THE MANAGEMENT ACCOUNTANT

ISSN 0972-3528

April 2021 | VOL 56 | NO. 04 | Pages - 124 | ₹ 100

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH

Journal of

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

Flexible and efficient

READY FOR INDUSTRY 4.0?

We deliver the all-in-one solution:

With canias4.0! ERP, IoT and BigData combined in an all-in-one solution tailored for your company.

High-performance and future-proof in times of high competitive and cost pressures.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory body under an Act of Parliament

www.icmai.in

- **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	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

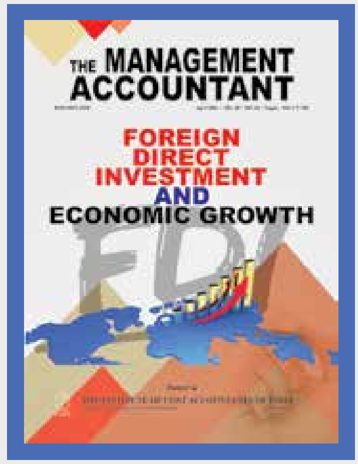
Delhi Office
CMA Bhawan, 3 Institutional Area
Lodhi Road, New Delhi - 110003

CONTENTS

INSIDE

COVER STORY

APRIL 2021



April VOL 56 NO.04 ₹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)

EDITOR - CMA Dr. Debaprosanna Nandy
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal
e-mail: editor@icmai.in

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

ENQUIRY

- **Articles/Publications/News/Contents/Letters/Book Review/Enlistment**
  editor@icmai.in
- **Non-Receipt/Complementary Copies/Grievances**
  journal@icmai.in
- **Subscription/Renewal/Restoration**
  subscription@icmai.in

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

Foreign Direct Investment (FDI) and Economic Growth

Apart from being a critical driver of economic growth, Foreign Direct Investment (FDI) has been a major non-debt financial resource for the economic development of India. The country is expected to attract Foreign Direct Investment of US$ 120-160 billion per year by 2025, according to CII and EY report. The Indian Government's favourable policy regime and robust business environment has ensured that foreign capital keeps flowing into the country.

The insurance sector received a boost after it was proposed in the Union Budget to increase the permissible foreign direct investment limit in insurance companies to 74% from 49%. Foreign direct investment into India rose by 13 per cent in 2020, boosted by interest in the digital sector, and while fund flows "declined most strongly" in major economies such as the UK, the US and Russia due to the Covid-19 pandemic, India and China "bucked the trend", the UN has said. Cross-border merger and acquisition (M&A) sales grew 83 per cent to $27 billion, citing social networking giant Facebook's acquisition of 9.9 per cent stake in Reliance Jio platforms, via a new entity, Jaadhu Holdings LLC. Similarly deals in the energy sector propped up M&A values in India. Further, India and Turkey are attracting record numbers of deals in information consulting and digital sectors, including e-commerce platforms, data processing services and digital payments.

The Government has inaugurated the National Infrastructure Pipeline (NIP) Online Dashboard, a one stop solution for all stakeholders looking for information on infrastructure projects in New India. The dashboard is being hosted on the India Investment Grid (IIG). IIG is an interactive and dynamic online platform that showcases updated & real-time investment opportunities in the country. NIP is a first-of-its-kind initiative to provide world-class infrastructure across the country and improve the quality of life for all citizens. NIP will improve project preparation, attract investments (both domestic & foreign) into infrastructure, and will be crucial for attaining the target of becoming a $5 trillion economy by FY 2025. Attracting foreign investment is the only viable option for the government to meet its infrastructure and growth deficits. However, to become an attractive investment destination for foreign investors, India needs to improve its business environment doing away with complex red tape and undertaking necessary economic reforms.

FDI is considered as a developmental tool, which helps in achieving self-reliance in various sectors and in overall development of the Indian economy. The CMAs can apply Lean manufacturing philosophies such as Kaizen, 5-S and other best-practices to control cost in all areas of a manufacturing business to attract foreign investors to make investments in manufacturing leading to employment generation, improvement in purchasing power for consumers, which eventually would help industry realize the potential of India as the great bazaar and make our Hon'ble Prime Minister's aim "Trillion Dollar Economy" and "Ease of Doing Business" a grand success.

This issue presents a good number of articles on the cover story *"Foreign Direct Investment (FDI) and Economic Growth"* 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

Month		Theme		Subtopics
May 2021	Theme	Telecommunication Sector: Potential Catalyst for Digital India Movement	Subtopics	⦿ 25 years of Mobility: Glorious Journey of Indian Telecom Industry ⦿ Focusing on Ease of Doing Business in Telecom Sector: To make India a $3 trillion Digital Economy ⦿ India's stand in Post COVID-19 Pandemic World to build a Digitally empowered Society ⦿ Atmanirbhar Bharat: 5G is heralding India's Digital Leadership ⦿ Outlook on Data Consumption, Subscriber Base and Average Revenue Per User (ARPU) ⦿ Impact of Adjusted Gross Revenue (AGR) on the Telecom Industry ⦿ Revenue, Profitability and Credit Outlook of Telecom companies ⦿ High Bandwidth, Automation and App Dependent Networks: Future of Telecommunications Industry ⦿ Cyber security: Challenges and Prospects ⦿ Indian Telecom Industry: a key towards success of Industry 4.0
June 2021	Theme	Natural Resource Accounting (NRA) for Economic Sustainability	Subtopics	⦿ Natural Resource Accounting: a promising tool for measuring Environmental Impact Assessment (EIA) ⦿ Sustainable Consumerism and Effective Management of Natural Resources ⦿ Sustainable Development Goals (SDGs) and NRA ⦿ Natural Resource Accounting: an aid to Environmental Auditing ⦿ Global Ecology: Time to Reboot Human v/s Nature Relationship ⦿ Significant impact of pandemic Coronavirus on Natural Resource Investors ⦿ Disclosures to Accounts - Role of GASAB ⦿ Natural Resource Accounting in India: Progress so far ⦿ Integrated Environmental and Economic Accounting (IEEA): Role of CMAs
July 2021	Theme	Goods and Services Tax (GST): Contemporary Challenges and Issues	Subtopics	⦿ Transition to new GST Returns System ⦿ Technology conglomeration and GST ⦿ Procedural simplification: Analysing Tax Payer's relief ⦿ Far reaching impact of strengthening hands of enforcement ⦿ Union Budget 2021: Key amendments in GST ⦿ Practical issues in Input Tax Credit ⦿ Amendments to GST Framework: Facilitating SMEs to tide over pandemic induced economy ⦿ Filing of Annual Accounts on self certification basis: Impact on CMAs ⦿ Proposal to include petroleum products under GST to curb prices: Analysis and Impact
August 2021	Theme	Indian Railways: Innovative Measures for a 'Better Tomorrow'	Subtopics	⦿ Indian Railways: A catalyst for generation of employment opportunities ⦿ Safety: the focus area of Railway operations ⦿ Spread of IT in Indian Railways ⦿ Vision 2024 ⦿ Railways: A promoter of environmental sustainability ⦿ Indigenous Manufacturing: a boost to Make in India drive ⦿ Opportunities for International Collaborations ⦿ Role of External Financing ⦿ Digitization of Indian Railways ⦿ Future plans and adoption of best practices in the railway sector ⦿ Performance Costing System of Indian Railways: Role of CMAs

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.

DIRECTORATE OF JOURNAL & PUBLICATIONS
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700025, India
Board: +91 33 2454 0086 / 87 / 0184 Tel-Fax: +91 33 2454 0063
www.icmai.in

PRESIDENT'S COMMUNIQUÉ

CMA Biswarup Basu
President
The Institute of Cost Accountants of India

"Education is the manifestation of perfection present already in man. Divinity is the manifestation of the religion already in man."
– Swami Vivekananda

My Dear Professional Colleagues,

CMA Qualification Equivalent to PG-Degree as recognized by UGC

I am happy to inform the members and students of the Institute that the University Grants Commission (UGC), on the basis of representation made by the Institute, has recognized the Cost Accountant (CMA) qualification as equivalent to postgraduate degree for appearing in UGC-National Eligibility Test (NET), conducted for determining the eligibility of Assistant Professorship, Junior Research Fellowship or both, for Indian Universities and Colleges. This recognition makes Cost Accountants eligible to write the NET and to pursue higher studies and would also facilitate widespread international acceptance of CMA qualification.

Inauguration of Patna Saheb Chapter

I am delighted to share that I inaugurated the Patna Saheb Chapter on 7th March 2021. The inauguration event was graced by CMA Balwinder Singh, Immediate Past President, CMA Chittaranjan Chattopadhyay, Chairman, BFSI Committee & Indirect Taxation Committee, CMA H. Padmanabhan, Chairman, Committee for Accounting Technicians, CMA (Dr.) K Ch A V S N Murthy, Chairman, RCCC Committee, CMA Kunal Banerjee and CMA Amal Kumar Das, Past Presidents, CMA Ashis Banerjee, Chairman, EIRC and CMA Pallab Bhattacharya, Past Chairman EIRC. The Chapter marked this auspicious occasion by organizing a Seminar on Enterprise Governance through Cost Management. I congratulate the members and students of the Patna Saheb Chapter on this occasion.

MoU with Sri Ramachandra Institute of Higher Education & Research [SRIHER]

Our Institute has entered into an MoU with Sri Ramachandra Institute of Higher Education & Research [SRIHER] on 10th February 2021. The MOU has been entered into with the objective of promoting excellence in the area of Academic, Research and Training in the niche areas related to the institution's specialisation in Hospital and Healthcare Management. The major focus of research activities shall be on Healthcare and Hospital Management, The Institute with the help of the University shall release technical materials, guidance notes, monographs for the benefit of our Members.

MoU with City Colleges in Chennai

I am happy to state that our Institute has entered into MoU with the following colleges in Chennai for joint collaboration in offering academic & professional development programmes, research activities and industry – academia partnership.

1. The New College [Autonomous], Royapettah, Chennai – 12th March 2021
2. Guru Nanak College [Autonomous], Velachery, Chennai - 12th March 2021
3. Shrimathi Devkunvar Nanalal Bhatt Vaishnav College for Women [Autonomous], Chromepet, Chennai – 16th March 2021.

The above MoU's shall strive towards excellence and foster academic, research insights for the students, faculty members and our members.

I thank the efforts of our Vice President – CMA P. Raju Iyer & CMA Rakesh Shankar Ravisankar for materialising the MOU's.

CEP Programme by Durgapur Chapter

I am pleased to inform that I along with my Council Colleague CMA Chittaranjan Chattopadhyay attended the CEP Programme on "Financial Independence through Financial Smartness" organized by the Durgapur Chapter on 20th March 2021 at CMA Bhawan, Durgapur. Dr. Baneswar Kapasi, HOD, Department of Commerce, Kazi Nazrul University was the Speaker. The event was also graced by CMA Ashis Banerjee, Chairman EIRC and CMA Arundhati Basu, Vice Chairperson EIRC of the Institute.

Annual Seminar by Asansol Chapter

I am pleased to share that I was invited at the Annual Seminar organized by the Asansol Chapter on the theme "Cost Leadership in Pandemic Times" on 21st March 2021 at Asansol. CMA Chittaranjan Chattopadhyay, Chairman BFSI Committee & Indirect Taxation Committee of the Institute, CMA Raja Ghosh, AGM, West Bengal State Electricity Distribution Company Limited and CMA Sanjay Singh, Sr. Manager (F)/TS to D(F), CCL, Ranchi were the speakers for the seminar. The event was also graced by Past Presidents of the Institute CMA Amal Kumar Das and CMA Kunal Banerjee. I congratulate CMA Chinmoy Bhattacharyya, Chairman and other members of the Managing Committee of Asansol Chapter for their efforts in organizing the event successfully.

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 of the Institute, in association with Tezpur University and NFCG , organized an Orientation Programme on 'Corporate Governance under The Companies Act, 2013 & SEBI (LODR) 2015 on 12th March 2021 through online mode. More than 3500 participants including students, members, faculty members and other professionals viewed this event online so far. The following eminent personalities were present in this event who had deliberated:

Dr. M. Ariz Ahammed, IAS, Principal Secretary, Public Enterprises Department, Government of Assam, Prof. Vinod Kumar Jain, Vice Chancellor, Tezpur University, Dr. Ramesh Kumar, Registrar of Companies, Guwahati with Additional Charge of OL, Guwahati, CMA P. Raju Iyer, Vice President, CMA Balwinder Singh, Immediate Past President, Shri B. Paul Muktieh, Chairman and Managing Director, NEDFI, CMA B. B. Goyal, Former Additional Chief Adviser (Cost), Ministry of Finance, Government of India, CMA Chittaranjan Chattopadhyay, Chairman, BFSI & Indirect Taxation Committee, CMA Debasish Mitra, Chairman, BoASR and MI Committee, Prof. Subhrangshu S Sarkar, Professor, Department of Business Administration, Tezpur University, Shri Vijay Kapur, Member, Board of Studies, Dept of Commerce, Tezpur University, Shri Raj Kumar More, Director, Torsa Machines Limited, Prof. Papori Baruah, Dean, School of Management Sciences, Tezpur University, Prof. Chandan Goswami, HoD, Department of Business Administration, Tezpur University, CMA (Dr.) D. P. Nandy, Sr. Director of the Institute, CMA Rana Bose, Chairman, Guwahati Chapter of the Institute, CS Biman Debnath, Vice Chairman EIRC of ICSI, CS Amitava Banerjee, Visiting Faculty, Tezpur University, CMA (Dr.) B B Mishra, Finance Officer, Tezpur University.

CORPORATE LAWS COMMITTEE

The Corporate Laws Committee strives to make a continuous endeavour to upskill the members and other professionals in the areas of Corporate Laws. In furtherance of this vision, the Chairman of the Committee CMA (Dr.) Ashish P. Thatte organised webinars on topics like latest Amendments in CSR, Mythological reference, Niti Shastra and Corporate Governance and S/4 HANA Finance new era in SAP. The Committee remains committed to serve the Institute in the area and domain assigned to it for the remaining year by organising webinars etc. for the professionals at large.

COST ACCOUNTING STANDARDS BOARD

I am pleased to inform you that the Cost Accounting Standards Board of the Institute after analysing the impact of the pandemic conditions in Financial Year 2020-21 has issued an Advisory for the treatment of various elements of costs in compilation of Cost Records, Cost Statements & Annexures to Cost Audit Report for the year 2020-21. The Advisory is applicable for the Accounting Period ended 31st March 2021. I congratulate CMA Balwinder Singh, Chairman of the CASB and other members of the Board for issuance of the advisory at an appropriate time.

In case you need to seek advice on any matters connected with the preparation & certification of Cost Statements as per CRA-3 of the Companies (Cost Records and Audit) Rules 2014, please refer the matter to the Technical Cell of the Institute at technicalcell@icmai.in

The advisory is available at https://www.icmai.in/upload/CASB/CASB_Advisory_April_2021.pdf

DIRECTORATE OF CAT

⊙ WEBINT

The CAT Directorate continued its streak of providing virtual learning through the WEBINT on IND AS for the benefit of students and members of the Institute.

I would like to thank prolific resource person of this series CMA (Dr.) Gopalakrishna Raju, for his continuous support and making this series a grand success.

The CAT Directorate rendered full support to the WEBINT organised by the Institute to celebrate International Women's Day on 8th March, 2021 on the topic "Choose to Challenge-Life and Work Management", wherein I had a chance to offer the Presidential address. The highlight of the program was that it was handled by CMA Women Family Members. I was delighted to see that the program garnered a good response.

I congratulate CMA H. Padmanabhan, Chairman-Committee for Accounting Technicians for his continuous efforts in organising these WEBINTs, the popularity of which have gathered steam ever since our lives have been shifted to the virtual mode in the era of COVID-19 situation.

⊙ CAT Meetings and Development

I am glad to share that the delegation of CAT had a meeting with Shri Deependra Singh Kushwah I.A.S (Commissioner & CEO Maharashtra State Skill Development Society) at MSSDS office in Mumbai, on 1st March, 2021 and submitted a proposal to implement the CAT Course. If the proposal gets implemented in the state of Maharashtra, a huge number of youth will be benefited with such a high quality course.

I congratulate CMA H. Padmanabhan and the officials of team CAT for their continuous efforts in the promotion of the CAT course.

DIRECTORATE OF STUDIES

⊙ Students' Admission

It is my pleasure to share that during the unprecedented pandemic situation the Institute has achieved tremendous growth in its admission in all the three levels to the tune of approximately 56,000 students in the year 2020-21. I would like to congratulate all the newly admitted students to join our CMA fraternity and shape your professional career in the right direction.

⊙ Placements

I feel elated to inform that many qualified CMAs of December 2019 Batch have been well placed through various campus placement initiatives of the Institute during the year 2020 – 2021. The following PSUs, MNCs and other reputed companies extended their cooperation in absorbing our students in their esteemed organizations: RINL, NMDC, REC, MECON, TATA Motors, ITC, CITCO, Wipro, Bajaj Auto, Philips, Vedanta, TRL Krosaki, Conseroglobal, Schneider Electric, Dupont, Randstad, Tax Connect, etc.

We are going to conduct our next campus placement drives for the qualified CMAs of December 2020 Batch from April 2021 onwards. I earnestly request that all of our esteemed members and well wishers to extend their support as always to make this event a grand success.

⊙ CMA National Online Business Quiz - 2021

I am pleased to share that the Directorate of Studies and Board of Advanced Studies & Research of the Institute in association with The Hindu Group have launched 'CMA National Online Business Quiz - 2021' successfully. The Online Registration link [https://forms.thehindu.co.in/ICMAI/] will be open till 30th April 2021. This online quiz contest has already attracted huge registration across the country from a cross-sectional audience. I personally urge all the students and members to join this quiz contest to make this event a grand success.

INTERNATIONAL AFFAIRS COMMITTEE

I wish to inform the members that the International Affairs Committee under the Chairmanship of CMA Vijender Sharma is exploring the possibilities of associating with UAE Accountants and Auditors Association for the recognition of Cost Accountant (CMA) qualification for joining UAECA Membership so that the members of our Institute can also become part of a large professional community in the UAE. In this regard, I along with CMA Vijender Sharma and other council members had a virtual meeting with Mr. Akram Abdus Samad, Head of Technical Development, UAE-AAA on 22nd March 2021. Both the professional bodies are keen to take the matter ahead for the mutual benefits and develop the profession.

BANKING, FINANCIAL SERVICES AND INSURANCE COMMITTEE

⊙ "Aide Memoire" on Lending to Micro, Small and Medium Enterprises Sector

We are proud to state that the MSME Book titled "Aide-Mémoire" on Lending to MSME Sector Enterprises (Registration to Restructuring) published by the Institute provides Complete Knowledge/Understanding of 'Financial Requirements', 'Business Projections', Sources and Uses of Funds, and Why the MSME Entitles are facing 'Liquidity Problem', Scope for Re-structuring which is vitally important for IPs / IRPs / RPs in the Pre-Pack Insolvency Resolution Process for Corporate Persons classified as MSME as an Ordinance was Promulgated to amend the Insolvency and Bankruptcy Code (IBC) on 4th April, 2021.

As per the Ordinance, it is considered necessary to urgently address the Specific requirements of Micro, Small and Medium Enterprises (MSMEs) relating to the Resolution of their Insolvency, due to the unique nature of their Businesses and Simpler Corporate Structures.

