. 2018-19, the Commissioners of Income-tax are authorized to admit such applications for condonation of delay u/s 119(2)(b) of the Act. The Commissioner will while entertaining such applications regarding filing Form No. 10BB shall satisfy themselves that the applicant was prevented by reasonable cause from filing such application within the stipulated time. Further, all such applications shall be disposed of by 31.03.2021.

(ii) where there is delay of upto 365 days in filing Form No. 10BB for Assessment Year 2018-19 or for any subsequent Assessment Years, the Commissioners of Income-tax are hereby authorized to admit such belated applications of condonation of delay under section 119(2) of the Income-tax Act, 1961 and decide on merits.

INDIRECT TAXES

CUSTOMS

- **Notification No. 42/2020-Customs dated 11th Nov 2020**: In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) and sub-section (12) of section 3 of the Customs Tariff Act, 1975 (51 of 1975), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 50/2017- Customs, dated the 30th June, 2017:

  In the said notification, in the Table, against S. No. 515B, for the entry in column (4), the entry "5%" shall be substituted.

  This notification shall come into force with effect from the 12th day of November, 2020.

- **Notification No. 43/2020-Customs dated 26th Nov 2020**: In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) and sub-section (12) of section 3 of the Customs Tariff Act, 1975 (51 of 1975), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 50/2017- Customs, dated the 30th June, 2017:

  In the said notification, in the Table, against S. No. 57, for the entry in column (4), the entry "27.5%" shall be substituted.

  This notification shall come into force with effect from the 27th day of November, 2020.

- **Circular No. 49/2020-Customs dated 3rd Nov 2020:** Schemes for Rebate of State Levies (RoSL). RoSL scheme was in operation till 06.03.2019 and has been replaced by the Rebate of State and Central Taxes and Levies (RoSCTL) scheme. As per MoT's notification dated 07.03.2019 as amended vide notification dated 09.06.2020 for the pending claims of RoSL which could not be then released due to budget limitations, it has been decided that the remaining RoSL Rebate is to be granted by DGFT in the form of electronic duty credit scrips. This will be on the lines of scrips issued under RoSCTL scheme. These scrips can be utilised for payment of duties of Customs and Central Excise. The scrips issued under the RoSL scheme will be freely transferable.

- **Circular No. 50/2020-Customs dated 5th Nov 2020:** Policy and Guidelines for setting up of Inland Container Depots (ICDs), Container Freight Stations (CFSs) and Air Freight Stations (AFSs).

- **Circular No. 51/2020-Customs dated 20th Nov 2020:** Clarifications regarding availment of exemption on temporary import of durable Containers.

- **Circular No. 52/2020-Customs dated 27th Nov 2020:** Exports of Gems and Jewellery through Courier mode. Regulation 2(2)(a)(iv) of the Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 places a restriction on imports of precious and semi-precious stones, gold or silver in any form, through courier. Similarly, the Courier Imports and Exports (Clearance) Regulations 1998 place a restriction on imports of precious and semi- precious stones, gold or silver in any form and not on their exports. It is clarified that the extant Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 and the Courier Imports and Exports (Clearance) Regulations, 1998 do not restrict exports of gems and jewellery through the courier mode.

EXCISE

- **Circular No 1075/01/2020-CX Dated 14th Nov 2020:** Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 (Removal of Difficulties) order 2020 dated 13th Nov.,2020- procedure for filing of declaration by the eligible declarant in the UT of J & K and UT of Ladakh and its verification thereafter. To obviate the hardship faced by the taxpayers in the Union Territory of Jammu and Kashmir and Union Territory of Ladakh, in filing declaration under the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 20'.19, during the original period of its operation, due to disruption in the internet service$, the Central Government has decided to extend the date of filing of the declaration, by the eligible declarants, in respect of cases eligible under the said Scheme, as on the 15th January, 2020, till 31st December, 2020.

a) The last date for filing of the declaration referred to in sub-rule(1} of rule 3 of the Sabka Vishwas (Legacy Dispute Resolution) Scheme Rules, 2019 shall be on or before the 31"December, 2020.

b) The last date of issuance of statement under sub-section (1) and (4) of section 121 of the Finance (No.2) Act, 2019, shall be on or before the 31st January, 2021

c) The last date of issuance of estimate amount payable under sub section (2) of section 127 of the Finance (No.2) Act, 2019, shall be on or before the 15th January, 2021

d) The last date for payment of dues by declarant under sub-section (5) of section 127 of the Finance (No.2) Act, 2019, shall be on or before the 28th February, 2021.