You may collect a copy of this priced publication by placing an online order at https://eicmai.in/booksale_bfsi/Home.aspx

⊙ Conduct of Webinars:

During the month of March 2021, the Committee conducted 3 more webinars on "Complexities in Life Insurance" on 13th March where the speaker was Shri P. Venugopal, Chair Professor, Life, National Insurance Academy, "Opportunities to CMAs in cloud computing" and "Explore the Opportunities, DDU-GKY: Deen Dayal Upadhyaya Grameena Kaushalya Yogna" by CMA (Dr.) P. Siva Rama Prasad, Former AGM of SBI on 14th& 28th March respectively.

⊙ Admission of the 3rd Batch of Certificate Courses for Banking and start of the 2nd batch of Certificate Courses

The BFSI department has again 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 and I congratulate & welcome the members who are enrolling for these courses being conducted for Capacity Building and Skill Development.

The 2nd batch classes for Certificate Course on Concurrent Audit of Banks for 30 hours' duration which had started on 9th January, 2021 concluded on 28th February, 2021 and the examination was held on 1st March, 2021. Similarly, the 2nd batch Certificate Course on Credit Management of Banks for 50 hours' duration which was started on 26th December, 2020 concluded on 20th March, 2021. The examination for the course was held on 21st March, 2021. For both the above courses the certificates were distributed to the candidates. The 2nd batch of Certificate Course on Treasury and International Banking which had started on 16th January, 2021 for 50 hours would be concluding on 10th April, 2021 and the examination for the course is scheduled on 11th April, 2021 for which I convey my best wishes to all the participants.

⊙ Certificate Course on Investment Management in association with NISM

The BFSI department had concluded the 3rd batch of Investment Management (Level-I) on 14th March, 2021. The Level-II of the 1st batch had concluded with the distribution of certificates. The Level-III 1st batch admission also concluded on 31st March, 2021 and the next batch of classes are scheduled to commence from April, 2021. The 4th batch of Level-I classes are scheduled to commence from 4th April, 2021. We have started the admissions for 5th batch of Level-I and members and the students are requested to take the opportunity in taking registration in the course of capital markets.

- **Annual ICAI National Awards -Essay Contest for Bankers**:

The BFSI Committee has organised an annual ICAI National Awards essay contest for bankers and I call upon all members and students working in the banking sector to whole heartedly participate in the event. The topic of the essay competition is "Digital Banking and Inclusive Growth". The winners would be felicitated and honoured by the Institute with a medal and a certificate and would be presented by a luminary in the banking field. Details of the event have been published by the BFSI department.

- **Representation letters for inclusion of CMAs:**

The BFSI Directorate has represented to various authorities and employers for the inclusion of CMAs in the BFSI sector whenever such a scope has come to the notice of the Institute.

- **Observance of MSME Month:**

BFSI is organizing April 2021 as MSME month with a series of online national, international and local events covering the MSME sector. The details of the programmes are available in the BFSI portal on the Institutes website and I am happy to share that the concluding national webinar will be held on 25th April, 2021 on the theme "Way Forward for Value Addition to and by MSME Sector" where Shri Nitin Jairam Gadkari, Hon'ble Minister for Road Transport & Highways and Micro, Small and Medium Enterprises, Government of India has kindly consented to be the Chief Guest. The international webinar is also scheduled to be held in association with the London Chapter of Cost Accountants on 22nd April, 2021. The Regional Councils and Chapters are the extended arms of the Institute and we hope that they will join us in the celebrations and observance of MSME Month by their active participation in the said webinars and also by way of conducting at local levels throughout the Month of April 2021. Regional Councils and Chapters are requested to send the report of such observance of MSME Month for incorporation in the Management Accountant Journal.

1st Hybrid Seminar organized by the BFSI Department

The 1st Hybrid Seminar on the theme Credit Offtake: Challenges and Strategies was organized on 24th March, 2021 at J.N. Bose Auditorium, Headquarters of the Institute at Kolkata. The Seminar was the 1st physical programme conducted by the BFSI Department in the year 2021 which was also streamed online where BEML Limited was the event partner. CMA Suraj Prakash, Director (Finance), BEML attended in person and addressed the gathering and all those who attended online through webcasting in the YouTube channel of the Institute. The other speakers on the occasion were CMA (Dr.) P. Siva Rama Prasad, Former AGM of SBI; CMA Jyoti P. Gadia, MD of Resurgent India Ltd.; CMA Sunil P. Sathe, MD & CEO of Thane Janata Sahakari Bank and Shri B. Rajkumar, Advisor of BFSI Department and Former Dy. Chief Executive of Indian Banking Association. I attended the Seminar along with CMA Chittaranjan Chattopadhyay, Chairman of BFSI Committee and Shri Ashwin G. Dalwadi, Council Member. The event was also graced by Past Presidents, CMA Harijiban Banerjee and CMA Amal Kumar Das and CMA Avijit Goswami, Former Council Member also attended the seminar.

MEMBERS FACILITIES COMMITTEE

Members are kindly aware that membership fees for the year 2021-22 are due from 1st April 2021 along with CoP renewal fee for members in practice. I request all members to avail the Institute's online facilities for such renewal and payment of fees from the comfort of their place of convenience.

As a ready reference, the important links are given hereunder –

For online payment of membership fees only:

1. https://eicmai.in/MMS/Login.aspx?mode=EU (with login)
2. https://eicmai.in/MMS/PublicPages/UserRegistration/Login-WP.aspx (without login)

For online renewal of CoP for FY 2021-2022: https://eicmai.in/MMS/Login.aspx?mode=EU

For advisory for renewal of CoP for FY 2021-22:

https://eicmai.in/external/PublicPages/WebsiteDisplay/docs/Advisory_for_Renewal_of_COP_2021-22.pdf

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

I would like to congratulate the Chairman, Professional Development & CPD Committee for successfully conducting the 2nd batch of online Mandatory Capacity Building Training (e-MCBT) on during 6th February 2021 to 14th March 2021. The deliberations in the technical sessions and interactive sessions by eminent speakers across the country were highly appreciated by the participants.

I urge the practitioners who have acquired CoP on and after 1st February 2019 to register for the 3rd batch of MCBT in adherence to Notification F.No.CWA/21/2019 dated 1st February 2019 and subsequent corrigendum dated 8th March, 2019. We look forward to have more participation in this batch.

PD Directorate submitted representations to various organizations for inclusion of cost accountants for providing professional services. I am pleased to inform you that on Institute's representation, the Income Tax Department considered Cost Accountant Firms as an authorized professional for E-Return Intermediaries to electronically file Income Tax returns under the electronic Furnishing of Return of Income Scheme, 2007 at NSDL website. Further, on the Institute's representation, General Insurance Corporation of India considered Cost Accountants Firm for appointment as Internal Auditors for Reinsurance Operations of GIC Re.

Members may please visit the PD Portal for Tenders/EOIs during the month of March 2021, where Cost Accountants are required in Airports Authority of India, Biju Patnaik International Airport, Bhubaneswar, State Tax Department

Uttarakhand, Rashtriya Ispat Nigam Limited, Visakhapatnam Port Trust, Municipal Corporation Abohar, National Fertilizers Limited (NFL), Department of Trade & Taxes, Govt. of NCT of Delhi, J&K Small Scale Industries Development Corporation Limited (SICOP), Indian Rare Earths Limited (IREL), National Aids Control Society (NACO), District Health & Family Welfare Society (DH&FWS), Jhajjar, Airports Authority of India, New Delhi, New Mangalore port trust (NMPT), Maharashtra State Power Generation Company Limited (MahaGenco) etc.

Professional Development & CPD Committee organised a Webint on "Overview of Forensic Audit" on 18th March 2021. The Committee associated with the PHD Chamber of Commerce and Industry organised a webinar on "QRMP Scheme, Dynamic QR Code, Compulsory Quoting of HSN/SAC for Supply of Goods & Services Issues and Way Forward" on 26th March 2021. The Committee also associated with IPA of Institute of Cost Accountants of India for the seminar on "Role of Insolvency Professionals under IBC, 2016" on 19th March 2021.

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

REGIONAL COUNCIL & CHAPTERS COORDINATION COMMITTEE

The Committee under the Chairmanship of CMA (Dr.) K Ch A V S N Murthy in association with Buddha CEO Quantum Foundation conducted a webinar on "Online Guided Meditation Programme" which was attended by members and students on 29th March 2021. I along with CMA P Raju Iyer, Vice President and CMA (Dr.) K Ch A V S N Murthy also addressed the participants who were taken through an online meditation experience by Shri Chandra Pulamarasetti, Founder - Buddha CEO Quantum Foundation. The programme was well received by the participants.

The Committee has recommended to the Council for the constitution of one more new Chapters and the name change of another chapter, the details of which will be published in shortly by way of Notification. The Committee has also initiated steps for suitable training of employees at the chapter level so that students and member services at the chapter level are further improved across the country.

TAX RESEARCH DEPARTMENT

I would like to start by congratulating the Tax Research Department for successfully conducting a workshop on "Foreign Trade Policy and Procedures, and role of DGFT (with Special Emphasis on Potential Areas for CMAs)" from 24th to 26th March 2021. Shri Sanjeev Nandwani, Former Additional DGFT had been the faculty for the session which has been highly appreciated by 100 plus participants. Gaining momentum from this another 3 Days Workshop on the topic - Customs Policy and Procedures (With special emphasis on potential areas for CMAs) from 5th to 7th April 2021, is being organised wherein Shri Saikat Das, Supdt, Port is the faculty.

Classes for Certificate Course on GST, Advanced Certificate Course on GST, Certificate Course on Filing of Returns, Certificate Course on TDS, Advanced Course on GST Audit & Assessment Procedure and Advanced Course on Income Tax Assessment and Appeal are on the verge of completion. In KCLAS College, Kerala, GST Course for College and University Students have been conducted for 51 students and the exam has also been conducted successfully on 13th March 2021. This has been appreciated by the students and the faculties of the college. Webinars have also been conducted on the topics Ease of Handling Litigation in GST and Issues in deduction of Business Expenses.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to share that ICMAI RVO has organized the Master Class on Valuation on 2nd & 6th March 2021, 12th Online Batch of 50 hrs Valuation course on Securities or Financial Assets Class from 5th to 14th March 2021, Webinar on Perspectives on Valuation on the occasion of International Women's Day on 8th March 2021, Program on Enhancing 'Professional' Effectiveness on 10th March 2021, Master Series Case Studies on Valuation on 14th March 2021, Master Class on Best Practices in Valuation on 17th March 2021, Professional Development Program on What is Valuation all About on 20th March 2021, Master Class on "Myths of Valuation" on 23rd March 2021, Master Class on "All About Fair Valuation" on 26th March 2021, Master Class on Demystifying the Essence of "International Valuation Standards" on 28th March 2021 and 7th Online Batch of 50 hrs Valuation course on Land and Building Asset Class and Plant and Machinery Asset Class from 26th March 2021 to 4th April 2021.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF THE INSTITUTE

The Insolvency Professional Agency of the Institute has taken various professional development initiatives during the month for the professional development of its members. Pre – Registration Educational Course from 2nd to 8th March 2021, Master Class on Cross Border Insolvency from 5th to 7th March 2021, Seminar on Role of Insolvency Professional under IBC jointly with the Institute on 19th March 2021, Certificate Course on Leadership and Management Skills on 20th & 21st March 2021 and Webinar on Information Utility jointly with NeSL on 15th, 23rd & 30th March 2021.

I wish prosperity and happiness to members, students and their family on the occasion of Good Friday, Vaisakhi & Ram Navami and pray for the success in all of their endeavour.

Stay safe and healthy!

With warm regards,

Biswarup Basu

CMA Biswarup Basu

April 4, 2021

www.icmai.in

GLOBAL RECOGNITION OF CMA QUALIFICATION

Benchmarking of Intermediate and Final Course of The Institute of Cost Accountants of India by UK NARIC*

With the objective of enhancing the recognition and professional opportunities for its students and members across the globe, the **International Affairs Committee** and **Professional Development & CPD Committee** of the Institute had engaged UK NARIC (National Recognition Information Centre in United Kingdom) to conduct an independent benchmarking study for evaluating the comparability of the CMA Intermediate and Final Course in the context of the UK and UAE education systems.

UK NARIC is the designated national agency in the United Kingdom for the recognition of international qualifications and professional skills. As the National Agency, managed on behalf of the UK Government, UK NARIC is the internationally respected voice in qualification recognition offering impartial, trusted judgement on international qualifications. UK NARIC has the largest database of international qualifications in the world, with over 5,000 qualifications from more than 200 countries.

UK NARIC has made the following comparability levels recommendations in the context of the UK & UAE education system:

Course	UK Qualifications	UAE Qualifications
CMA Intermediate Course	RQF Level 6 (Bachelor's Degree Standard)	QF Emirates Level 7 (Bachelor's Degree Standard)
CMA Final Course	RQF Level 7 (Master's Degree Standard)	QF Emirates Level 9 (Master's Degree Standard)

Link to the benchmarking results of CMA qualification published in UK NARIC website:
https://www.ecctis.com/news.aspx?NewsId=1138

This independent benchmarking of the CMA qualification would ensure widespread, international acceptance of CMA qualification. The benchmarking results would strengthen the position of CMA members and help corporates gain a better understanding on the relevance and standing of the CMA qualification. It would also provide opportunities for higher studies and enhanced professional opportunities for CMA members/ semi qualified professionals in UK, Middle East and other foreign jurisdictions accepting NARIC evaluation.

**Due to the United Kingdom leaving the European Union, the UK NARIC national recognition agency function was re-titled as UK ENIC on 1st March 2021, operated and managed by Ecctis Limited. From 1st March 2021, international benchmarking findings are published under the Ecctis name.*

THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Follow us on

Behind every successful business decision, there is always a CMA

CHAIRMAN'S COMMUNIQUÉ

Board of Advanced Studies & Research
The Institute of Cost Accountants of India

CMA Debasish Mitra

Dear Professional Colleagues and Students,

Greetings from the Board of Advanced Studies & Research!!!

I feel elated to share the activities and performance of the Board of Advanced Studies & Research during 2020 – 2021. In spite of unprecedented pandemic situations across the globe and various resource constraints, we have been able to achieve certain landmarks during the year. Participants including members and students have joined in various contemporary and new-age courses not only from top-notch corporate houses but also from various countries including USA, Australia, Canada, UAE, Qatar, Kuwait, Oman to name a few.

A. Performance Highlights in 2020-2021:

- The following Courses have been offered during the year 2020 - 2021:
  - SAP Finance Power User Course (3 batches)
  - Certificate Course in Data Analytics for Finance Professionals (4 batches)
  - Certificate Course in Advanced Business Excel (with Microsoft Certification)
  - Executive Diploma in Business Valuation
  - Executive Diploma in Cost & Management Accounting for Engineers
  - Certificate Course in Arbitration
  - Diploma in Information System Security Audit
  - Diploma in Management Accountancy
- It has enrolled about 1000 participants in various Courses mentioned above during 2020 – 2021
- The Board has successfully conducted online examinations in January 2021 and 331 participants have cleared the examinations
- Board of Advanced Studies & Research has organized several Webinars on contemporary topics during 2020 – 2021 viz.
  - Business Valuation – Financial Modelling
  - Balance Sheet Optimization – A Different Perspective
  - Data Analytics for Business Decision Making
  - Opportunities for CMAs in the field of Actuarial Science
  - Inaugural of Certificate Course in Arbitration
  - Future of Data Analytics
  - Introduction to Cross-Sectional Data Analysis using SPSS and JAMOVI
  - Information System Security Audit
  - Forensic Audit & Fraud Detection
  - Cost Management Strategies for MSMEs in Post COVID-19
  - Digital Transformation with SAP S/4HANA
  - Budget Analysis 2021 [with Global Perspective]
  - Advanced Business Excel for Finance Professionals
  - Corporate Governance under the Companies Act, 2013 & SEBI (LODR), 2015

Most of the webinars have been viewed by more than 5000 viewers online.

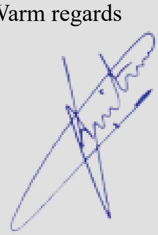
B. Courses in Process:

- Launching of the following courses as per the approval of the Council:
  - Diploma in Forensic Audit
  - Diploma in Ind AS
- As per the decision of the Council and in line with the MoU, the Board has started working with NI-MSME, Hyderabad on a research study and development of specific course

I am grateful to the present Council, President and Vice President of the Institute to extend necessary approvals and infrastructure for smooth conduct of the Courses in an efficient and timely manner. My gratitude goes to the Sr. Director (Advanced Studies & Research) and entire team members of Advanced Studies & Research Directorate for their untiring efforts to make it happen. I am very much thankful to the eminent faculty members and contributors in connection with various courses offered by the Board.

I am confident that the members, students and other professionals are immensely benefited with these courses and will join and support our future endeavours.

Warm regards



CMA Debasish Mitra

April 4, 2021

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

CELEBRATION AND OBSERVANCE OF APRIL 2021 AS MSME MONTH

Webinars organized by

Banking, Financial Services & Insurance (BFSI) Committee

The International Webinar organized by **BFSI Committee**

Jointly with

International Affairs Committee and Directorate of Studies

Shri Nitin Jairam Gadkari

Hon'ble Minister for Road Transport & Highways and Micro, Small and Medium Enterprises, GoI

Chief Guest on 25th April 2021

Lists of Webinars

(streaming link will be made available on the Institute's website)

Date	Theme	Time
06.04.2021 (Webinar 1)	Project Evolution to Execution	4 pm - 6 pm
13.04.2021 (Webinar 2)	Concurrent Cost Management through Value Chain	4 pm - 6 pm
20.04.2021 (Webinar 3)	Perpetual Sustainability (with emphasis on various MSME Schemes)	4 pm - 6 pm
22.04.2021 [Webinar 4 (International)]	UK India living bridge (Business and Education)	5 pm - 8 pm (IST)
25.04.2021 (Webinar 5)	Way Forward for value Addition to and by MSME Sector	10 am - 12:30 pm

In view of the significance of the MSME sector in the Indian Economy and to spread the awareness of various schemes in MSME, the Banking, Financial Services & Insurance (BFSI) Committee in association with International Affairs Committee and Directorate of Studies of the Institute is celebrating and observing **April 2021** as **MSME Month** by organizing 4 National, 1 International and several local webinars across the country. The final National Webinar is being organized in coordination with MSME Development Institute, Nagpur on the theme **"Way Forward for Value Addition to and by MSME Sector"** where **Shri Nitin Jairam Gadkari,** Hon'ble Minister for Road Transport & Highways and Micro, Small and Medium Enterprises, GOI has kindly consented to grace the event as the Chief Guest.

The Institute is also organising an **International Webinar** in association with its **London Overseas Centre** of Cost Accountants on 22nd April, 2021. All the events will be streamed live through the official YouTube channel of the Institute to reach the students, members and all stakeholders of the Institute.

CMA Biswarup Basu
President
ICAI

CMA P. Raju Iyer
Vice President
ICAI

CMA Chittaranjan Chattopadhyay
Chairman
BFSI Committee
ICAI

CMA Vijender Sharma
Chairman
International Affairs Committee
ICAI

CMA Balwinder Singh
Chairman
TEF and Placement Committee
ICAI

Behind every successful business decision, there is always a CMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA CELEBRATE THE INTERNATIONAL WOMEN'S DAY WEBINT

8th MARCH 2021

The International Women's Day 2021 was celebrated by the Institute of Cost Accountants of India in the august presence of various dignitaries and torch bearers of the Institute. The celebrations & session was inaugurated through the WEBINT platform by the President of the Institute of Cost Accountants of India, **CMA Biswarup Basu**, who deliberated a wonderful Note on the Macro level policies on Women Welfare and also acknowledging the women achievements in various platforms and more so in our CMA Women fraternity. The occasion was graced by our very inspiring Immediate Former President **CMA Balwinder Singh** who wished and congratulated all the women to be task leaders and for a great future. The Vice President of the Institute of Cost Accountants of India, **CMA P Raju Iyer** also graced the occasion. Central Council member **CMA (Dr) K Ch A V S N Murthy** gave a motivating deliberation of women & womanhood. Central Council Member **CMA H Padmanabhan** was the Organiser of the event and acted as a pillar of support for the seamless and smooth conduct of the WEBINT.

This International Women's Day celebration of the Institute of Cost Accountants of India is unique and the first of its kind where representation by woman leaders & stalwarts from our very own CMA women fraternity from all the four regions **"NEWS"** – North, West, East & South formed the battalion of speakers and Panellists.

CMA Manasi Arora welcomed the Dignitaries, the Key Speaker **CMA S Subhashini**, Patron, Women's Wing, SIRC ICAI and the Panellists **CMA Meena Ramji**, MCM & Former Chairperson, Coimbatore Chapter, **CMA K V N Lavanya**, MCM & Former Chairperson, Hyderabad Chapter, **CMA Meena Vaidya**, Former Chairperson, Pune Chapter and **CMA Shilpa Banerjee**, EIRC.

On a brief introduction of the Key Speaker, CMA S Subhashini by **CMA Nisha Habi Gayatri**, the deliberations on the International Women's Day on the International Campaign Theme of **"Choose to Challenge"** was mooted out.

CMA S Subhashini spoke on the campaign of the International Women's Day this year, "Choose to Challenge" which celebrates the indomitable spirit of women from all walks of life, be it a mother, a homemaker or a working woman. It reminds us that women are responsible for their thoughts and actions as they challenge the world every day. Women should become more aware of their capabilities. This can be achieved by challenging themselves to raise above the debris society throws in their path. Surround yourself with women who support, encourage and push you to reach your best. And most importantly, be there for another.

Within a woman is the power to create, nurture and transform. There is no limit to what we as women can accomplish. As a woman, one often looks for help from others and expects the world to change their outlook and attitude. It's time to stand up for your rights, take bold steps, be the catalyst for change and fight the disparities. Choose your own path & carve out your own niche. A challenged world is an alert world. Individually, we're all responsible for our own thoughts and actions - all day, every day.

We can all choose to challenge and call out gender bias and inequality. We can all choose to seek out and celebrate women's achievements. Collectively, we can all help create an inclusive world.

WAYS YOU CAN CHOOSE TO CHALLENGE YOURSELF ON THIS INTERNATIONAL WOMEN'S DAY:

ELEVATE

EDUCATE

EXPEDITE

EMANATE

EMANCIPATE

Also, salutations and honour to the frontline workers, women who have lead the fight against the Pandemic and how this one year journey during this Covid has taught us all how to survive in an adverse situation and has moulded us beautifully how to adapt ourselves to change and the ever changing dynamics of our life & the society. The big take away is the evolution of these online platforms using technology which enables connecting instantly to people across the globe within the shortest lead time and so seamlessly. There is always a blessing in disguise. Positivity in Adversity to keep the Universe going ahead is the need of the hour.

CMA S Subhashini invited the Panellist for their deliberations on Life & Work Management and Women in Leadership. The Panellists were welcomed and introduced by **CMA Manasi Arora** and **Ms. Somalika**.

The first Panellist to take the floor was CMA Meena Ramji. She spoke on Women today are faced with several challenges depending on the roles they take at a particular time. Women have

2 important phases in their life. One is life before marriage, where it will be very easy for them to accomplish anything with the support of their parents & siblings.

The second part of their life, the time after wedding, especially the time after child birth is a time of real challenge. Suddenly our role becomes magnified and will have more responsibilities. In case of most women, they happen to have an interruption in their studies & Job. Balancing the work – life activity starts here.

Challenge of re-skilling becomes a need after a long gap and it has its impact on self – confidence levels. Our ability is to successfully manage any crisis situation. We need to create confidence in the mind of our employees / clients, which we are efficient to handle. Not only do we need to upgrade knowledge in our professional area, but also in the usage of modern gadgets namely smart phones & laptop, be familiar with all apps, so that we can save our time in many situations.

For a successful work life balance, we need to have a conducive atmosphere at home. Creating good and closely knit family bonds with spouse, children and in-laws will be a must. We need to have a clear understanding with our family members, neighbours and friends around. Things should fall its place such that, our absence must not be felt.

Half the battle is won, if the base is created with strong foundation. Women will be able to focus in the workplace calmly & efficiently. Constant communication & spending quality time with family members have to be necessarily be made to have a strong bondage & understanding.

Women are soft hearted but strong minded- capable of managing efficiently our role as a daughter, spouse, and daughter in law & mother. Coming to our workplace, most of the women, feel stressed for many reasons. Let me quote one habit out of Steven Covey's "7 Habits of effective people" namely Time Management. He says we should focus on Quadrant 2 – Not urgent & important works to manage time effectively. Tasks with Deadlines should be completed, before the due dates. This will enable us to reduce stress.

I was fortunate to spend more time & energy in our Chapter, since 2006, in shaping the minds of students and for arranging students function like Cosma Fest. I have been taking part in chapter activities for the past 15 years, and holding various positions in the managing Committee including being elected as the first Women Chairperson of the Chapter.

Our team had the good fortune of winning All India Best Chapter Award at least two times apart from hosting a Regional Conference.

As Mahakavi Bharathiar says ***" We should have a done a penance to be born a women"***

Let us be proud that we are women & spread happiness to people around us.

Be positive and practice spreading positive energy around you.

The Next Panellist to join the discussion was CMA Lavanya. She narrated an interesting story wherein A gentleman, wanting to cross a small river opening, stood by the side staring at the flowing waters. A saint passing by asked the gentleman as to why he was staring indecisively. The man replied that we want to cross the river once the entire flow of water is "over". The saint said, "My dear, when will this flow be 'over'? And when will you cross the river? You have to plan the tasks of your life along with the flowing river. Such time shall never come when the hurdles or responsibilities are 'over' ". Our life and responsibilities are very much like the flowing river. As a woman, I understand how women put the family requirements on the forefront, but they also should plan to give time to pursue their own passion. Others opinions do not judge our personalities. We ought to be more dis-possessive with a few happenings, focus on our objectives with a bouncing attitude, and add value to the family, society and nation at large. Then the nation's victory is ours. That is what I can say with pride.

Followed by the deliberations of CMA Lavanya, the Panellist CMA Shilpa Banarjee, spoke that everyday should be celebrated as Women's Day. But as every special celebration are allocated to a special day, UN announced March,8th to be the International Women's Day. This year, the theme of IWD is " Choose to Challenge."

For me struggle and challenge are never ending processes, if there are no challenges, there are no changes. I have started my profession in the teaching line, presently SME of Barnes and Nobles, a US based Company. This journey is comparatively new in our profession. A person can earn endless dollars if they have expertise in a particular field. In this Covid situation we are working from home with flexible working hours. So I am inspiring the CMA Fresher to join this zone where a person can lead a dream life after a certain stage. According to me, Appreciation, Motivation and Commitment are the part and parcel of life. Continuation of the above cycle should be followed by every woman. A woman is having eight intangible hands, those are helping the tangible hands to work in a successful manner at a particular point of time. If we inculcate the above three features in our personal and our professional life, we can find out our personal and organisational success.

Let us inspire every woman of our community, to set their own benchmark. Let us follow the PDCA (Plan; Do; Check; Act) in our own way of life.

Last but not the least; our final Panellist CMA Meena Vaidya shared her thoughts & wisdom. Every day when you get up, give yourself a big big smile. You deserve it.

Stop torturing yourself. Don't always measure your performance by any single scale. Whatever duties and activities you perform has got multiple perspectives and dimensions.

Stop measuring yourself every now and then on the standards set by you No more body shaming not to you and not to pass comment for any other woman. You are what you are through. So you are unique. Everyday don't forget to pat you. Give a big pat to yourself because you have performed on all fronts, family, socially, professionally in a very excellent manner. Don't take life so seriously so that, it will be stressful to live. Take it easy. You maintain your energies to grow as an individual and try to serve the society and nation at large in the best possible manner.

With the conclusion of the discussion of the Panellist, the moderator of the session CMA S. Subhashini wrapped up the session with the valuable takeaways from the various deliberations with some key message to the Women to march with confidence & take forward personal, official and social life with a grit and smile by getting their wings fly high with their multi-tasking abilities and achieving success through persistent and consistent hard work and continuous updating of knowledge and not becoming obsolete but Absolute in all respects. Choose to Challenge, Challenge yourself for continuous improvement.

The session was beautifully concluded by Ms. Nisha Habi Gayatri with a Thanks from her heart to all the dignitaries who graced with occasion, the speakers, Panellist, the Technical CAT Team, IT team of ICAI, the Organiser of the Program and pillar of support CMA H. Padmanabhan and the participants and audience for this program on this Wonderful International Women's Day 2021.

MEMORANDUM OF UNDERSTANDINGS

- **Memorandum of Understanding Between The Institute of Cost Accountants of India and Sri Ramachandra Institute of Higher Education & Research [SRIHER] on 9th Feb 2021 [Chennai]**

  By

  CMA Biswarup Basu, President, Dr. P.V. Vijayaraghavan, Vice Chancellor

  [L to R] CMA Rakesh Shankar Ravisankar, Dr. A.S. Poornima, Dr. Selvam Jesiah, CMA Ashwinkumar G Dalwadi, CMA P Raju Iyer [Vice President], CMA Chittaranjan Chattopadhyay, Dr. K. C. John, Dr. A. Bhoomadevi

The Institute of Cost Accountants of India & Sri Ramchandra Institute of Higher Education & Research has entered into a Memorandum of Understanding [MOU] on 10th February 2021. The MOU has been signed by CMA Biswarup Basu, President, The Institute of Cost Accountants of India & Dr. P. V. Vijayaraghavan, Vice Chancellor, SRIHER in the presence of CMA P Raju Iyer, Vice President, CMA Chittaranjan Chattopadhyay – CCM, CMA Ashwinkumar G Dalwadi – CCM, CMA Rakesh Shankar Ravisankar, Member – IAASB, Dr. K. C. John, Director – Sri Ramachandra Faculty of Management, Dr. Selvam Jesiah, Professor & Vice Principal, Dr. A.S. Poornima & Dr. A. Bhoomadevi, Faculty Members of the University. SRIHER is

a premier teaching and research institution in medical, dental, allied health sciences and management disciplines, has well-qualified and dedicated faculty members, visiting faculty drawn from Industries, Universities and R & D Institutions and been accredited by NAAC with high 'A++' grade (with CGPA of 3.53 on a 4-point scale) and offering 152 programs at UG and PG level with enrolment of around 7200 students. The MOU has been entered into with the objective of promoting excellence in the area of Academic, Research and Training in the niche areas related to the institution's specialisation. The Institute of Cost Accountants of India shall facilitate the conduct of Specialised Training Programmes in SRIHER for the Faculty Members, Research Scholars and Students of SRIHER. The Institutions shall Jointly organise Workshops, Seminars, Continuing Education and Training programmes and similar Academic Programmes for Practicing Professionals, Corporate Executives and Faculty Members, Research Scholars and students of SRIHER (DU) on the themes of Topical and Professional interest on mutual terms. The major focus of research activities shall be on Healthcare and Hospital Management, The Institute with the help of the University shall release technical materials, guidance notes, monographs for the benefit of our Members.

- **MEMORANDUM OF UNDERSTANDING Between The Institute of Cost Accountants of India & The New College [Autonomous], Chennai**

PRESS RELEASE

The Institute of Cost Accountants of India, a statutory body under the Act of Parliament & The New College [Chennai] has entered into a Memorandum of Understanding for Academic & Research Collaboration on 12th March 2021 at Chennai. The MOU was signed by CMA Biswarup Basu, President, The Institute of Cost Accountants of India & Dr. Basheer Ahmed, Principal, The New College in the august presence of

1. CMA Raju Iyer, Vice President, The Institute of Cost Accountants of India
2. CMA Rakeshshankar Ravisankar
3. Prof S.A. Sheik Mohammed, Vice Principal [Academic], The New College
4. Dr. V. Kamal Nasir, Vice Principal [Administration], The New College
5. Dr. A. Hyder Ali, Deputy Warden, The New College,
6. Dr. S. Syed Rafiq Ahmed, Head - Department of Commerce,
7. Dr. S. Tameem Sharief, Assistant Professor, Department of Commerce
8. Dr. A. Mohamed Yunus, Assistant Professor, Department of Commerce,
9. Mr.R.B.Syed Ahammed Jalalutheen, Assistant Professor, Department of Commerce
10. Dr. S. Thothadri, Assistant Professor - Commerce, The New College.

This MoU is aimed at academic collaboration, skill-based value added training to the students in the domain of Cost & Management Accounting. The MOU further focuses on organising Joint programmes for Faculty and academic fraternity in the form of Faculty exchange & development programmes, capacity building and professional development programmes for Cost & Management Accountants. The Event was co-ordinated by Dr. S.Thothadiri, Assistant Professor, Department of Commerce.

CMA Biswarup Basu, President, The Institute of Cost Accountants of India being felicitated by Dr. Basheer Ahmed, Principal , The New College [Autonomous], Chennai

MOU Signing between the Institute of Cost Accountants of India & The New College [Autonomous], Chennai

[L to R] CMA Rakesh Shankar Ravisankar, Dr. A. Hyder Ali, Deputy Warden, The New College[TNC], Mr.R.B.Syed Ahammed Jalalutheen, Assistant Professor, Dr. S. Syed Rafiq Ahmed, Head - Department of Commerce, Dr. Basheer Ahmed, Principal, CMA P Raju Iyer, Vice President – ICAI, Prof S.A. Sheik Mohammed, Vice Principal [Academic], Dr. V. Kamal Nasir, Vice Principal [Administration], Dr. S. Tameem Sharief, Assistant Professor, Dr. S. Thothadiri, Assistant Professor, Dr. A. Mohamed Yunus, Assistant Professor.

MEMORANDUM OF UNDERSTANDING Between The Institute of Cost Accountants of India & Guru Nanak College [Autonomous], Chennai

PRESS RELEASE

The Institute of Cost Accountants of India, a statutory body under the Act of Parliament & The New College [Chennai] has entered into a Memorandum of Understanding for Academic & Research Collaboration on 12th March 2021 at Chennai. The MOU was signed by CMA P Raju Iyer, Vice - President, The Institute of Cost Accountants of India & Shri. Sardar Manjit Singh Nayyar, General Secretary & Correspondent, Guru Nanak College in the august presence of

1. CMA Rakesh Shankar Ravisankar, Fellow Member
2. Dr. M.G. Ragunathan, Principal, Guru Nanak College
3. Dr. T. K. Avvai Kothai, Head - Department of Commerce, Guru Nanak College,
4. Dr. D. Sowmya, Department of Commerce[Shift-II],

& Other Honourable Members of Guru Nanak Educational Society

This MoU is aimed at academic collaboration, skill-based value added training, Offering Certificate & Diploma Programmes to the students of the college. The MOU would be complemented by Joint lectures every month in the form of Faculty Empowerment, Capacity Building Programmes for Professionals for the benefit of the academic fraternity and professional members. The Event was co-ordinated by Dr. T. K. Avvai Kothai & Dr. D. Sowmya, Guru Nanak College.

MOU Between the Institute of Cost Accountants of India & Guru Nanak College [Autonomous], Chennai by CMA P Raju Iyer & Shri. Sardar Manjit Singh Nayyar, General Secretary & Correspondent in the presence of Dr. M. G. Ragunathan, Principal, Dr. T. K. Avvaikothai, Head of the Department of Commerce, CMA Rakesh Shankar Ravisankar & Other Members of the Guru Nanak Educational Society

MEMORANDUM OF UNDERSTANDING Between The Institute of Cost Accountants of India & Shrimathi Devkunvar Nanalal Bhatt Vaishnav College for Women [Autonomous], Chennai – 600 044

PRESS RELEASE

The Institute of Cost Accountants of India, a statutory body under the Act of Parliament & Shrimathi Devkunvar Nanalal Bhatt Vaishnav College for Women [Autonomous], Chennai – 600 044 has entered into a Memorandum of Understanding for Academic & Research Collaboration on 16th March 2021 at Chennai. The MOU was signed by CMA P Raju Iyer, Vice - President, The Institute of Cost Accountants of India & Shri. Shri Chandrakant M. Tolia. Secretary, Shrimathi Devkunvar Nanalal Bhatt Vaishnav College for Women [Autonomous] in the august presence of

1. Shri. Nimish. C. Tolia, Joint Secretary, SDNB Vaishnav College for Women,
2. Dr.R. Geetha, Principal, SDNB Vaishnav College for Women
3. CMA Rakeshshankar Ravisankar, Co-opted Member, IAASB
4. Dr. R. Savithri, Head of the Department of Commerce, SDNB Vaishnav College for Women
5. CMA Dr. S. Seethalakshmi, Vice Principal [Self Finance Stream]
6. Dr. Shyamala, Co-ordinator, CMA Study Center, SDNB Vaishnav College for Women

This MoU is aimed at academic collaboration, skill-based value added training to the students in the domain of Cost & Management Accounting. The MOU further focuses on organising Joint programmes for Faculty and academic fraternity in the form of Faculty exchange & development programmes in Innovative Teaching Techniques, capacity building and professional development programmes for Cost & Management Accountants, Research Projects & Publications, Collaborative / Integrated Educational Programmes for Commerce, Business Management Courses . The Event was co-ordinated by Dr. R. Savithri & Dr. S. Seethalakshmi.

MOU Signing in Progress

SEMINAR ORGANIZED BY BANKING, FINANCIAL SERVICES & INSURANCE COMMITTEE ON 24th MARCH 2021 AT J.N. BOSE AUDITORIUM, KOLKATA ON CREDIT OFFTAKE: CHALLENGES AND STRATEGIES

Banking, Financial Services & Insurance Committee of the Institute organized a Seminar on "Credit Offtake: Challenges and Strategies" at J N Bose Auditorium, CMA Bhawan, Kolkata on 24th March 2021. It was the first Seminar conducted by BFSI in the year 2021 which was conducted both in physical form and also was streamed live on YouTube.

The following snippets of the deliberations made by the speakers are as follows:

CMA Biswarup Basu, President, ICAI asserted that the onset of coronavirus led to contraction in credit since April 2020. This came primarily from the reduction of personal loans and increase in industrial warns. RBI had expressed concerns over the contraction in credit offtake by large industries and infrastructure companies. As per RBI data, credit to industry contracted by 1.3% in January 2021 as compared to 2.5% growth in January 2020. GDP growth has returned to positive territory though a comprehensive recovery is yet to be seen. He was extremely hopeful that the seminar would throw light on the concerned theme and enlighten the members present in the seminar.