- **Circular No 1076/02/2020-CX Dated 19th Nov 2020:** Clarification on holding of Pre-Show Cause Notice Consultation.

GST

- **Notification No. 81/2020 – Central Tax dated 10th Nov 2020**: Seeks to notify amendment carried out in sub-section (1), (2) and (7) of section 39 vide Finance (No.2) Act, 2019. In exercise of the powers conferred by clause (b) of sub-section (2) of section 1 of the Finance (No. 2) Act, 2019 (23 of 2019), the Central Government hereby appoints the 10th day of November, 2020, as the date on which the provisions of section 97 of the said Act shall come into force.

- **Notification No. 82 /2020 – Central Tax dated 10th Nov 2020:** Seeks to make the Thirteenth amendment (2020) to the CGST Rules.2017.

- **Notification No. 83/2020 – Central Tax dated 10th Nov 2020:** Seeks to extend the due date for FORM GSTR-1. The time limit for furnishing the details of outward supplies in FORM GSTR-1 of the said rules for the class of registered persons required to furnish return for every quarter under proviso to sub-section (1) of section 39 of the said Act, shall be extended till the thirteenth day of the month succeeding such tax period. This notification shall come into force with effect from the 1st day of January, 2021.

- **Notification No. 84/2020 – Central Tax dated 10th Nov 2020:** In exercise of the powers conferred by proviso to sub-section (1) of section 39 read with proviso to sub-section (7) of section 39 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the said Act), the Government, on the recommendations of the Council, hereby notifies the registered persons, other than a person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), having an aggregate turnover of up to five crore rupees in the preceding financial year, and who have opted to furnish a return for every quarter, under sub-rule (1) of rule 61A of the Central Goods and Services Tax Rules, 2017 (hereafter in this notification referred to as the said rules) as the class of persons who shall, subject to the following conditions and restrictions, furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month in accordance with the proviso to sub-section (7) of section 39 of the said Act, namely:

  (i) the return for the preceding month, as due on the date of exercising such option, has been furnished: (ii) where such option has been exercised once, they shall continue to furnish the return as per the selected option for future tax periods, unless they revise the same.

  A registered person whose aggregate turnover crosses five crore rupees during a quarter in a financial year shall not be eligible for furnishing of return on quarterly basis from the first month of the succeeding quarter.

  For the registered person falling in the class specified in column (2) of the Table below, who have furnished the return for the tax period October, 2020 on or before 30th November, 2020, it shall be deemed that they have opted under sub-rule (1) of rule 61A of the said rules for the monthly or quarterly furnishing of return as mentioned in column (3) of the said Table:

Sl No	Class of registered person	Deemed option
1	Registered persons having aggregate turnover of up to 1.5 crore rupees, who have furnished FORM GSTR1 on quarterly basis in the current financial year	Quarterly Return
2	Registered persons having aggregate turnover of up to 1.5 crore rupees, who have furnished FORM GSTR1 on monthly basis in the current financial year	Monthly Return
3	Registered persons having aggregate turnover more than 1.5 crore rupees and up to 5 crore rupees in the preceding financial year	Quarterly Return

- The registered persons referred to in column (2) of the said Table, may change the default option electronically, on the common portal, during the period from the 5th day of December, 2020 to the 31st day of January, 2021.

- **Notification No. 85/2020 – Central Tax dated 10th Nov 2020**: In exercise of the powers conferred by section 148 read with sub-section (7) of section 39 of the Central Goods and Services Tax Act, 2017 (12 of 2017), (hereinafter referred to as the said Act), the Central Government, on the recommendations of the Council, hereby notifies the registered persons, notified under proviso to sub-section (1) of section 39 of the said

Act, who have opted to furnish a return for every quarter or part thereof, as the class of persons who may, in first month or second month or both months of the quarter, follow the special procedure such that the said persons may pay the tax due under proviso to sub-section (7) of section 39 of the said Act, by way of making a deposit of an amount in the electronic cash ledger equivalent to:

(i) thirty five per cent of the tax liability paid by debiting the electronic cash ledger in the return for the preceding quarter where the return is furnished quarterly; or

(ii) the tax liability paid by debiting the electronic cash ledger in the return for the last month of the immediately preceding quarter where the return is furnished monthly

Provided that no such amount may be required to be deposited-

(a) for the first month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the tax liability for the said month or where there is nil tax liability

(b) for the second month of the quarter, where the balance in the electronic cash ledger or electronic credit ledger is adequate for the cumulative tax liability for the first and the second month of the quarter or where there is nil tax liability.