CMA Dr.P.Siva Rama Prasad, Former AGM of SBI said that slowdown in economy in the past few months meant lower credit offtake. However, with the recent recovery in economy the credit offtake is likely to pick up and pick up in credit offtake means deploying funds to the commercial sector and earning a higher return than Government Securities. The most critical challenge today for banks not just in India but also elsewhere is slowing credit offtake. It affects the profitability of banks. To facilitate the flow of credit, RBI has taken several steps like reducing Repo Rate, facilitating Bank Refinance to NBFCs for on lending to priority sector. Focus should be on doing prudent lending and to improve the operational efficiency of the banks. Strength of a Banking System depends on the strength of its corporate governance. Efficiency and Business Ethics in lending is very much required in the present scenario. Banks will have to necessary focus on improving their Governance and Compliance Culture. He also insisted on digitalising non retail credit appraisal process on end to end basis and step up cash flow financing substantially. Differentiated products and services, development of Industry wise technical expertise is the strategy plans for key industry based market segments.

CMA Chittaranjan Chattopadhyay, Chairman, BFSI & Indirect Taxation Committee, ICAI stated that credit offtake has become a panacea, country will have to grow with the credit offtake. He also exclaimed that the Banking, Financial Services and Insurance Committee has been converted into Board under the able leadership of President, ICAI. The representation has been given to Reserve Bank of India and Indian Bank's Association for inclusion of CMAs in the Bank's Board.

Shri B.Rajkumar, Former Dy.Chief Executive of Indian Banking Association and Advisor of BFSI Department discussed on credit aversion and low credit offtake and the initiatives taken by Government like Atmanirbhar, positive Union Budgets, Production Linked Incentive (PLI), Credit guarantee scheme for subordinate debt (CGSSD) schemes etc.

CMA Suraj Prakash, Director (Finance), BEML who was the Guest of honour, addressed the challenges faced by industries and pointed out the GDP growths, that may affect the growth and aspirations of industries. He asserted that the increase in Government consumption expenditure plays a very crucial step for economy revival. There has been growth in Government Consumption Expenditure in Quarter 1 and 3 by 21.4% and 7.2% respectively and the expected growth of 25% in quarter 4 according to him is going to aid the economic revival. In case of GDP in quarter 3 agriculture is continuing to grow by 3.9% but the service sector has contracted by 1% and Industry has grown by a modest 2.7%. Supply chain disruption has been one of the key factors that impacted the corporate sectors. Banks are taking extra cautious approach in case of lending as well as sanction of non-fund based limits like Bank Guarantees, Letter of Credit which are essential and integral part of business model for the manufacturing and corporate sectors. Cost Audit will help the banks in securing their assets and reduce NPAs. Banks are required to be cost sensitive. Banks require the expertise of CMAs for any project appraisal, in resource allocation.

CMA Jyoti Prakash Gadia, MD, Resurgent India Ltd. was the guest of honour who discussed on credit and finance for MSMEs where he pointed that out of 6.4 crores MSMEs in India only 10% have assessed to formal credit, while digital lending has grown from $9 billion in 2012 to $110 billion in 2019 and likely to shoot upto $350 billion by 2023. RBI is trying to introduce co lending methodologies where the banks and NBFCs combine to give the loan.

CMA Sunil Prabhakar Sathe, Managing Director & CEO TJSB Sahakari Bank Ltd. who was the guest of honour discussed on the lending opportunities (performing sectors during Covid- 19), lending to class of people/assets unaffected by pandemic, risk aversion by bankers, rising NPAs, capital preservation, tighter and frequently modifying RBI regulations, Balance Sheet Management, lending to unlocked locations, regulatory easing etc.

The programme was graced by CMA Amal Kumar Das, Past President and CMA Harijiban Banerjee, Past President who were present and shared their views on the concerned theme.

Secretary, BFSI Committee concluded the seminar with the vote of thanks.

The seminar was very insightful and informative and enriched everyone present over there.

Kind Attention

CMA Agri Bulletin

Dear Sir / Madam,

Greetings…!!!

Agriculture Task Force of the Institute is bringing out the second issue of **"CMA Agri Bulletin".** You may please send your valuable article on the following topics:

- *Augmenting the Farmer's Income – Roadmap for CMAs*
- *Strategic Agri Cost Management' – Role of CMAs*
- *Linkage between Agriculture and Industry*
- *Linking between Agri 4.0 to 5.0 – Role of CMAs*
- *Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 and The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020*
- *Driving Data Culture for Agriculture*
- *Any other relevant topic relating to Agriculture and role of CMAs in Agriculture*

Kindly send your article at ***agriculture@icmai.in*** latest by 25th April 2021.

CMA Biswarup Basu-President along with CMA Chittaranjan Chattopadhyay-Chairman, Indirect Taxation Committee and Banking Financial Services & Insurance Committee and CMA Navneet Jain, met Shri G D Lohani Joint Secretary-TRU- I , Central Board of Indirect Taxes and Customs (CBIC) , Ministry of Finance, North Block, New Delhi 25.02.2021 at his office in New Delhi and discussed about various issues on GST.

NOMINATION TO THE QUALITY REVIEW BOARD OF THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

CMA Chandra Wadhwa, Past President of The Institute of Cost Accountants of India has been nominated as member of the Quality Review Board of The Institute of Company Secretaries of India in pursuance of Section 29A of Company Secretaries Act 1980, read with sub rule (1) of rule 8 of Company Secretaries Procedure of Meetings of Quality Review Board, and terms and conditions of service and allowances of Chairperson and Members of the Board Rules 2006. He is in the Council of The Institute of Chartered Accountants of India as Government Nominee from February 2016. He has been a member of Quality Review Board, The Institute of Chartered Accountants of India for more than four years nominated by MCA.

COVER STORY

POST COVID-19 GROWTH VACCINE: WILL INVESTMENT - DRIVEN SURGE IN INTERNATIONAL TRADE BE A GAME-CHANGER?

Abstract

The structural positivity in the economy is a must to deliver growth in the long run. The increase in the volume of international trade can be a game-changer to contribute immensely to the overall growth-orientation. It not only helps to develop a higher degree of trade interconnectedness amongst countries, but it also accelerates demand-driven consumption resulting in a positive contagion effect in the economy as a whole. The trend analysis for a significantly long time series reflects the structural dependency of FDI and international trade. Hence, the prospective growth ecosystem post-COVID-19 pandemic, driven by rejuvenated international trade, has to be significantly influenced by cross-country capital linkage resulting in FDI as a deciding growth-driver.

CMA Avik Ghosh
Manager
Reserve Bank of India
Kolkata
avikghosh16@gmail.com

Suman Sourav
Manager
Reserve Bank of India
Kolkata
sumansourav@rbi.org.in

COVID-19 pandemic, in its all-demolishing avatar, has transformed the socio-economic construct of the world to a considerable extent and we are gradually inching towards a new normal. What is the economic impact? How long will it stay? What is the recovery trajectory? American novelist Anne Lamott once optimistically wrote "Hope begins in the dark, the stubborn hope that if you just show up and try to do the right thing, the dawn will come. You wait and watch and work: You don't give up." International Monetary Fund (IMF), which figures out the estimated GDP growth projections in its quarterly World Economic Outlook, had foreseen better days ahead. Figure 1 represents the quarterly growth projection of 2021 since January 2020, and the growth lines are hovering around the positive territory- this augurs well to eventually predict a foreseeable recovery. The story seems to be even brighter for India. The sudden drop of the growth rates in 2020 since January 2020 (Figure 2) and its sustenance had explicitly pointed out the impact of the menace in the global economy. India was badly hit compared to its peer group of Emerging Market and Developing Countries (EMDC).

Can the prospective growth trajectory be only contributed to the base effect of 2020? This harbor doubts when we think about the sustainability of the growth ecosystem. The structural positivity in the economy is a must to deliver growth in the long run. The increase in the volume of international trade can be a game-changer to contribute immensely to the overall growth-orientation. It not only helps to develop a higher degree of trade interconnectedness amongst countries, but it also accelerates demand-driven consumption resulting in a positive contagion effect in the economy as a whole. Developing countries with strong international trade potential have historically proved that this trade volume has impacted the GDP growth in those countries positively.

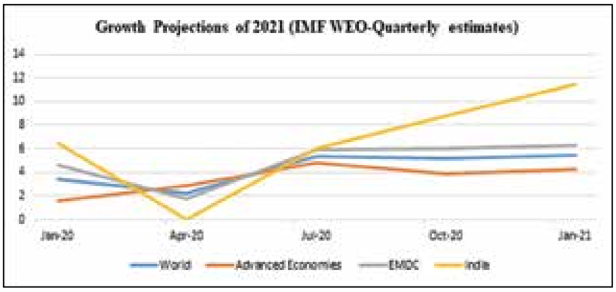


Figure 1: Quarterly Growth Projection of 2021 by IMF for various categories of countries

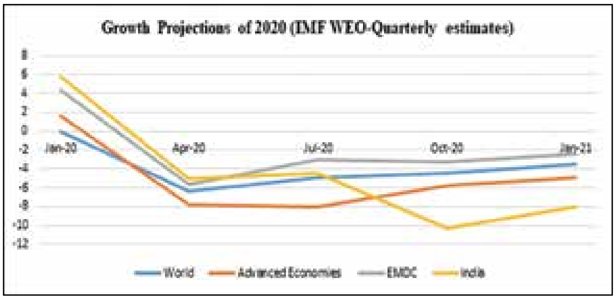


Figure 2: Quarterly Growth Projection of 2020 by IMF for various categories of countries

Glimpses of World Trade Report by WTO

World Trade Report (WTR) 2020 had deliberated upon the role of various national policies in ensuring effective international trade cooperation while minimizing negative spill-overs from in-house policies. It unequivocally stated the significantly positive impact of international trade in changing post-pandemic global economic scenario. While reinforcing the importance of cross-country trade in the new-normal economic outlook, the report stressed upon the need for cross-country flow of capital in generating value-adding resources that may invigorate perpetual growth.

Investment in the area of capital formation historically bore fruit, whereas the openness of the global economy and the advent of Foreign Direct Investment (FDI) accelerated the impact path. WTR 2020 highlighted the role of FDI in global trade by enumerating "Investment policies, which are still at the heart of industrial strategies, are characterized by a trend to offer incentives and attract foreign direct investment (FDI), notably in increasingly popular special economic zones". FDI helps in promoting technological revolution in host countries through direct investments in facilitating research and conforming backward-forward linkages. UNCTAD (2018) also noted the significance of FDI and related policies in ever-evolving markets that are

While reinforcing the importance of cross-country trade in the new-normal economic outlook, the report stressed upon the need for cross-country flow of capital in generating value-adding resources that may invigorate perpetual growth.

slowly getting transformed from a labor-intensive physical infrastructure-driven to a digitally-enabled and technology-driven. Further, WTR 2013 highlighted Investment in FDI as one of the deciding factors in driving the international trade as 66% of the world export is controlled by multinational firms having headquarters in one country and operations in another. Various reports also cited FDI as an agent of a significant spillover effect in terms of crowding-in domestic investment in the ancillary industries that are supporting the primary industries where FDI had been received. This was one of the reasons for the success of the Malaysian economy that attracted cross-country investment in the Electronics durables Industry.

Other research findings

In a study conducted for the UK (Reddaway et al. 1967), it was proved that the long-term impact of outward FDI is positive on the Balance of payment if future cash flow is not discounted. This is due to the effects of repatriation /dividend payment to the home country of outward FDI flow. To identify the nature of FDI as a complement or substitute, Fontagne (1999) empirically proved that FDI stimulates the growth of export in the country where FDI had been originated. On similar lines, Mankovska et al. (2002) had evidenced that FDI in the primary sector improves the export position of the FDI destination countries, and FDI in a country act as a complement to improve the trade positions of the country. It was proved that there exists a unidirectional causality between FDI and services export to that of services and manufacturing services output (Dash, 2012). Regression analysis was performed by Kalra et al. (2019) wherein the authors had described that there is a direct relationship between Export, Import, and Balance of payments. Casualty analysis was done by Jana et al. (2020), wherein authors had concluded that there is an absence of long-run causality from FDI to export since in India majority of FDI investment is made in the non-export sector.

Various reports also cited FDI as an agent of a significant spillover effect in terms of crowding-in domestic investment in the ancillary industries that are supporting the primary industries where FDI had been received.

FDI and International Trade: Data-driven outcome

For identifying the interlinkage between FDI and international trade, we have analyzed the net FDI and net international trade data (import+export) for India and the world. We obtained time series data of 50 years since 1970 for India and 30 years since 1986 for the world.

While ascertaining the desired trend from the available set of datapoints, we found a strong correlation between the two variables. Figure 3 represents the movement of FDI and cross-country trade across the world, and it symbolizes a strong correlational relationship between them.

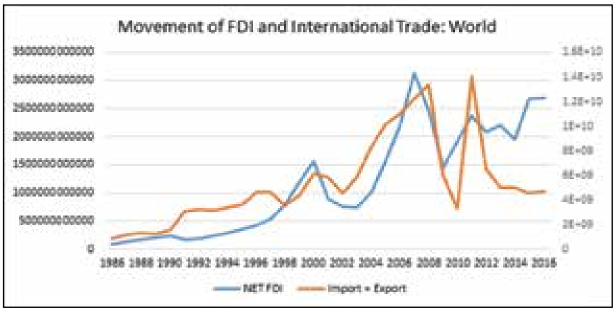


Figure 3: Movement of FDI and International Trade: World

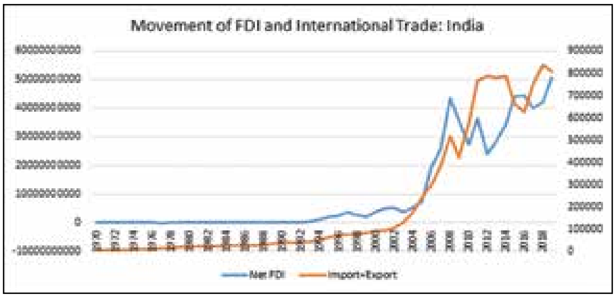


Figure 4: Movement of FDI and International Trade: India

Figure 4 reflects a similar but stronger trend for India. The growth trend in India since 2000 reflects the sustainable increase in both net FDI inflow and the total cross-country trade volume. Table 1 contains the coefficients of correlation between the said variables. The outcome is encouraging where net FDI and net international trade has a correlation coefficient of nearly 0.945 for India and 0.708 for the world.

Correlation of net FDI With	INDIA	WORLD
Merchandise exports	0.9453	0.6126
Merchandise imports	0.9432	0.7829
Import+Export	0.9445	0.7081

Table 1: Correlation coefficient of net FDI and International Trade (India and World)

The trend analysis for a significantly long time series reflects the structural dependency of the two variables. Hence, the prospective growth ecosystem post-COVID-19 pandemic, driven by rejuvenated international trade, has to be significantly influenced by cross-country capital linkage resulting in FDI as a deciding growth-driver.

Factors impacting International Trade

What are the factors that impact international trade? WTO, in its various reports, elaborated the focused areas impacting cross-country trade in both the short and long-run. A few of the driving forces are:

- Demographic change – Middle age group population plays a significant role in improving the labor force participation rate. This acts as a spur to the demand for export and import.
- Investment –Investment in physical infrastructures like rail and road connectivity signifies structural improvement with higher capital formation.
- Technology – Investment in R&D links the source and the host countries to get technologically interconnected.
- Energy and other natural resources- Investment in alternative sources and cheaper sources of energy facilitates the trade ecosystem and accelerates cross-country trade.
- Transportation costs – Reduction of transportation cost impacts input cost and finished goods and subsequently encourages cross-country trade.
- Institutions – National policies and institutional interventions play a key role in global trade. Political stability, economic environment, social structure, technological compatibility (PEST) play a major role in ensuring institutional harmony and securing higher trade volume.

Investment is one of those essential factors that not only developed a causal relationship with international trade growth but also indirectly impacts technological development, innovation and research, the efficacy of logistic network, and the energy sector growth- the factors behind cross-country trade growth.

The Way Forward

Taking a cue from the IMF Global Economic Outlook, the growth vaccine is the quintessential need of the hour. How to get the vaccine to get rid of the 'grey-rhino event'? Structural improvement in the macroeconomic framework is necessary. Improving cross-country trade is an option to push that growth trajectory forward. The encouraging FDI position not only eases the trade prospects but also creates a convenient environment for future transactions. This can essentially help in promoting economic growth. Trade openness indicator, measured by comparing international trade (import+export) with the GDP of a country, has pointed out the possibilities to increase the international trade volume. It also guides us to ponder over the probable upper limit to reach within a minimum duration.

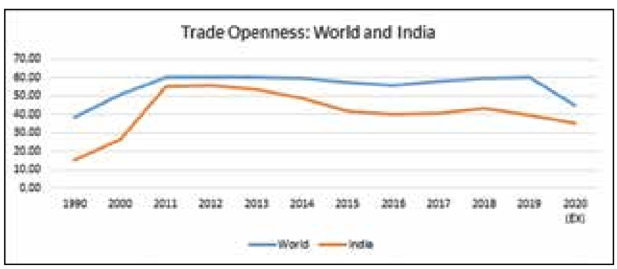


Figure 5: Trade Openness Indicators: World and India

Figure 5 shows that India can significantly improve the indicator with a higher volume of cross-county transactions and by reducing the gap with the global scheme.

"For the only way in which a durable peace can be created is by world-wide restoration of economic activity and international trade" once said by James Forrestal, the first United States Secretary of Defense, in the early 1930s has reasonable significance in today's strife-torn world. We require coherent agents to transform the prevailing scenario. And why not a growth vaccine in international trade be the trailblazer? MA

References

1. *Reddaway, W. B. & Perkins, J. O. N. & Potter, S. J. & Taylor, Christopher Thomas. (1967). Effects of U.K. direct investment overseas : interim report. London : Cambridge University Press*
2. *Mankovska, N., Dean, J.W. (2002). The Relationship between Foreign Direct Investment and Trade Flows in a Transition Economy: The Case of Ukraine. In: von Cramon-Taubadel S., Akimova I. (eds) Fostering Sustainable Growth in Ukraine. Physica, Heidelberg. https://doi.org/10.1007/978-3-642-57464-1_19*
3. *Jana, S.S., Sahu, T.N. & Pandey, K.D. (2020). How far is FDI relevant to India's foreign trade growth? An empirical investigation. Economic Structures 9, 30. https://doi.org/10.1186/s40008-020-00212-6*
4. *Fontagné, L. (1999). Foreign Direct Investment and International Trade: Complements or Substitutes?. OECD Science, Technology and Industry Working Papers, No. 1999/03, OECD Publishing, Paris. https://doi.org/10.1787/788565713012.*
5. *https://www.imf.org/en/Publications/SPROLLs/world-economic-outlook-databases#sort=%40imfdate%20descending*
6. *https://data.worldbank.org/*

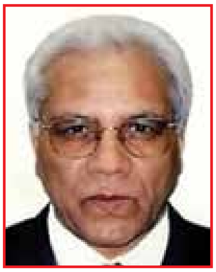
Note: 'Views expressed in the paper are those of the authors' alone and do not, in any way, represent the views of the institution they are employed with'.