Provided further that registered person shall not be eligible for the said special procedure unless he has furnished the return for a complete tax period preceding such month.

This notification shall come into force with effect from the 1st day of January, 2021.

Notification No. 86/2020 – Central Tax dated 10th Nov 2020: In exercise of the powers conferred by section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017), read with sub-rule (5) of rule 61 of the Central Goods and Services Tax Rules, 2017, the Central Government, on being satisfied that it is necessary in the public interest so to do, on the recommendations on the Council, hereby rescinds the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 76/2020-Central Tax, dated the 15th October, 2020.

- **Notification No. 87/2020 – Central Tax dated 10th Nov 2020:** In pursuance of section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017) and sub-rule (3) of rule 45 of the Central Goods and Services Tax Rules, 2017, the Commissioner, with the approval of the Board, hereby extends the time limit for furnishing the declaration in FORM GST ITC-04, in respect of goods dispatched to a job worker or received from a job worker, during the period from July, 2020 to September, 2020 till the 30th day of November, 2020.

  This notification shall be deemed to have come into force with effect from the 25th day of October, 2020.

- **Notification No. 88/2020 – Central Tax dated 10th Nov 2020**: Seeks to implement e-invoicing for the taxpayers having aggregate turnover exceeding Rs. 100 Cr from 01st January 2021. In the said notification, in the first paragraph, with effect from the 1st day of January, 2021, for the words "five hundred crore rupees", the words "one hundred crore rupees" shall be substituted.

- **Notification No. 89/2020 – Central Tax dated 29th Nov 2020:** In exercise of the powers conferred by section 128 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the said Act), the Government, on the recommendations of the Council, hereby waives the amount of penalty payable by any registered person under section 125 of the said Act for noncompliance of the provisions of notification No.14/2020 – Central Tax, dated the 21st March, 2020, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 197(E), dated the 21st March, 2020, between the period from the 01st day of December, 2020 to the 31st day of March, 2021, subject to the condition that the said person complies with the provisions of the said notification from the 01st day of April, 2021.

- **Circular No. 143/13/2020- GST dated 10th Nov 2020:** As a trade facilitation measure and in order to further ease the process of doing business, the GST Council in its 42nd meeting held on 05.10.2020, had recommended that registered person having aggregate turnover up to five (5) crore rupees may be allowed to furnish return on quarterly basis along with monthly payment of tax, with effect from 01.01.2021. Government has issued following notifications to implement the Scheme of quarterly return filing along with monthly payment of taxes (hereinafter referred to as "QRMP Scheme/ Scheme".

  Eligibility for the Scheme: In terms of notification No. 84/2020- Central Tax, dated 10.11.2020, a registered person who is required to furnish a return in FORM GSTR-3B, and who has an aggregate turnover of up to 5 crore rupees in the preceding financial year, is eligible for the QRMP Scheme. It is clarified that the aggregate annual turnover for the preceding financial year shall be calculated in the common portal taking into account the details furnished in the returns by the taxpayer for the tax periods in the preceding financial year. This new Scheme will be effective from 01.01.2021. Further, in case the aggregate turnover exceeds 5 crore rupees during any quarter in the current financial year, the registered person shall not be eligible for the Scheme from the next quarter.

Sources:

1. *incometax.gov.in*
2. *cbic.gov.in*

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Kolkata, the 21st October, 2020

N O T I F I C A T I O N

16-CWR (23598 - 23626)/2020: In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (a) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost Accountants of India has removed from the Register of Members, the names of :

1. Shri P R Balakrishnan, BCOM, ACA, ACMA, Block `D`, Flat 11, 191/81-D, Luz Church Road, Mylapore, Chennai – 600004, Tamil Nadu (Membership No. 575) with effect from 18th August, 2017;
2. Shri M Raman, MSC(MATHS), ACMA, A-1, Radha, Plot 37-38, Chheda Nagar, Chembur, Mumbai – 400089, Maharashtra (Membership No. 1609) with effect from 23rd December, 2019 ;
3. Shri Viswanatha H V, BSC, FCMA, No 24, Singapore Gardens, Green Fields 1, Kanakapura Road, Doddakallasandra P.O., Bangalore – 560062, Karnataka (Membership No. 25929) with effect from 15th December, 2017;
4. Shri AmaraVeera Brahmendra Rao, BCOM, FCA, ACMA, Sri Nilaya, S-96-4, 6/12, Brodipet, Guntur – 522002, (Membership No. 6503) with effect from 22nd July, 2007;
5. Shri Abhay Laxman Bongirwar, MSC, ACMA, 601/602, Yashwant Co-op. Hsg. Soc., Juhu Versova Link Road, Behind Skylark, Four Bunglaws, Andheri (W), Mumbai – 400053, Maharashtra (Membership No. 21593) with effect from 26th April, 2019;
6. Shri Hari Ram, BSC, ACMA, C-211, Panchvati Apartments, Vikaspuri, New Delhi – 110018, (Membership No. 4801) with effect from 28th December, 2018;
7. Shri Thirunellai Lakshmanan Sangameshwaran, BA, FCMA, 27, Deepanagar, Bogadi Village, Mysore – 570026, (Membership No. 3369) with effect from 12th September, 2019;
8. Shri Subhash Halwai, MCOM, ACS, ACMA, Flat No 402, Hari Ram Apartments, Kanke Road, Ranchi – 834008, Jharkhand, (Membership No. 11658) with effect from 1st October, 2019;
9. Shri C. Viswanathan Narasimhan, BCOM, FCMA, TF-2, Third Floor, Shravanthi Comforts, 112, 20th Main Road, J.P. Nagar II Phase, Bangalore – 560078, Karnataka (Membership No. 122) with effect from 1st November, 2019;
10. Shri Ramakant Bansal, BCOM, ACMA, Hind Terminals Pvt. Ltd., 104, Technopolish Knowledge Park, Mahakali Caves Road, Chakal, Andheri East, Mumbai – 400093, Maharashtra (Membership No. 21955) with effect from 24th March, 2015;
11. Shri Mahesh Kapasi, MCOM, LLB, FCA, FCS, FCMA, B-49, Gulmohar Park, New Delhi – 110049, (Membership No. 4192) with effect from 11th September, 2019;
12. Shri Chidambaram Ramamoorthy, BCOM, FCMA, Parimala, 10-A, Jawahar Road, Chokkikulam, Madurai – 625002, Tamil Nadu, (Membership No. 2950) with effect from 20th December, 2011;
13. Shri Puran Chand Gupta, BCOM, ACMA, C-3/25, Janak Puri, New Delhi – 110058, (Membership No. 1717) with effect from 4th October, 2016;
14. Shri Rajendra Prabhakar Gore, BCOM, FCMA, Bldg. E7, Flat 604, Lake Town Co.op. Hsg. Society, Near Chaitraban Bibwewadi, (Membership No. 6355) with effect from 10th April, 2019;
15. Shri Kirankumar Jayantilal Mehta, MCOM, LLB, FCMA, 257, Ellisbridge Shopping Centre, 2nd Floor, Opp : M. J. Library, Ahmedabad – 380006, Gujarat, (Membership No. 4733) with effect from 16th February, 2019;
16. Shri Rasiklal Shivshankar Dave, BA(HONS), FCMA, Flat No. 601, Nabard House, Behind Citibank, Bandra Kurla Complex, Bandra (East), Mumbai – 400098, Maharashtra, (Membership No. 4733) with effect from 7th October, 2017;
17. Shri Alexander Phillipos, BA, FCA, FCMA, 87/1, Coles Road, Fraser Town, Bangalore – 560005, Karnataka, (Membership No. 388) with effect from 31st January, 2018;
18. Shri Pallichedayeth Gopidasan, BSC, FCS, FCMA, 'Shraddha', Nakshatranagar, P.O. Chandranagar, Palakkad – 678007, Kerala, (Membership No. 1989) with effect from 27th June, 2017;
19. Shri Madhukar Kantilal Shah, BSC(AGRI),FCMA, 9, Dhaval Society No.1, Opposite, St. Xavier`s High School, Navarangpura, Ahmedabad – 380009, Gujarat, (Membership No. 423) with effect from 28th February, 2016;
20. Shri Surajit Dasgupta, BCOM HONS,FCMA, Block No A5, Flat No 202, Sugam Park, 195, N.S.C Bose Road, Kolkata – 700103, W.B., (Membership No. 5590) with effect from 23rd January, 2018;
21. Shri Debashis Sen, BCOM, ACMA, "Green View Apartment", 4th Floor, 72, Green Park, Block-A, Kolkata – 700055, W.B. (Membership No. 10937) with effect from 22nd January, 2018;
22. Shri Tapas Ranjan Majumdar, BCOM, FCA, ACMA, 406/3, Block `G`, New Alipore, Kolkata – 700053, W.B. (Membership No. 921) with effect from 31st May, 2019;
23. Shri Mukesh Pokhraj Parekh, BSC(STAT), ACMA, 49, Navneet Park Society, Near S.N.D.P. College, Old Padra Road, Vadodara – 390007, Gujarat, (Membership No. 13439) with effect from 11th June, 2019;
24. Shri Buddha Dev Bose, BSC, BSC(ENGG) (GLASSGOW),FCMA, DL-2, Sector – II, Salt Lake City, Kolkata – 700091, (Membership No. 4156) with effect from 3rd July, 2017;
25. Shri Krishan Lal Jaisingh, FCS,FCMA, J-7, Sector-XI, Jaisingh House, Noida – 201301, (Membership No. 1222) with effect from 3rd September, 2017;
26. Shri Abhaya Charan Swain, BCOM,FCMA, 440, Saheednagar, Bhubaneswar – 751007, Orissa, (Membership No. 4238) with effect from 17th July, 2019;
27. Shri Rabi Narayan Patnaik, BCOM,LLB,MBA, PHD, D.LITT,FCMA, House No. VM / 13, Near Institute of Hotel Management, VSS Nagar, Bhubaneswar – 751007, Orissa, (Membership No. 4832) with effect from 17th July, 2019;
28. Shri Kanhei Charan Sahoo, BCOM,FCA,FCMA, Vill - Pradhan Pada, PO - B D Pur, Via – Singhpur, Kendrapara – 755016, Orissa, (Membership No. 22013) with effect from 17th July, 2019;