DOES FDI GENERATE ECONOMIC GROWTH? EVIDENCE FROM THE INDIAN ECONOMY

Abstract

This research paper assesses the long-run relationship as well as the bidirectional causality between economic growth and Foreign Direct Investment (FDI) for an emerging economy like India. We employ the Autoregressive Distributed Lag (ARDL) and the Toda-Yamamoto causality test on the annual time series for the period 1971-2019. The ARDL bounds test results show that there is a long-run relationship between economic growth and FDI. The causality test suggests the existence of a bidirectional relationship between the two series. Our results are in conformity with those of India Brand Equity Foundation (IBEF) which documents that FDI acts a catalyst of economic growth for India.

Surbhi Gupta
Research Scholar
Department of Management Studies, IIT Delhi
guptasurbhi2021@gmail.com



Prof. Surendra S. Yadav
Professor
Department of Management Studies, IIT Delhi
ssyadav@dms.iitd.ac.in

Prof. P. K. Jain
Emeritus Professor
Department of Management Studies, IIT Delhi
pkjain.iitd@gmail.com

1. Introduction

That investment is the backbone of any nation's economic growth needs no emphasis. According to EY "The country will need to grow by 9 per cent every year for five years continuously and raise aggregate investment rate to 38 per cent of GDP to achieve Prime Minister Narendra Modi's target of turning India into a USD 5 trillion economy" (Press Trust of India, 2019). However, due to this pandemic, our economy stands at a challenging juncture today, and this ambitious target takes a back seat, and now economic recovery has gained the spotlight.

Agrawal et al. (2009) observe that developing South Asian countries need high level of investment and thereby domestic savings to achieve long-term sustainable growth. The irony is, however, currently India's gross domestic savings as a proportion of GDP is inadequate for financing the needed investment to attain the intended economic growth or to say for the economic recovery process.

The process of liberalisation and globalisation has brought forth the notion of international capital flows. Among the international capital flow alternatives, Foreign direct investment (FDI) is preferred due to its important benefits; in particular, it provides host country with relatively more stable flow of funds. Economists and policymakers regularly emphasise and assert the advantages of FDI; it not only provides capital, but also stimulates the growth of the host economy directly through adding to the capital formation as well as indirectly, *inter-alia*, by increasing competition, supplying sophisticated technology, and boosting human capital development. Since 1980, developing along with developed nations have opened their doors for foreign investment in order to exploit several gains associated with FDI (Gupta et al. 2020).

Numerous studies have focused on the impact of FDI on the host economy. It is usually believed that inward FDI accelerates the process of economic growth of the recipient nation. However, the existing work in this area provides mixed empirical evidence. Bermejo Carbonell and Werner (2018) propose the need for country-specific studies because of the heterogeneous relationship between FDI and growth. Many studies indicate that host country environment moderates this FDI-growth nexus (De Mello, 1999).

It is generally agreed that potential inference concluded from panel data studies dealing with cross-country gives a broad understanding of the relationship among the variables, and thus seem inadequate to propose country-specific policy implications (Boutabba, 2014). Guru-Gharana (2012) asserts that several studies have explored this FDI growth nexus in the case of India, but most of them are associated with methodological problems.

Against this backdrop, this study aims to examine the FDI and growth nexus for the Indian economy, with the help of improved empirical techniques (ARDL Bounds test and Toda-Yamamoto approach to Granger causality). Further, explicit focus on a single-country analysis provides an opportunity for substantial groundwork for policy formulation.

The remaining subject matter of the paper is organised as follows: next section (2) covers the data and methodology, followed by the empirical findings (section 3). The last section (4) concludes the paper.

2. Data and methodology

For analysing the FDI-growth relationship for Indian economy, we have used FDI net inflows and GDP growth data for over 49 years (1971-2019), which has been extracted from the World Development Indicators. We consider the natural log of FDI for the study.

This study employs two techniques, which are explained below:

The ARDL bounds test approach to cointegration

This technique is developed by Pesaran et al. (2001). This approach is very appealing when we are not certain about the order of integration of series, i.e.whether they are I(0) or I(1) or a mix of both. The additional advantages of the ARDL techniques are: 1) it exhibits superior small-sample property than conventional cointegration techniques, and 2) it can obtain unrestricted error correction model (UECM) from simple linear transformation (Banerjee,1993), above all, it also provides short-run dynamics as well as long-run equilibrium together without losing significant information.

We estimate the following UECM to examine the association between GDP growth and FDI:

$$\Delta gGDP_t = \alpha_0 + \sum_{i=1}^{p} \alpha_{1i}\Delta gGDP_{t-i} + \sum_{i=0}^{q} \beta_{1i}\Delta LFDI_{t-i} + \sigma_1 gGDP_{t-1} + \sigma_2 LFDI_{t-1} + \mu_{1t} \quad (1)$$

where LFDI is the log of FDI inflows, gGDP is GDP growth, Δ is difference operator, p and q are optimal lag order, and μ_{1t} is the white noise error term.

The bounds testing approach is based on the Wald test; it tests the joint significance of the lagged levels in eq(1) where the null hypothesis (H_0) is $\sigma_1 = \sigma_2 = 0$, i.e. no cointegration between GDP growth and inward FDI against the alternative hypothesis (H_1) $\sigma_1 \neq \sigma_2 \neq 0$.

Pesaran et al. (2001) provide two critical values, lower and upper, for the cointegration test. The H_0 is rejected in case the estimated F-statistic is greater than the upper bound critical value; H_0 cannot be rejected when the estimated F-statistic is less than the lower bound critical value; the outcomes are inconclusive if the computed F-statistics lies between the lower and upper bound values.

The Toda–Yamamoto approach to Granger causality test

For checking the causality, we have employed the modified Wald test (MWALD), proposed by the Toda and Yamamoto (1995). The MWALD test avoids the issues related to the ordinary Granger causality test by overlooking any possible non-stationarity or existence of cointegration between series (Wolde-Rufael, 2005). This approach artificially augments the correct VAR order, k, by the maximal order of integration, say dmax. Then, the VAR is estimated at (k+dmax) order, and the coefficients of the last lagged dmax vector are neglected. This procedure ensures that the usual test statistic for Granger causality has the standard asymptotic distribution where valid inference can be made (Wolde-Rufael, 2005).

We represent the FDI-GDP growth model in the following VAR system using the Toda–Yamamoto approach to Granger causality test:

$$gGDP_t = \alpha_0 + \sum_{i=1}^{k} \alpha_{1i} gGDP_{t-i} + \sum_{j=k+1}^{dmax} \alpha_{2j} gGDP_{t-j} + \sum_{i=1}^{k} \delta_{1i} LFDI_{t-i} + \sum_{j=k+1}^{dmax} \delta_{2j} LFDI_{t-j} + \lambda_{1t} \quad (2)$$

$$LFDI_t = \beta_0 + \sum_{i=1}^{k} \beta_{1i} LFDI_{t-i} + \sum_{j=k+1}^{dmax} \beta_{2j} LFDI_{t-j} + \sum_{i=1}^{k} \gamma_{1i} gGDP_{t-i} + \sum_{j=k+1}^{dmax} \gamma_{2j} gGDP_{t-j} + \lambda_{2t} \quad (3)$$

where eq(2) checks the Granger non-causality from $LFDI_t$ to $gGDP_t$, with H_0: $\delta_{1i} = 0$,i.e. $LFDI_t$ does not Granger cause $gGDP_t$; eq(3) tests the Granger non-causality from $gGDP_t$ to $LFDI_t$ with H_0: $\gamma_{1i} = 0$,i.e. $gGDP_t$ does not Granger cause $LFDI_t$.

3. The empirical findings

Before examining the potential long-run relationship between GDP growth and FDI, it is important to identify the order of integration of both the series. To cross-check the unit root test results, we have applied Augmented Dickey–Fuller (ADF) test, Phillips–Perron (PP) test and Kwiatkowski–Phillips–Schmidt–Shin (KPSS) as well. Table 1 reports the unit root tests, and it indicates that the GDP growth is I(0), but LIFDI is either I(0) or I(1). Therefore, we have a combination of I(0) or I(1), and none of the series is I(2); it clearly then endorses the use of ARDL estimation technique.

Table 1. Unit root tests

	ADF	PP	KPSSS
gGDP	I(0)***	I(0) ***	I(0)**
LFDI	I(0) ***	I(0) ***	I(1)***

Note: ** and *** indicate significance at 5% and 1% level, respectively.

The bounds testing approach for cointegration requires comparing F-statistics against the critical values, and the F-statistics is sensitive to the lag length.

Table 2 presents the estimated F-statistic, and it is significant at 1% level of significance. Thus, we reject the null hypothesis of no cointegration and observe long-run association between GDP growth and FDI.

Table 2. The results of F-test for cointegration

Variable	F-statistics	Conclusion
LFDI	47.1222***	Cointegration exists

Note: *** indicates significance at 1% level.

The long-run estimates are included in Table 3. The long-run coefficient for LFDI indicates that FDI has a long-run positive impact on the growth of GDP. A 1% increase in the FDI leads to 0.326% increase in the GDP growth. Evidently, findings suggest that FDI inflows enhance GDP growth.

Similarly, the coefficient of the lagged error-correction term is negative and statistically significant at the 1% level of significance, supporting the evidence of a stable long-run relationship among the variables. The coefficient of −1.137 suggests a high speed of adjustment within one year of any disequilibrium toward a long-run equilibrium state.

Table 3. Estimation results

Variable	Coefficient
Long-run	
LFDI	.326***
	(0.078)
ECM(-1)	-1.137***
	(.117)

Note: *** indicates significance at 1% level. Standard errors are reported in the parentheses.

Table 4. Diagnostic tests

Null Hypothesis	p-value
No serial correlation	0.7196
Homoscedasticity	0.8993
Normality	0.7218
No misspecification	0.7617

Note: We have used: Breusch-Godfrey LM test for serial correlation; Breusch-Pagan / Cook-Weisberg test for heteroskedasticity; The normality test is based on a test of skewness and kurtosis of residuals; and Ramsey RESET test for no specification error.

The diagnostics tests for the model are presented in Table 4. Test results document that the residuals are serially uncorrelated, homoscedastic and normally distributed. Also, the model does not suffer from misspecification. Therefore, our model has appropriate econometric properties as per the results of the diagnostic tests.

When there exists cointegration between the series then there must be at least unidirectional causality between the underlying series. Therefore, we have conducted causality test also to complement the above results of cointegration. Prior to conducting causality testing, we have determined the order of integration (dmax) of both the series and the optimal lag length (k). We have already identified 1 as the order of integration and 2 as the optimal lag length. Table 5 reports the results of the causality test. In the case of GDP growth as dependent variable, we can reject the H_0 of no causality from LFDI to gGDP at 1% level of significance, i.e. LFDI Granger-causes gGDP. When LFDI is the dependent variable, we can reject the H_0 of no causality from gGDP to LFDI at 10% level of significance and propose that gGDP Granger-causes LFDI. The significant p-values of the modified Wald (MWALD) statistic confirm that there exists a bidirectional relationship between GDP growth and FDI.

Table 5. Granger non-causality test

Granger non-causality	p value
From LFDI to gGDP	0.000***
From gGDP to LFDI	0.094*

Note:*, **, and *** indicate significance at 10% , 5% and 1% level, respectively.

Therefore, we find that the results of both the tests (ARDL and Toda Yamamoto) complement each other.

4. Concluding observations

Investment is viewed as an essential engine of economic growth. "Foreign direct investment (FDI) is a huge boost to any country; it reflects investor confidence in a country's growth and vision, bringing in long-term capital, an essential to invigorate any economy" (Kotak and Uchat, 2020).

With that knowledge in mind, this study empirically tests the long-run relationship and bidirectional causality between economic growth and Foreign Direct Investment (FDI) for India.The results suggest that there exists a long-run relationship between FDI inflows and GDP growth. Findings support FDI inflows as a crucial driver of economic growth. The findings of the causality test indicate the presence of a bidirectional relationship between GDP growth and FDI and hence support our cointegration results. It implies that the future value of GDP growth can be better predicted using the past values of both FDI and GDP growth than it can by using the past value of GDP growth alone and vice-versa. In operational terms, our findings are in line with that of Kaur et al. (2013) and suggest that we should focus on enhancing GDP growth, to attract more FDI inflows into the economy. Also, we should pay attention to the drivers of inward FDI for captivating more foreign investment which consequently will boost the economic growth of our economy.

The Government of India has been taking continuous measures to make our country investment-friendly, but the whole scenario is not so good. For instance, India's ranking with respect to The World Bank's Ease of Doing Business has improved, but the country's Business Confidence Index has fallen as per the NCAER survey; in as much as India has been dropped out of Kearney's 2020 Foreign Direct Investment Confidence Index. Jana (2015) asserts that special consideration should be given to areas like government intervention, infrastructure development and policy restrictions. Therefore, to become an attractive FDI destination, an open, fair and non-discriminatory business environment is crucial, and amidst this pandemic, stability is indispensable for stimulating investor confidence. MA

"Foreign direct investment (FDI) is a huge boost to any country; it reflects investor confidence in a country's growth and vision, bringing in long-term capital, an essential to invigorate any economy"

References

1. *Agrawal, P., Sahoo, P., & Dash, R. K. (2009). Savings behaviour in South Asia. Journal of Policy Modeling, 31(2), 208-224.*
2. *Banerjee, A., Dolado, J. J., Galbraith, J. W., & Hendry, D. (1993). Co-Integration, Error Correction, and The Econometric Analysis of Non-Stationary Data. Oxford Univerty Press.*
3. *Bermejo Carbonell, J., & Werner, R. A. (2018). Does foreign direct investment generate economic growth? A new empirical approach applied to Spain. Economic Geography, 94(4), 425-456.*
4. *Boutabba, M. A. (2014). The impact of financial development, income, energy and trade on carbon emissions: evidence from the Indian economy. Economic Modelling, 40, 33-41.*
5. *De Mello, L. R. (1999). Foreign direct investment-led growth: evidence from time series and panel data. Oxford Economic Papers, 51(1), 133-151.*
6. *Gupta, S., Yadav, S. S., & Jain, P. K. (2020). Impact of Foreign Ownership on Leverage: A Study of Indian Firms. Global Business Review, 0972150920927360. Link: https://doi.org/10.1177/0972150920927360*
7. *Guru-Gharana, K. K. (2012). Relationships among export, FDI and growth in India: an application of Auto Regressive Distributed Lag (ARDL) Bounds Testing approach. Journal of International Business Research, 11(1), 1-18.*
8. *Jana, M. M. (2015). An Overview of FDI and Economic Development in India-An Empirical Analysis. The Management Accountant Journal, 50(4), 34-40.*
9. *Kaur, M., Yadav, S. S., & Gautam, V. (2013). A bivariate causality link between foreign direct investment and economic growth. Journal of International Trade Law and Policy. 12 (1), 68-79.*
10. *Kotak,H., & Uchat,H. (2020, February 5). Budget 2020: FDI proposals should bring cheer to foreign investors. Financial Express. Retrieved from https://www.financialexpress.com/budget/budget-2020-fdi-proposals-should-bring-cheer-to-foreign-investors/1856185/*
11. *Pesaran, M. H., Shin, Y., & Smith, R. J. (2001). Bounds testing approaches to the analysis of level relationships. Journal of Applied Econometrics, 16(3), 289-326.*
12. *Press Trust of India (2019). India needs to grow at 9% to achieve PM's target of USD 5 trillion economy: EY. Retrieved August 17, 2019 from https://economictimes.indiatimes.com/articleshow/70520728.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst*
13. *Toda, H. Y., & Yamamoto, T. (1995). Statistical inference in vector autoregressions with possibly integrated processes. Journal of Econometrics, 66(1-2), 225-250.*
14. *Wolde-Rufael, Y. (2005). Energy demand and economic growth: the African experience. Journal of Policy Modeling, 27(8), 891-903.*

HOW FAR FOREIGN DIRECT INVESTMENT (FDI) IS ENHANCING SELF-RELIANCE OF INDIAN DEFENCE SECTOR?

Abstract

India has considered the Foreign Direct Investment (FDI) policy as a measure to boost up the self-reliance of Indian Defence sector. In order to promote self-reliance in Defence production, the Government has recently announced several measures. An attempt has been made to investigate whether these steps are in the right direction or self-reliant or not. In this article, the relationship between FDI and Indian Defence sector is investigated using Autoregressive Distributed Lag (ARDL) methodology. Due to changes of FDI policy, it is found from the study that there is a positive relationship between FDI and spending in Defence sector in India.

Biswajit Paul
Assistant Professor
Department of Commerce
University of Gour Banga, Malda
ugb.biswajitpaul@gmail.com

Dr. Ashish Kumar Sana
Professor
Department of Commerce
University of Calcutta, Kolkata
akscom@caluniv.ac.in

Introduction

India has considered the Foreign Direct Investment (FDI) policy as a measure to boost up the self-reliance of Indian Defence sector. We all know that national Defence and security policies are related to the foreign policy for any developing country. In India, the average annual growth rate of the Defence budget was 9% over the last decade. With the steady growth of Defence sector, India became the world's third largest military spending country for the first time in 2019. The expenditure on Defence sector is 15.5% of the central Government's budget and 2.1% of India's estimated GDP for 2020-21[1]. The present FDI policy is expected to improve the convenience of doing business and contribute to the growth of investment, income and employment. In our country, lack of domestic funds and urgent need of adopting the modern military technology compelled us to accept foreign investment in Defence sector.

Due to less of capital expenditures (domestic) for Defence production, research and development have been the main obstacles to India's goal of achieving self-reliance. Although India's Defence budget has been increasing over the years, but a large part of it has been spent on personnel expenses such as salaries and pensions, thereby reducing funds used for Defence production.

In Defence sector, FDI indicates a long-term presence in India, and good returns on investment are possible only if repeat orders or contracts for newer products are assured. But, unlike cars or normal goods, that will not always happen in military equipments. There may be gap of many years or even decades between orders. So, that could be an issue in the relationship between FDI and Indian Defence sector.

In order to promote self-reliance in Defence items production, the Government of India (GoI) has announced several measures. Whether these steps are in the right direction or truly self-reliant or not – that should be investigated empirically. This article attempts to investigate how FDI influences Indian Defence sector. The relationship between FDI and Indian Defence sector is investigated using Autoregressive Distributed Lag (ARDL) modeling approach, developed by Pesaran and Pesaran (1997)[2], Pesaran and Smith (1998)[3], and Pesaran et al. (2001)[4] is chosen.

FDI Policy for Indian Defence Sector

FDI Policy is one of the regulatory policies related with Indian Defence sector. The major evolution in Indian Defence started from 1992 by establishing Defence procurement procedure. The following exhibit shows the FDI limits in Defence sector:

Exhibit – 1: FDI Limit in Indian Defence Sector

Phase	FDI permissible	Nature of Route
Phase – I (1992)	26% FDI, subject to licensing	Automatic Route
	Above 26%, up to 49%	Government Approval Route
Phase – II (2018)	49% FDI	Automatic Route
	Any FDI above 49%	Government Approval Route
Phase – III (2020)	74% FDI	Automatic Route
	Any FDI above 74%	Government Approval Route

Objectives of the Study

The objective of the study is to investigate the long-run and short-run relationship between Foreign Direct Investment and the Indian Defence sector, and to analyze the efficiency of foreign direct investment in establishing the self-reliance of the Indian Defence sector.

Methodology

The annual time series data used in this article for India is from 1970 - 2019 and data collected from the World Bank. The relationship is examined based on three time periods by using same dataset: time period ranging from 1970 – 2019, 1980 – 2019 and 1991 – 2019. These three time periods are taken to understand how FDI became effective in Indian Defence sector subject to change in regulations time to time.