on account of death.

(Kaushik Banerjee)
Secretary

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

RESCHEDULED INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – JUNE 2020 (Merging) AND DECEMBER 2020

	PROGRAMME FOR SYLLABUS 2016			
	ATTENTION: INTERMEDIATE & FINAL EXAMINATION WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.			
Day & Date	INTERMEDIATE (Time: 10.00 A.M. to 1.00 P.M.)		FINAL (Time: 2.00 P.M. to 5.00 P.M.)	
	(Group – I)	(Group – II)	(Group – III)	(Group – IV)
Sunday, 3rd January, 2021	Financial Accounting (P-05)	-------------------	Corporate Laws & Compliance (P-13)	-------------------
Monday, 4th January, 2021	-------------------	Operations Management & Strategic Management (P-09)	-------------------	Corporate Financial Reporting (P-17)
Tuesday, 5th January, 2021	Laws & Ethics (P-06)	-------------------	Strategic Financial Management (P-14)	-------------------
Wednesday, 6th January, 2021	-------------------	Cost & Management Accounting and Financial Management (P-10)	-------------------	Indirect Tax Laws & Practice (P-18)
Thursday, 7th January, 2021	Direct Taxation (P-07)	-------------------	Strategic Cost Management – Decision Making (P-15)	-------------------
Friday, 8th January, 2021	-------------------	Indirect Taxation (P-11)	-------------------	Cost & Management Audit (P-19)
Saturday, 9th January, 2021	Cost Accounting (P-08)	-------------------	Direct Tax Laws and International Taxation (P-16)	-------------------
Sunday, 10th January, 2021	-------------------	Company Accounts & Audit (P-12)	-------------------	Strategic Performance Management and Business Valuation (P-20)

1. To ensure the interest of all the stakeholders and in particular the Candidates / students, due to Pandemic Novel Corona Virus (COVID-19) the Institute would hold the exams with following options:
   Option -1 Center based online mode
   Option -2 Home based online mode
   Option-3 Opt-Out
2. Question Papers will contain both MCQ and Descriptive type questions to judge subject knowledge and analytical skill of the students.
3. Relevant notifications, Instructions, Login credentials and URL link will be given in due course.
4. The provisions of Direct Tax Laws and Indirect Tax Laws, as amended by the Finance Act, 2019, including notifications and circulars issued up to 31st May, 2020, are applicable for December, 2020 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate), Direct Tax laws and International Taxation and Indirect Tax Laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2020-21. For statutory updates and amendments please refer to: https://icmai.in/studentswebsite/Syl-2016.php
5. Companies (Cost Records and Audit) Rules, 2014 as amended till 31st May, 2020 is applicable for December, 2020 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19 - Cost and Management Audit (Final) under Syllabus 2016. For updates and amendments please refer to the link: https://icmai.in/studentswebsite/Syl-2016.php
6. The provisions of the Companies Act 2013 are applicable for Paper 6 - Laws and Ethics (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st May, 2020 are applicable for December, 2020 term of examination. Additionally, for applicability of ICDR, 2018 for Paper-13 - Corporate Laws & Compliance (Final) under Syllabus 2016 refer to relevant circular in website for December, 2020 term examination by following link: https://icmai.in/studentswebsite/Syl-2016.php
7. For Applicability of IND AS and AS for Paper 5 - Financial Accounting, Paper 12 - Company Accounts and Audit (Intermediate) and Paper 17 - Corporate Financial Reporting (Final) refer to relevant circulars and notifications in website for December, 2020 term examination in the given link: https://icmai.in/studentswebsite/Syl-2016.php
8. Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6-Laws and Ethics (Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13 - Corporate Laws and Compliance (Final) under Syllabus 2016 for December, 2020 term of examination. Please refer to the link: https://icmai.in/studentswebsite/Syl-2016.php
9. A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.
10. Probable date of publication of result: To be announced in due course.

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

CMA Kaushik Banerjee
Secretary

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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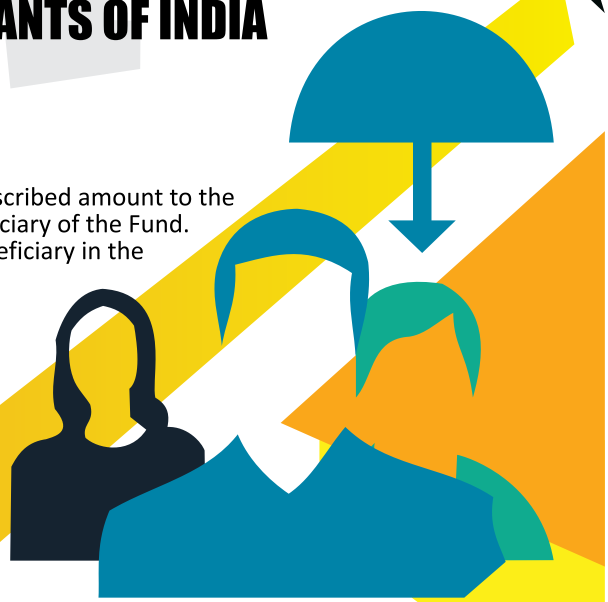

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

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BENEFITS

- ***Income Tax Benefit under section 80G***
- ***Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.***
- ***Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.***

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
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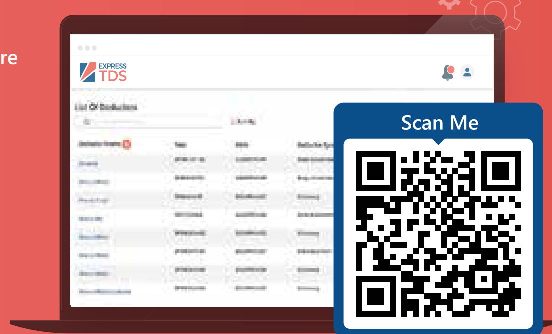

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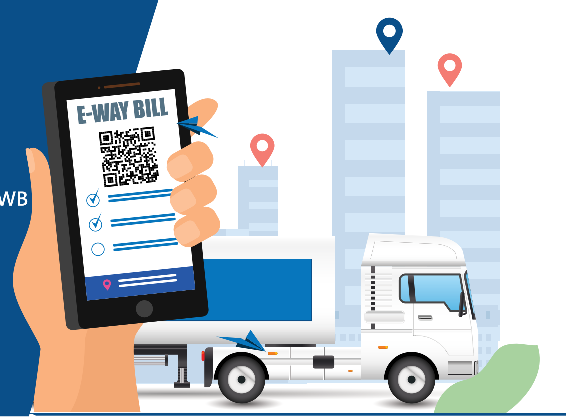

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