The functional model is used in this article as follows:

$$MS\_DEF_t = FDI\_NI\_P_t + Ln\_GDP_t + \mathcal{E}$$

Here, MS_DEF= Military Spending in Indian Defence Sector (Billions of US $);

FDI_NI_P = Net Inflows of Foreign Direct Investment (Percentage of GDP);

Ln_GDP = Log value of Gross Domestic Product (in US$);

Ɛ = Error Term.

The Autoregressive Distributed Lag (ARDL) is used to analyse the data.

For this purpose, firstly, stationarity of series was examined through unit root tests. Thereafter cointegration relationship among variables was examined via ARDL bound testing without considering whether variables are I(0) or I(1) (Pesaran, Shin and Smith, 2001)[5]. Further, it was determined whether there was a relationship among variables both in the short and long run. Finally, different diagnostic tests are considered to know the stability status of the models.

Analysis and Findings

Step-wise findings of analysis of data are discussed below:

Firstly, it was investigated that whether or not variables are stationary by using Augmented Dickey-Fuller (1981[6]; ADF, henceforth) and the Phillips and Perron (1988[7]; PP, henceforth) methodologies of unit root tests. Table – 1 and 2 both show the results of unit root tests under ADF and PP methodology for all the variables considering the time period 1970 - 2019.

Table - 1: Results of Augmented Dickey-Fuller (ADF) Unit Root Test

Variables and Specifications	Level		First Difference		Order of Integration
	Statistic	Prob.	Statistic	Prob.	
MS_DEF	2.8598	1.000	-4.2349	0.008	**I(1)**
FDI_NI_P	-0.7294	0.396	-8.3861	0.000	**I(1)**
Ln_GDP	14.165	1.000	-8.060	0.000	**I(1)**

Source: Researchers' own estimate by using E-Views Software.

Note: Test Critical Value has been checked at 1%, 5% and 10% level of significance respectively.

Table - 2: Results of Phillips-Perron (PP) Unit Root Test

Variables and Specifications	Level		First Difference		Order of Integration
	Statistic	Prob.	Statistic	Prob.	
MS_DEF	0.5405	0.999	-4.5186	0.003	**I(1)**
FDI_NI_P	-0.5926	0.456	-8.159	0.000	**I(1)**
Ln_GDP	13.393	1.000	-9.600	0.000	**I(1)**

Source: Researchers' own estimate by using E-Views Software.

Note: Test Critical Value has been checked at 1%, 5% and 10% level of significance respectively.

According to the result of ARDL cointegration analysis shown in Table - 3, null hypothesis was rejected for all three cases because F test statistics was bigger than upper bound.

Table - 3: Results of ARDL Cointegration Analysis

Period of Study	k (lag length)	F Test statistics	95% Lower Bound	95% Upper Bound	90% Lower Bound	90% Upper Bound	DW-statistic
1970 - 2019	3	6.9897*	5.2996	6.3875	4.4645	5.3834	1.8062
1980 - 2019	3	7.2541*	5.4475	6.4810	4.5442	5.4697	1.9132
1991 - 2019	3	6.9754*	5.7557	6.8110	4.6676	5.6422	2.2360

Note: F statistics was examined at the 5% and 10% significance level.

**** Cointegrating relationship exists.***

Long-term estimation results of three cases are presented in Table 4.

Table - 4: Long Term Estimation Results of ARDL

Period of Study	Variables	Coefficent	T-Ratio[Prob.]
1970 - 2019	FDI_NI_P	28.7266	1.4996[.142]
1980 - 2019	FDI_NI_P	11.5499	2.6323[.013]
1991 - 2019	FDI_NI_P	9.9557	2.8615[.010]

Short-term estimation results of three cases are presented in Table - 5.

Table - 5: Estimation Results of ARDL Error Correction Model

Period of Study	Regressor	Coefficient	T-Ratio[Prob.]
1970 - 2019	ecm(-1)	-.082540	-1.7945[.081]
1980 - 2019	ecm(-1)	-.20953	-3.9282[.000]
1991 - 2019	ecm(-1)	-.26381	-4.5326[.000]

Diagnostic test results are presented in following Table - 6 (checked for only the case of 1991 – 2019).

Table 6: Results of Diagnostic Tests (1991 – 2019)

Test Statistics	LM Version
F Test statistics	769.5862[.000]
Test of Autocorrelation (Lagrange Multiplier test of residual serial correlation)	.82811[.363]
Functional Form	2.9048[.088]
Test of Normality (Based on a test of skewness and kurtosis of residuals)	3.9338[.140]
Test of Heteroscedasticity (Based on the regression of squared residuals on squared fitted values)	2.3575[.125]

Values in brackets mean prob values.
**** signifies the significance level at %5 and %10.***

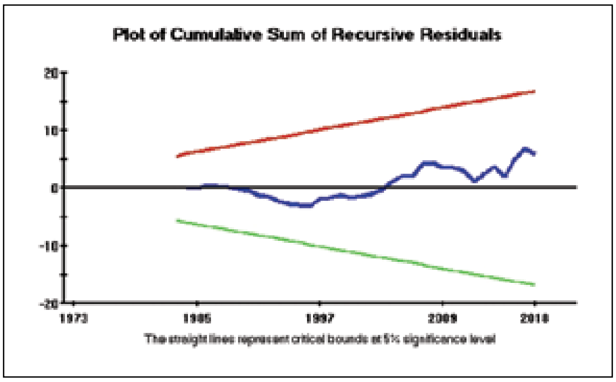
As per ARDL cointegration analysis shown in Table 3, satisfactory results are found for each case. But in long-run relationship analysis (as reflected in Table – 4), no long-run relationship among variables is found for the period 1970 – 2019 but when the time period decreases, the variables started to relate in long-run. In case of short-run relationship analysis, the same trend is found (as reflected in Table – 5).

Furthermore, in all the cases, from the long term estimation results of ARDL models, it is seen that there is a positive effect of FDI on military spending of Indian Defence sector.

All the diagnostic tests are examined for finally accepted model i.e. model for the period 1991 – 2019. Table – 6 gives the favourable results of F test statistics (used for general significance of the model), LM test (used to test autocorrelation), normality test. White test is used to determine whether there was heteroscedasticity or not. Null hypothesis suggests that there is no heteroscedasticity in white heteroscedasticity test.

Again, the cumulative sum of recursive residuals (CUSUM) and the cumulative sum of squares of recursive residuals (CUSUMSQ) are checked to check the stability of all the models (reflected in Figures 1–3).

Fig. 1: Plot of CUSUM and CUSUMSQ for the Model ranging the period from 1970 to 2019



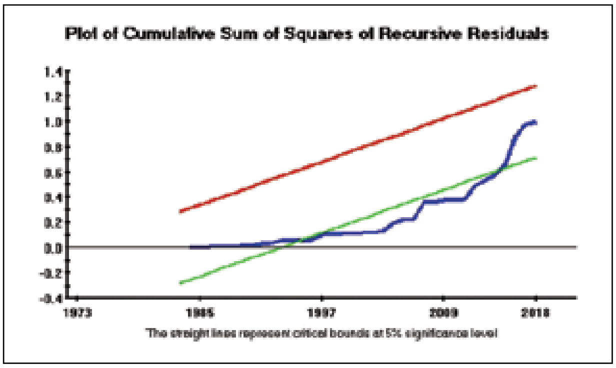
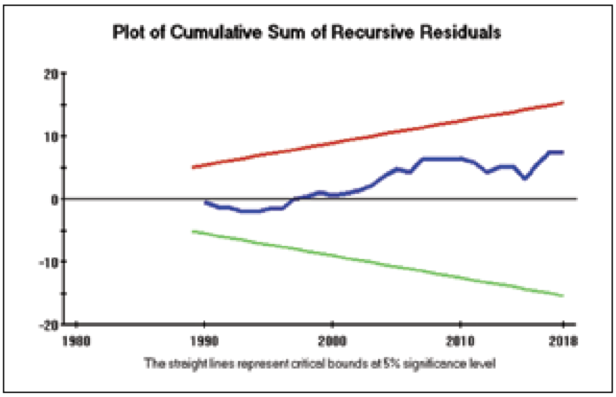


Fig. 2:Plot of CUSUM and CUSUMSQ for the Model ranging the period from 1980 to 2019



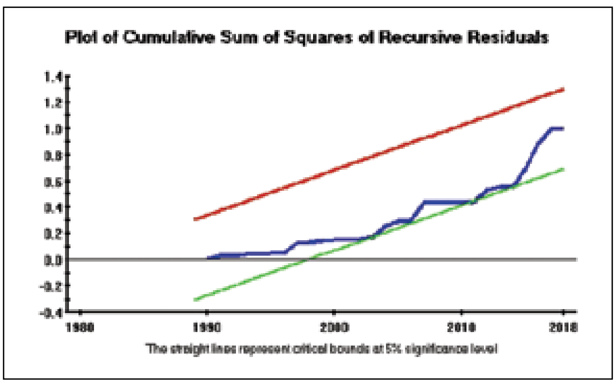
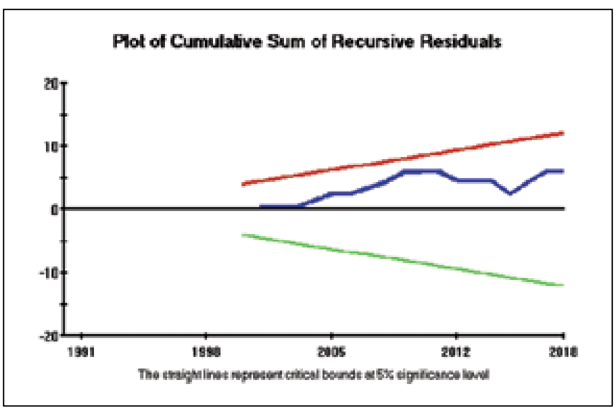
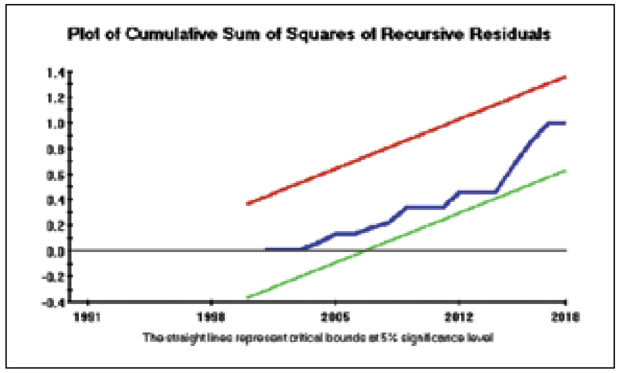


Fig. 3:Plot of CUSUM and CUSUMSQ for the Model ranging the period from 1991 to 2019





Figures 1-3 clearly give that CUSUM and CUSUMSQ are not favourable for first two cases (1970 – 2019 and 1980 – 2019) as the plots of the CUSUM and CUSUMSQ crossed the critical bound in the 5% significance level, then the null hypothesis that all coefficients are stable cannot be rejected. But in third case (1991 – 2019), both the CUSUM and CUSUMSQ plots lie within the 5% critical bound; hence, they show that the parameters of the model do not suffer from any structural instability over the period under review.

Conclusion

After liberalization it is found that FDI in Defence sector increased slowly. It is observed that more liberalized policy in FDI will lead more investment in Defence sector in India. The growth-oriented policies of the Government have created a favorable business environment in India. Due to changes of FDI policy, the FDI on Indian Defence sector impacted positively. If both domestic and foreign companies should invest more in Indian Defence design, development, and production, obviously India will be achieving self-reliance in Defence sector very soon. MA

References

1 *www.indiabudget.gov.in*

2 *Pesaran, H.M. and B. Pesaran, (1997). Working with Microfit 4.0: Interactive Econometric Analysis. Oxford University Press.*

3 *Pesaran, M.H. and R. Smith. (1998). Structural analysis of cointegration VARs. J. Econ. Sur. 12: 471-505.*

4 *Pesaran, M.H., Y. Shin and R. Smith. (2001). Bounds testing approaches to the analysis of level relationships. J. Appl. Economy. 16: 289-326.*

5 *Pesaran, M.H., Y. Shin and R. Smith. (2001). Bounds testing approaches to the analysis of level relationships. J. Appl. Economy. 16: 289-326.*

6 *Dickey, D. A., Fuller, W. A. (1981). Likelihood Ratio Statistics for Autoregressive Time Series with a Unit Root. Econometrica. Vol.- 49. pp. 1057–72.*

7 *Phillips, P.C.B. and P. Perron. (1988). Testing for a unit root in a time series regression. Biometrika, 75(2): pp. 335- 346.*

FDI IN HIGHER EDUCATION: RATIONALES AND PRIORITIES

Abstract

The paper looks at five rationales for FDI in higher education and outlines four sets of interlinked criticisms and how to address those criticisms through policy priorities. It argues that FDI needs to be seen as a complementing strategy in a portfolio of education reforms rather than considering it in silos.

Dr. Salil. S
Education Officer
University Grants Commission
Hyderabad
findsalil@gmail.com

Ideological discussions on public versus private and market versus state have been echoing in higher education since independence. While such deliberations were progressing, demand for higher education has exponentially grown, competition amplified, technologies advanced, and the need for quality education with global relevance heightened.

Currently, India has 945 Universities and around 40,000 colleges and is one of the largest higher education systems in the world. Policy discourses on educational reforms revolve around six themes; access, equity, affordability, accountability, quality, and excellence. These are interlinked and often conflicting. In the last two decades, the country made significant progress in Gross Enrolment Ratio (GER), the primary measure of access. The FDI in education and the likely entry of Foreign Universities (FUs) shall be viewed in the context of bringing out the last two themes; quality and excellence.

The idea of FDI is not new in Indian higher education. Bills were mooted in 2007 and in 2010 to regulate the entry of FUs with stringent stipulations. The conditions included a corpus fund of Rs. 50 crores, zero repatriation of surplus to the foreign country and a minimum track record of 20 years for the FU in their country, all of which made the entry less attractive for foreign players. The recent National Education Policy (NEP) 2020 envisages that '…selected universities e.g., those from among the top 100 universities in the world will be facilitated to operate in India. A legislative framework facilitating such entry will be put in place, and such universities will be given special dispensation regarding regulatory, governance, and content norms on par with other autonomous institutions of India'. There are four core rationales behind this argument.

Investment rationale

The most obvious and most criticised reason related to FDI is the investment rationale. It stems from the need for financial requirements to set up education facilities. According to the Institute of International Education (IIE), in the US alone, there were about 202,000 Indian students in 2018-19. About 750,000 Indian students are pursuing higher education in five countries, whose cumulative spending is approximately 50 percent of India's total FDI inflows, points out Deb (2020). The total FDI in education since 2000 has been about Rs. 2,051 crores, while the outflow of money from India as the expenditure incurred overseas on education by Indian students is about Rs. 30,000 crore a year. By bringing foreign universities to India, it is unwise and undesirable to expect to retain all of these students in India. Yet, the figures signify the economic imperative of FDI. The investment rationale cascades to investment in infrastructure, employment generation, and technology transfer. But in long term, the most compelling reason may be related to the cultural change in the academic community in India.

Cultural rationale

Our eternal educational dreams such as Intellectual discourse, institutional freedom, academic autonomy, visionary leadership, supportive administration, committed faculty, engaged student, and research ecosystem are cultural and structural than financial. Foreign Universities may impact the cultural status-quo in Indian academia. A repeated phrase in media while referring to higher education is 'over-regulated and under governed'. Many of our higher education institutions are highly centralised, standardised, and allegedly politicised. For the most part, they operate on silos imposed by the weight of conventions. The pattern and pedagogy existing for a long are yet to factor in the developments in cognitive sciences and learning analytics. Plagued by such cultural factors, the entry of FUs will result in community osmosis in academics, though its pace is unpredictable.

Collaboration and differentiation rationale

The common rhetoric that FDI will drive competition resulting in better choices may not always hold for higher education. Firstly, the intangible nature and the role of education in personal transformation and national building calls for being righteous than choice minded. Secondly, visions like one-country one-library, resource sharing across institutions, inter-institutional mobility, and knowledge transfer across institutions call for collaboration than competition. Thirdly, by collaboration, the institutions become more competitive. Being competitive is different from involving in traditional competition. Standardisation, triggered by the duopolistic accreditation generates competition instead of *being competitive*. The standardisation approach has resulted in evading the much-required competitive differentiation for many institutions. FUs can disrupt this approach and can prompt our academic culture to create meaningful differentiation and collaborations.

Complementation rationale

The entry of FUs will complement many existing schemes and will augment their purpose. Global Initiative of Academic Network (GIAN) which facilitates short visits of international faculty members to India, Scheme for Promotion of Academic and Research Collaboration (SPARC) to encourage research collaborations abroad, and Study India programme for inward student mobility are examples of schemes that may be augmented by FDI.

The idea of the Academic Bank of Credit (ABC) to store and retrieve academic credits earned from various educational providers is one of the latest in this portfolio of schemes with high disruption potential. This is also linked with the next argument for student mobility.

Mobility rationale

Internationalization, long ignored, is now part of the new agenda for reform (Altbach & Mathews, 2020). Rahul Choudaha (2017) analyses key trends in international student mobility within three temporal periods as shown in table 1. A natural extension of the fourth wave is conducive for FDI and FUs in India concerning student needs and institutional drivers.

Table 1: Waves of international student mobility

	Wave I	**Wave II**	**Wave III**	**Wave IV**
Period	1999-2006	2006-2013	2013-2020	**2020-**
Shaped by the dominant narrative	Talent and terrorism	Economics and English	Demographics Exposure	**Corona** **New learning experience** **Global Citizens**
Student Need	Financial support	Academic support	Career support	**Career support and mobility**
Institutional Driver	Research	Finance	Innovation	**Competitiveness and cross-border growth**

Source: Wave I, II and III from Rahul Choudaha (2017) and IV by the author.

Concerns and criticisms

A critique of concerns related to FDI and FUs results in four interlinked themes. The first category is the ideological critique on neoliberalism, commercialisation, commodification, and marketisation attributed to the education sector upon which the other three sets of concerns are based. This is the most abstract category of criticisms against which scalable alternatives are not visible in near future. The second is over-profiteering. The FUs may charge heavily from students and it may undermine equity and diversity.

The third criticism is that FDI may create unequal and unhealthy competition among institutions. It is feared that in the label of flexibility, the competition induces cost-cutting practices, compromise facilities, negotiate academic integrity, and may adopt exploitative methods. The attached concerns are the possibility of wooing students with catchy nomenclature, concealed financing schemes, and enticing advertisements.

The fourth concern is the likely disciplinary skews. FUs will tend to start market savvy courses and may sidestep courses orienting individual growth, national priorities, and civic values. Prioritising the policy, regulations, rules, and schemes by factoring in the above concerns is the first step in the successful implementation of FDI in education.

Priorities for implementation

The domain of critical marketing studies says that everything cannot be kept up for sales. The implementation priority with the focus on the *limits of the market* and *multi-model accountability* can resolve most of the valid criticisms.

Regarding the first and second criticisms, note that the expectation from FUs is more on quality and excellence, not necessarily access. FUs may largely serve students who can financially afford it. But it can be augmented by mandatory scholarships, fellowships, and assistantships to address this to some extent. The critique on neoliberalism cannot continue to be a mask for passivity and lack of alternatives when the country requires competitiveness to engage in the world economy. At the same time, lessons from alternative higher education providers and practices from avant-garde institutions need to be studied for developing more appropriate models such as ecoversity. Good and bad evidence of internationalisations exists to chart, pace and prioritise for practice.

Most of the concerns, particularly the third set, boil down to a single factor; *accountability*. Developing an Accountability Framework for the operation of FUs will be an actionable way forward for FDI implementation. Unhealthy competition, the third criticism, is already seen among many institutions in India primarily because of lack of competitive differentiation, or ill-conceived projections on the need of institutions. Unlike in the FMCG market, the unfair competition in formal higher education is mostly contributed by macro-level planning lacuna. International Monetary Fund, used the term 'lasting interest' while defining FDI, implying the existence of a long-term relationship between the direct investor and the direct investment enterprise. By validating the investment horizon of potential players many dubious practices can be pre-empted.

A granular level plan of disciplinary priority considering indigenous research requirements and cross-border skill mobility will avoid the disciplinary skews. Operational rules for implementation may embed channelising more state funds to the non-market driven disciplines and surplus apportionment from market savvy courses.

Education is already inundated by information asymmetry, despite mandatory disclosures. Therefore, another priority may be strengthening the disclosures with data-slicing facilities. Financial disclosers with details of investments, repatriation, cash flows, fees and other revenues; and academic disclosures encompassing faculty details, emoluments, relevant matrices, admissions, examinations, placements, accreditation, and industry interfaces can be block-chained.

Conclusion: Balancing big rocks

GATS conceptualises four modes for the supply of educational services. First is 'cross-border' education encompassing distance and online learning programmes. The second mode is 'consumption abroad' representing study abroad programmes. The third is 'commercial presence' where separate campuses are set up in another country. Fourth is the 'presence of natural persons' involving the temporary movement of faculty and professionals as seen in some executive programmes. The proposed reforms in FDI may promote multiple modes of entry by meshing these modes which are currently limited to exchange and twinning arrangements. To happen so, as Deb Palash (2020) argues more flexible and customized approach needed for the entry of FUs than a rigid rankings-based approach.

Provisions for accountability and fixing priorities for implementation can balance seemingly competing factors. Along with the higher allocation of GDP in education, many studies call for a major change in policies towards FDI inflow and collaboration with reputed FUs (Misra, 2015). Looking at the rationales, criticisms and policy priorities presented, FDI in education and the likely entry of FUs must be seen as part of a larger portfolio of reforms in higher education. MA

References

1. *Choudaha, Rahul (2017).Three waves of international student mobility (1999–2020). Studies in Higher Education, 42(5), 825–832.doi:10.1080/03075079.2017.1293872*
2. *Deb, P. (2020). Vision for Foreign Universities in the National Education Policy 2020: A Critique. Rajiv Gandhi Institute for Contemporary Studies, 1-29. https://www.rgics.org/wpcontent/uploads/Foreign-Universities-in-India-Palash-Deb.pdf*
3. *Misra, S. N.; Bal, Monalisa (2015) Indian Journal of Higher Education. Jan-Jun2015, Vol. 6 Issue 1, p54-63. 10p.*
4. *Philip G. Altbach & Eldho Mathews (2020) Is Indian Higher Education Finally Waking Up?, Change: The Magazine of Higher Learning, 52:3, 54-60, DOI: 10.1080/00091383.2020.1745602*
5. *National Education Policy 2020. Ministry of Education, https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf accessed on 15.03.2021*
6. *https://www.iie.org/en/Research-and-Insights/Open-Doors*

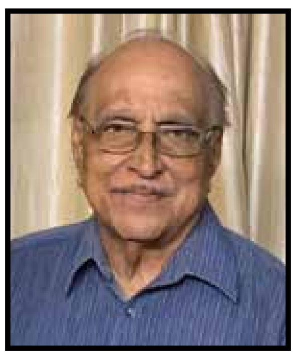
(Views are personal)

OBITUARY

CMA Arun Kumar Chatterjee, a Senior Partner of Mani & Co., passed away on March 14, 2021, in Kolkata.

Our deepest condolences to all his family members at this time of inconsolable grief.

God let his soul rest in peace.



CMA A. N. S. Poduval, Chairman, SIRC of ICAI (1995-96) and also Chairman of the Cochin Chapter (1985-86)], passed away on March 29, 2021 at his residence. God let his soul rest in peace.

A STUDY ON FDI IN INDIAN SCENARIO DURING THE COVID-19

Abstract

An attempt has been made in this paper so as to analyze the FDI (Foreign Direct Investments) inflows in India during the Covid 19 period. The period of study has been taken from January, 2020 to September 2020. The FDI Inflows has been analyzed as follows:

- *Total FDI Inflows in India during the Covid 19 pandemic period.*
- *FDI Inflows: Sector wise Analysis during the Covid 19 pandemic period*
- *FDI Inflows: Country wise Analysis during the Covid 19 pandemic period*
- *FDI Inflows: State wise Analysis during the Covid 19 pandemic period*

On basis of the findings of the study conclusions has been framed.

Dr. Arindam Banerjee
Assistant Professor
J. D. Birla (Department of Management)
Kolkata
arindamresearch790@gmail.com

1. Introduction:

The era 90's saw very significant policy changes introduced in the sphere of financial sector, foreign trade, public sector and social sector, The year 1991 was the one when the process of liberalization and globalization hit the Indian economy and pushed our country to break open the "Inward Looking" policy when the emphasis was accorded to protectionism and import substitution. Since 1991, India has proved to be a key player in the world. Our country's interaction has increased with many economies ties, political harmony, tourism trade and services more significantly in the area of investment. The effect of above said changes are quite evident in terms of investment made by the Indian Companies abroad and vice versa. Up to 1991, the FDI's in India are minimal in number and volume and was seen barely in some key areas.

Of late, India has taken steps towards allowing FDI in a few sectors. The cabinet approved new FDI norms for several sectors.

Covid 19 pandemic had a disruptive effect on the functioning of the business all round the globe. The global financial market has witnessed major downturn. The Indian market too witnessed adverse effect due to Covid 19. The present study tried to investigate into the Foreign Direct Investment Inflows (FDI) in India during the Covid 19 era. The study has taken the time period from January, 2020 to September, 2020 to understand the total FDI inflows in the country during this period. Apart from this the study further tries to find out

- FDI Inflows: *Component wise Analysis* (during the Covid 19 pandemic period)
- FDI Inflows: *Country wise Analysis* (during the Covid 19 pandemic period)
- FDI Inflows: *State wise Analysis* (during the Covid 19 pandemic period)

2. Literature Review:

According to the International monetary fund (IMF), FDI can be defined as "An Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor. The investor's purpose is to have an effective voice in the management of the enterprise."

The following past literature were referred for the present study:

- Vyas (2015) in his paper have focused on the trend of the FDI Inflows in India during the time period of 2000-01 to 2014-15. The paper also investigates into country wise approvals of FDI Inflows in India and different sectors during the same time period.
- Singh et al (2012) in their paper have tried to investigate into the amount of foreign investment required by India, for its economic development and have also tried to analyze the trend and role of FDI & FIIs in improving the quality and availability of goods.
- Nirmala et al.(2013) in their paper have made an analysis on the FDI Inflows year wise, sector wise , country wise as well as total FDI Outflows.
- Mishra et al. (2018) in their paper have focused on the trends of FDI Inflow in India during the period from 2000-01 to 2015-16. This study has been done to understand core concept of FDI Inflows and major contributions of FDI Inflows in various sectors in India.
- Kumar (2020) in his paper focuses on secondary data based Sectoral Analysis of the inflow of FDI in India during 2000 to 2019. This paper also focuses on FDI policy framework, country-wise, equity wise FDI inflow in India

3. Research Methodology

The time period of the present study is from January, 2020 to September 2020 which is considered to be the Covid 19 era and the analysis has been made during this time period. The data relevant to the study has been collected from the reports of the Ministry of Commerce and Industry, the department of industrial Promotion and Policy (DIPP), the government of India, Centre for monitoring Indian Economy (CMIE), Reserve Bank of India (RBI) and Journals. Information has been taken from the World Development Report and World Investment Reports.

4. Objectives of the Study:

The major objectives of the present study are as follows:

- Analysis of total FDI Inflows in India during the Covid 19 pandemic period
- Analysis of Sector wise FDI Inflows during the Covid 19 pandemic period
- Analysis of Country wise FDI Inflows during the Covid 19 pandemic period
- Analysis of State wise FDI Inflows during the Covid 19 pandemic period

5. Finding and Analysis

5.1 FDI Inflows during the COVID 19 Era:

The present section deals with the finding and results regarding the total FDI Inflows in India during this time period taken for the study i.e. from January 2020 to September 2020. The entire time period of the study has been segregated into three (3) quarters i.e. a) 1st Quarter: January 2020 to March 2020. b) 2nd Quarter: April 2020 to June 2020 and c) 3rd Quarter: July 2020 to September 2020. It can be observed from Table 1 that the FDI Inflows during the 2nd Quarter has declined significantly from 13209 US Million$ (1st Quarter) to 6562 US Million$ (2nd Quarter). This relates to around 50.32% decline in the 2nd Quarter. This was the time when national lockdown was announced by our honorable Prime Minister. This resulted in the dip in the FDI Inflows. But it can be observed from Table1 that during the 3rd Quarter (July 2020 to September 2020) the FDI Inflows have increased by more than 250% compared to the 2nd Quarter (April 2020 to June 2020) which is encouraging news for the economy. The result of Table 1 is presented below:

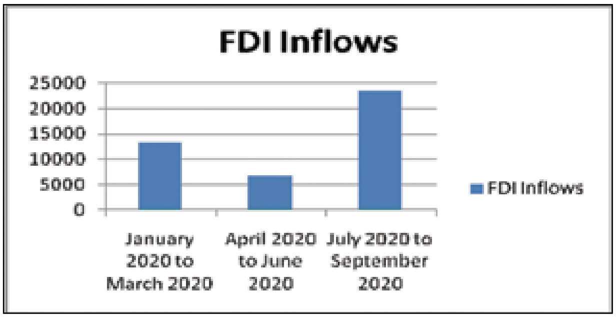
Table 1: FDI Inflows in India from January, 2020 to September, 2020 (in US Million$)

Period	FDI Inflows
January 2020 to March 2020	13209
April 2020 to June 2020	6562
July 2020 to September 2020	23442

Source: Compiled by Authors

The FDI inflows during this time period is represented by Graph 1 which depicts that the FDI Inflow took a huge dip during the 2nd quarter **(April 2020 to June 2020)** compared to **1st Quarter** (January 2020 to March 2020) mainly due to the lockdown declared which had an effect on the FDI Inflows. But in the 3rd Quarter **(July 2020 to September 2020)** the FDI Inflows increased by huge amount compared to the previous quarter. The result of Graph 1 is presented below:

Graph 1: FDI Inflows in India from January, 2020 to September, 2020 (in US Million$)



Source: Compiled by Author

The entire time period of the study has been segregated into three (3) quarters ie a) January 2020 to March 2020 b) April 2020 to June 2020 and c) July 2020 to September 2020. The FDI Inflows during these quarters are actually compared with the FDI Inflows for the same quarters during the previous year 2019.

In Table 2 we can observe that the FDI Inflows in India during the period January, 2020 to March 2020 has been compared with the FDI Inflows during the same quarter in 2019. It can be seen that the FDI Inflows have increased by around 21.47% during this quarter in 2020 in comparison with the same quarter in 2019. The result of Table 2 is given below:

Table 2: FDI Inflows in quarter (January to March) of 2020 and 2019 (in US Million$)

Period	FDI Inflows	% Increase/ Decrease
January 2020 to March 2020	13209	21.47323892
January 2019 to March 2019	10874	

Source: Compiled by Author

In Table 3 when we compare the FDI Inflows in the quarter (April to June) of 2020 with 2019 we can observe that the FDI Inflows has decreased by around 60% in the quarter of 2020 in comparison to 2019. It may have happened due the national lockdown announced by our honorable prime minister to combat the pandemic situation that the country was facing.

The result of Table 3 is given below:

Table 3: FDI Inflows in quarter (April to September) of 2020 and 2019 (in US Million$)

Period	FDI Inflows	% Increase/ Decrease
April 2020 to June 2020	6562	-59.81628904
April 2019 to June 2019	16330	

Source: Compiled by Author

A very interesting thing is observed from Table 4. It can be seen from Table 4 that FDI Inflows during the quarter (July to September) of 2020 has increased by around 140% compared to the same quarter in 2019. Hence we can say that FDI Inflows actually peaked up in this quarter comprising of July, 2020 to September 2020 vis a vis the previous quarter of April, 2019 to June, 2019. The pandemic effect was felt on FDI Inflow during the quarter from April 2020 to June 2020. The result of Table 4 is given below:

Table 4: FDI Inflows in quarter (July to September) of 2020 and 2019 (in US Million$)

	FDI Inflows	% Increase/ Decrease
July 2020 to September 2020	23442	140.0368626
July 2019 to September 2019	9766	-1.482901241

Source: Compiled by Author

5.2 FDI Inflows: *Sector wise Analysis* (during the Covid 19 pandemic period)

In this section a comparison is made between the FDI Inflow in the different sectors in India during the period of April 2020 to September 2020 with respect to the same period during 2019.

It can be observed from Table 5 that the Computer Industry (comprising of Software and Hardware) had the maximum increase in FDI Inflows (by 336%) in the Quarter (April to September) in 2020 in comparison to the same period in 2019.

In case of Services, Telecommunication, Construction and Trading sector the FDI Inflows reflected a decrease of 49%, 99%, 55% and 55% respectively in the quarters of 2020 in comparison to the same period in 2019.

Hence we can safely deduce from the calculation from Table 5 that Computer Industry was the most preferred destination of FDI Inflows during the pandemic period. The result of Table 5 is given below:

Table 5: Sector Wise FDI Inflows – Top 5 Sectors (in US Million$)

SECTOR	April 2019 to Sept 2019	April 2020 to Sept 2020	%Increase/ Decrease
Services Sector	4,455	2,252	-49.45005612
Computer Industry	4,025	17,554	336.1242236
Telecommunications	4,280	7	-99.8364486
Construction	264	118	-55.3030303
Trading	2,143	949	-55.71628558

Source: Compiled by Author

5.3 FDI Inflows: *Country wise Analysis* (during the Covid 19 pandemic period)

In this section a comparison is made between the FDI Inflows in India from the Top 5 countries during April 2020 to Sept2020 vis a vis during the same period during 2019. In the Table 6 it can be observed that for Mauritius, Japan and Netherland it reflects a decrease in FDI Inflows in India during the April,2020 to September 2020 in comparison to April 2019 to Sept 2019 period by 68%,63% and 35% respectively. But for USA and Singapore there has been an increase of FDI Inflows by more than 200% and 3 % respectively for April,2020 to September 2020 period in comparison to April 2019 to Sept 2019 period.

Hence we can safely deduce from the calculation that FDI Inflows from USA to India was most prominent during the pandemic period. The result of Table 6 is given below:

Table 6: Country Wise FDI Inflows – Top 5 Countries (in US Million$)

COUNTRY	April 2019 to Sept 2019	April 2020 to Sept2020	% Increase/ Decrease
MAURITIUS	6,364	2,003	-68.52608422
SINGAPORE	8,019	8,301	3.516647961
JAPAN	1,784	653	-63.39686099
USA	2,152	7,123	230.9944238
NETHERLANDS	2,323	1,498	-35.51442101

Sources: Compiled by Author

5.4: FDI Inflows: *State wise Analysis* (during the Covid 19 pandemic period)

In this section a comparison is made between the FDI Inflows in Top 5 States in India during the period from April 2020 to September 2020 in comparison during the same period during 2019. It is observed from Table 7 that in case of Gujarat the FDI Inflows reflects an increase of 362 % from April 2020 to September 2020 in comparison to April 2019 to September 2019. But in case of the States of Karnataka, Delhi and Tamil Nadu, FDI Inflows reflects a decrease in the amount during the year April 2020 to September 2020 in comparison to the same quarter in 2019. Hence we can safely assume that during the pandemic period Gujarat was the most preferred state for FDI Inflow destination. The result of Table 7 is given below:

Table 7: State Wise FDI Inflows – Top 5 States (in US Million$)

STATE	April 2019 to Sept 2019	April 2020 to Sept 2020	% Increase/ Decrease
GUJARAT	3,461	16,005	362.4386016
MAHARASHTRA	3,617	3,619	0.055294443
KARNATAKA	4,649	3,660	-21.27339213
DELHI	7,171	2,663	-62.8643146
TAMIL NADU	1,348	938	-30.41543027

Sources: Compiled by Author

6. Conclusions:

An attempt has been made in the present study to investigate into the FDI Inflows in India during the Covid 19 pandemic period. The period of the study has been taken from January, 2020 to September, 2020.

The main findings of the study can be summarized as below:

- It was observed that the FDI Inflows during the quarter of April 2020 to June 2020 (6562 US Million $) decreased when compared to the quarter January, 2020 to March 2020 (13209 US Million$) i.e. by around 50%. But during the quarter of July 2020 to September, 2020 again the FDI Inflows in India increased.
- It was observed that during the quarter April 2020 to June 2020 FDI Inflows highlighted increase of around 59% compared to the same quarter during 2019.
- It was observed that there was an increase in the FDI Inflows in Computer Industry (software and hardware) during the quarter April, 2020 to September, 2020 compared to the same quarter in 2019 by around 336% while in case of Services sector, Telecommunication, Trading and Construction it reflected a decreasing trend mainly effected due to lockdown declared because of COVID 19 pandemic.
- The FDI Inflows from USA reflected a record increasing of around 200% during the quarter April, 2020 to September, 2020 compared to the same quarter in 2019 while Mauritius, Japan and Netherland reflected a decreasing trend.
- The FDI Inflows in Gujarat reflected a record increasing of around 362% during the quarter April, 2020 to September, 2020 compared to the same quarter in 2019 while Karnataka, Delhi and Tamil Nadu reflected a decreasing trend.

It can be concluded from this study that FDI Inflows in India took a dip during the quarter of April 2020 to June 2020 due to the national lockdown announced by our honorable Prime Minister but the FDI Inflows increased during the quarter of July 2020 to September 2020. Gujarat is a state which has been attracting FDI Inflows at a greater rate compared to other states in India. Gujarat being a manufacturing hub and having a conducive environment to support industry, regulatory reforms and policies and the world class infrastructure is attracting FDI compared to other states. During the pandemic period from April to September 2020 FDI inflows in Gujarat increased compared to other states during the same period in 2019. Computer industry (both hardware and software) have also beaten all the odds to attract the maximum FDI Inflows during the pandemic period of April, 2020 to September 2020 compared to the same period in 2019. The Information Technology industry has shown rapid growth in the last decade. This sector is attracting a considerable amount of FDI in the recent years. The investments are made in the four principal sectors in the Indian Information Technology sector. i.e. online businesses, information technology services, information technology based services and software merchandise. Newer investment opportunities are opening every now and then in the Indian IT sector. It is also seen from the study that the maximum FDI Inflows to India had come from USA during the period of April, 2020 to September 2020 in comparison to the same period in 2019.

Hence it can be concluded from the present study that though FDI Inflows had taken a back seat during the initial period of the national lockdown announced by our honorable prime minister to combat the Covid 19 pandemic but it peaked up in the later months. Thus India was not affected much with regard to the FDI Inflows in the country during the pandemic period. MA

References:

1. *Vyas, A. V. (2015). An analytical study of FDI in India. International Journal of Scientific and Research Publications, 5(10), 1-30.*
2. *Singh, J., Chadha, S., & Sharma, A. (2012). Role of foreign direct investment in India: An analytical study. Research Inventy: International Journal of Engineering and Science, 1(5), 34-42.*
3. *Nirmala, S., & Kirthika, M. M. (2013). An analytical study on India's Foreign Direct Investment. International Research Journal of Business and Management, Volume No–V, 84-96.*
4. *Mishra, A., Ranjan, N., & Sahu, T. (2005). Analytical Study of Foreign Direct Investment (FDI) Inflows in India. Journal of Management and Science , 1 , 38.*
5. *Kumar, G., & Agarwal, A. (2020). Recent Trends of Foreign Direct Investment Inflows in India: An Analytical Review (2000-2019). Itihas-The Journal of Indian Management, 10(1).*

Websites Referred:

1. *https://dipp.gov.in/publications/fdi-statistics*
2. *https://www.cmie.com/*
3. *https://www.rbi.org.in/*

FOREIGN DIRECT INVESTMENT AND INDIAN EXPORT PERFORMANCE: AN EMPIRICAL STUDY

Abstract

In terms of International Economics, FDI inflows have the potentials of enhancing the exports of manufactured goods produced in the host nation. In the context of India, depending on the methodology applied, the scholars obtain conflicting findings. Authors argue that if FDI, as variable, can explain export performance, then the sectors receiving higher proportions of FDI should be dominant exporters. Empirical findings fail to prove it. In fact, industries dominating the export-pie are the industries of Indian comparative advantage. If MNCs focus on the profits of grabbing the local market, the incentive for the exports appears weak. As per OLI Paradigm, Multinational Enterprises take the FDI strategy to overcome the difficulties of cross-border trade, not to enhance cross-border trade. Therefore, if the country wants FDI to augment export earnings, following the line of Malaysia and Thailand, it should pursue the strategy of permitting inflow of export-oriented FDI only.

Prof. Dipen Roy
Professor
Department of Commerce, University of North Bengal
Raja Rammohunpur
dipenroynbu@gmail.com

Rubi Ghosh
Part-time Lecturer
Department of Business Administration
Siliguri Institute of Technology, Siliguri

1. Introduction

In the nineties of the last century, while frontiers were made open to inward flows of Foreign Direct Investment (FDI), economists greatly advocated for further liberalization of the rules for attracting larger quantities of FDI. Since then, norms for FDI participation have been drastically relaxed to encourage foreign firms to invest in India. Now 100% FDI is allowed in many sectors except few strategic sectors such as defence, railways, etc.

The impact of FDI on growth of host country is manifold (De Mello, 1997), because inflow of FDI amounts to inflow of foreign exchange, knowledge capital, technology and brand equity (Balasubramanyam, Salisu and Sapsford, 1996). Foreign Direct Investment in some countries like China and Malaysia has strengthened the export base and added momentum to the rate of economic growth. Acting on this line, India has redesigned its economic policies, liberalized entry barriers and overhauled administrative machineries for attracting rising volume of FDI inflows into the country.

The economists argue that liberal FDI inflow has the potentials of enhancing the exports of manufactured goods produced in the host nation; inflow of foreign exchange on FDI account can partly meet the negative trade gap and help in fighting the Balance of Payment crisis. Now, after almost thirty years after announcing relaxations for FDI, the time has come to examine the extent to which FDI has helped in enhancing exports performance of the country. To pursue the objective, this paper analyses the effect of FDI on manufactured exports on the basis of empirical facts of the country.

2. Literature Review

There is no consensus in respect of the effect of foreign direct investment on manufactured exports of the host country. While a great number of the studies overrule the possibility of FDI contributing to growth of exports, other studies trace the presence of positive influence of FDI on exports.

Though there are plenty of studies on effect of FDI on growth rate of GDP, the studies on the effect of FDI on export performance of the host country are limited. UNCTAD (1999) found a significant positive relationship between FDI and export performance of the host country. The relationship is stronger for developing countries than for developed countries. Studies made in Thailand, Malaysia, Singapore, etc., provide clear evidence of the tangible effect of FDI on export growth. This is to be noted that the South-East Asian countries noted above pursued the policy of permitting only the export-oriented FDI.

Experiences of South Korea and Malaysia support the fact that FDI can increase the export volume of the recipient country [Liu Xiaming, *et al* (2001); Pain Nigel, et al (2002); Samsu Siti Hajar, et al. (2008)]. In this context, Indian experience is not conclusive. Depending on the methodology applied, the scholars present conflicting findings. Sharma, Kishor et al (2000) observe that export growth is significantly the effect of declining of export prices caused by devaluation of rupee. FDI inflows are observed to have no effect on export performance of Indian manufacturing sector. Hence, the positive effect of inward FDI on export performance is not statistically valid.

Goswami, Chandrama *et al* (2012) notice bi-directional causality of FDI and Exports. Whereas using time-series analysis Chakraborty, Debashis et al (2017) trace the evidence that exports influence FDI inflows, the reverse is not true. Contrary to this, Mohanty, Saileja and Sethi, Narayan (2019) observe that FDI has a Granger cause to enhance export.

While a great number of the studies overrule the possibility of FDI contributing to growth of exports, other studies trace the presence of positive influence of FDI on exports.

While time-series analysis does not provide a conclusive evidence in respect the effect of FDI on export performance, scholars like Joseph, T J and Reddy, V Nagi (2009) analyses spill over effects; the scholars find no evidence to support the hypothesis that there exist spill overs to induce exports. In fact, as in India the majority of the FDIs come to exploit domestic market, the room for learning the export lessons form the multinational enterprises is limited.

The present study, instead of using robust statistical analysis, applies very simple methodology to understand the existing relationship between these two variables, FDI and Export Performance, in the context of the country.

3. The Objective of the Study:

The objectives of the study have been enumerated below:

a) To identify the sectors receiving considerable proportions of FDI

b) To identify the sectors earning considerable proportion of the export earnings

c) To examine the link between sectors receiving FDI and the sectors dominating exports

d) To measure the effect of FDI on export performance of the country.

4. Methodology of the Study:

The study is basically based on secondary data. Data on FDI and Exports have been collected from CMIE Outlook database. Sector-wise distribution of exports and FDI have been collected from Economic Survey and web portal of Department of Industrial Policy and Promotion. The period of study is 25 years, from 1994-95 to 2018-19.

Analysis of data is based on two different lines of arguments. The first argument requires verifying if the sectors receiving the highest percentage of FDI are the biggest exporters. If FDI, as variable, can explain export performance, as per common-man's logic, the sectors receiving higher proportions of FDI should be dominant exporters. The second approach involves application of OLS. Analysis is done after making adjustment for stationarity of data. Incidental t-test, simple correlation and OLS have been used to arrive at the final conclusions.

5. Sectors Receiving FDI *vis-à-vis* Sectors Dominating Exports: Is there any Link?

Table 1 shows the top FDI recipient sectors and top export earning industries. Major FDI receiving sectors are shown in Panel A, while the industries earning sizeable export proceeds are shown in Panel B. As service sector is characteristically different, we have decided to confine analysis to manufacturing industries only. From visual inspection of both panels of the table, we find no link between the FDI recipient sectors and export earning sectors. The sectors which are constituting the major proportion of Indian exports are not financed and built by the inflow of FDI. Rather these are the areas of Indian comparative advantage.

FDI is coming in computer hardware and software for producing and selling computers in Indian market, not for exporting them abroad. However, researchers make application of robust statistical analysis for tracing the effect of FDI on manufactured exports.

Particularly for India, where MNCs focus on the profits of grabbing the local market, the incentive for the exports business is very weak.

Table 1: Major FDI Recipient Sectors vis-à-vis Major Export Earning Sectors

Panel A: Sectors Receiving FDI*		Panel B: Sectors Earning Export Revenue#	
2014 to 2020	% of FDI	Year 2018-19	% of Export
Computer	13.40%	Gems & Jewellery	12.1%
Trading	8.90%	Machinery & instruments	8.3%
Telecom	8.45%	Transport equipment	7.3%
Construction	5.84%	Manufactures of metals	4.7%
Automobile	5.60%	Readymade Garments	4.9%
Hotel and Tourism	3.24%	Primary & semi-finish Iron & Steel	2.9%
Chemical	3.15%	Cotton yarn, fabrics, made-ups etc.	2.7%
Non-Conventional Energy	2.53%	Electronic Goods	3.2%
Metallurgy	2.44%	Leather and footwear	1.6%
Power	2.41%	Drugs and Pharmaceuticals	1.2%
Information Technology	2.28%	Dyes & Coal-tar chemicals	0.9%
*Source: DIPP, Table 17C, June 2020		#Source: Economic Survey 2019-20	

Some of the countries are characteristically export intensive. Exports constitute more than 60% of the GDP of countries like Hong Kong, Singapore and Malaysia. Compared to these countries, India's share of export in total GDP of the country is relatively much lower, which is measured at 18% only. Secondly, negative trade gap of India is continuously worsening. That is, economic growth of India is not export-led. Hence, the expectations that inflow of FDI will boost export earning has only limited reason.

6. Inward FDI vis-à-vis Export Growth: Empirical Facts

In this paragraph we make application of OLS. As the raw data on exports and FDI inflows are not stationary, we have used the growth rates of these variables. The annual growth rate of FDI is treated as the explanatory variable and annual growth rate of Indian export is counted as the explained variable. This model is based on the belief that faster increase of FDI inflows induce the space of export growth. Applying OLS on 25 years' growth rates of FDI and growth rates of export [from 1994-95 to 2018-19], the following results were obtained; see Table 2.

Table 2: Effect of FDI on Export
Coefficients[a]

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	13.397	2.623		5.107	.000
Annual Growth Rate of FDI	.060	.050	.248	1.199	.243

a. Dependent Variable: Annual Growth Rate of Export

The goodness of fit of this model is hopelessly 6% only. The coefficient of FDI growth explaining export growth is statistically insignificant. Hence, the advocated positive effect of FDI on export growths cannot be proved from the twenty-five years data on FDI received and Indian Export growth. Therefore, the expectation that FDI can push up the export growth is not empirically acceptable in the context of Indian experience. The relationship can be intuitively built, based on simple logic; however, it may not be universally true in respect of every country. Particularly for India, where MNCs focus on the profits of grabbing the local market, the incentive for the exports business is very weak.

The result of the study conforms to OLI Paradigm (*Buckley and Casson, 1976*) of FDI Theory, which states that Multinational Enterprises take the FDI strategy to overcome the difficulties of cross-border trade, not to enhance cross-border trade. If an FDI destination, say, an LDC has good market for the products of a Multinational Enterprise (MNE), the concerned MNE examines the possibility of an FDI, when costs of exporting are considerably higher than costs of producing abroad. In the next paragraph we are examining the OLI paradigm using cross-country data.

7. Market Size and Inward FDI: Verifying OLI Paradigm

In this paragraph we examine the relationship between market size and amount of FDI inflow to verify the merit of OLI paradigm. GDP of the country is used as a proxy variable to denote market size. Table 3 shows the countries with greater size of GDP are receiving higher amount of FDI inflows. The coefficient of correlation between market size and FDI inflow is strong ($r = 0.93$) as well as statistically significant. Therefore, the finding of the analysis supports that OLI paradigm is statistically as well as operationally valid and verifiable.

Table 3: Market Size and FDI Inflow: Global Scenario

Country	#GDP for 2017 $ trillion	* FDI inflow in 2017 ($ billion)
US	19.48	277

China	12.24	134
Germany	3.69	37
India	2.65	40
UK	2.63	101
France	2.58	30
Brazil	2.08	68
Italy	1.94	22
Source: *FDI = World Investment Report 2019 #FDI= https://www.worldometers.info/gdp/gdp-by-country/#		

8. Conclusion

With launching of liberalization in 1991, frontiers were made open to liberal inflow of FDI. Academicians had the hope that inflow of FDI would drastically multiply Indian exports and solve the BoP crisis. Contrary to this, in India FDI comes to grab domestic market; hence, the expectation of export generation has appeared mistaken. The findings of the study support OLI paradigm of *Buckley and Casson (1976)*, which states that Multinational Enterprises take the FDI strategy to overcome the difficulties of cross-border trade, not to enhance cross border trade. MA

References:

1. *Balasubramanyam, V. N., Salisu, M. A., Sapsford, D. (1996). Foreign Direct Investment and Growth in EP and IS countries. Economic Journal. Vol. 106 (434), pp. 92–105.*
2. *Buckley, Peter J and Mark Casson (1976). The Future of Multinational Enterprise. Macmillan. London.*
3. *Chakraborty Debashis et al (2017). FDI Inflows Influence Merchandise Exports? Causality Analysis for India Over 1991-2016, Global Economy Journal. Vol. 17(3) https://doi.org/10.1515/gej-2017-0020*
4. *De Mello, L. R. Jr., (1997). Foreign Direct Investment in Developing Countries and Growth: A selective survey. Journal of Development Studies. Vol. 34(1), pp. 1–34.*
5. *Goswami, Chandrama et al (2012). FDI and its relation with exports in India, status and prospect in north-east region. Procedia- Social and Behavioural Sciences, vol. 37. pp. 123-132*
6. *Joseph, T J and Reddy, V Nagi (2009). FDI Spillovers and Export Performance of Indian Manufacturing Firms after Liberalization. Economic and Political Weekly, Vol. 44, No. 52, pp. 97-105*
7. *Liu, Xiaming; Wang C. Wei, Yingqi (2001). Causal links between foreign direct investment and trade in china. China Economic Review. Vol. 12(2-3). pp. 190-202*
8. *Mohanty, S and Sethi, N (2019). Does Inward FDI Lead to Export Performance in India? An Empirical Investigation. Global Business Review. https://doi.org/10.1177/0972150919832770*
9. *Pain Nigel, Wakelin K (2002). Export Performance and Role of Foreign Direct Investment. The Manchester School. https://doi.org/10.1111/1467-9957.66.s.4*
10. *Samsu Siti Hajar, et al. (2008). Causal Link between Foreign Direct Investment and Exports: Evidence from Malaysia, International Journal of Business and Management, Vol. 3(12). pp. 177-183*
11. *Sharma, Kishor et al (2000): Export Growth of India: Has FDI Played a Role? Discussion Paper 618. www.econ.yale.edu/growth_pdf/cdp.816.pdf*
12. *UNCTAD. (1999). World Investment Report, Foreign Direct Investment and the Challenges of Development. United Nations: New York Geneva. https://unctad.org/system/files/official-document/wir1999_en.pdf*

ATMANIRBHAR ABHIYAAN IN AUTO INDUSTRY: A SHOWCASE [AAA: A SHOW CASE]

Abstract

Atmanirbhar Bharat Abhiyaan is a vision of New India to make India self-reliant to fulfil its own needs. This realisation is felt during Covid -19 challenges. This made us to learn challenges to be accepted as opportunities and avail these with best efforts. We opined it as a blend of Gandhian Philosophy of "Swavalamban" & Modi's "Make in India" Campaign, or to put it, we name it as a modern version of self-reliance. It is because, with focus to attract FDI, investment & innovation in India and to make the country economically independent. To make it clear it is not confused with being protectionist. It is about building our strength domestically, to play more effectively internationally. So, in case such any form of crisis (as Covid 19), unwillingly enters the world, we as India would worry the least, as we are prepared better than before.

Dr. Jyotsna Haran
Visiting Professor
Retired from Royal College of Arts Science & Commerce, Mumbai
haranjyotsna@gmail.com

CA Saurabh Ohja
Thane
Maharashtra
ojhasaurabh1584@gmail.com

Dr. Raju K. Kurian
Associate Professor
Royal College of Arts Science & Commerce
Mumbai
rajukkurian@gmail.com

1. Atmanirbhar –What is it & why?

On May 12, 2020 PM Narendra Modi, in his speech while addressing the nation made a call to make India Self-reliant (Atmanirbhar) and announced special economic package of Rs. 20 lakh crores which is around 10% of India's GDP, to fight the COVID-19 induced slowdown. The vision was based on a wide and deep consultation with several sections of the society. Discussions were held at various levels with ministries up to PMO (Varma, 2020). Essentially this is to spur growth and build a self-reliant India (Varma, 2020). The whole initiative is therefore called "Atmanirbhar Bharat Abhiyaan" (Varma, 2020). The need for Atmanirbhar Bharat was felt more acutely when China had blocked active pharmaceutical ingredient

(API) exports to India, especially of Hydroxy Chloroquine, which is used to treat COVID-19 and India was standing at a point where it had to decide to move towards being self-reliant while also supporting the world. The key to prosper industrially and economically, the need of talent, quality products and a sound supply chain to make a product reach to its destination market on time, is a necessity. India has proven talent and has potential to provide the best products. However, India has enough scope in supply chain betterment. Supply chain costs in India represent as much as 13 percent of the GDP (Supplychainbrain.com, India's Supply Chain Is Improving, But Still Has a Long Way to Go, 2013). This is almost double when compared to developed countries: in U.S., supply chain costs amount to 8.5 percent of the GDP. (Supplychainbrain.com, 2013)

These problems are mainly due to poor infrastructure, improper coverage of distribution, and lack of proper and updated technology adoption. Despite India standing 2nd in terms of road network, less than 2% account for national highways which support major chunk of traffic. The government has introduced several policy modifications to bring down its cost lesser than 8 %. Investments in Auto industry, in its innovation spectrum, newer technology would result cost saving, this would definitely have cumulative effect, technically speaking its multiplier effects enveloping different sectors of the economy, ultimately ahead the economy.

2. Scope of the AAA: The economic packages i.e. Atmanirbhar Bharat Package, were announced in tranches and eventually the stimulus was close to 15% of India's GDP. The Atmanirbhar Bharat Package has provided relief and stimulus in a variety of ways, ranging from free food-grains to the poor to MSME loans and lot more. Presently authors' focus is on Production Linked Scheme (PLI) as it is more closely relates to FDI in India. The GOI had initially approved PLI scheme for 3 sectors at the cost of Rs. 51,355 crores for Mobile manufacturing, Medical Devices and Critical APIs. Further, 10 more champion sectors were added under API canopy scheme to foster competitiveness and boost domestic manufacturing as this scheme is received positively.

What is PLI?

PLI was introduced to boost domestic manufacturing and improve net exports by import substitution (a cut down on import bills). The provision of incentives on incremental sales on products manufactured in domestic units, is the gravitation of the scheme. In addition to welcome foreign companies, the scheme also aims to encourage local companies to set up or expand existing manufacturing agreements. The following table shows the sector-wise allocation for additional 10 sectors: (Cabinet, 2020)

Table 1 **Sector-wise allocation**

Sectors	*Department/Ministry*	*Financial Outlay(crores)*	*Percentage%*
ACC Battery	Dept. of Heavy Industries	18,100	12.40%
Electronic Products	Ministry of IT	5,000	3.43%
Automobiles & Components	*Dept. of Heavy Industries*	*57,042*	*39.07%*
Pharmaceutical Drugs	Dept. of Pharmaceuticals	15,000	10.28%
Telecom Products	Dept. of Telecom	12,195	8.35%
Textile Products	Ministry of Textiles	10,683	7.32%
Food Products	Ministry of Food Processing	10,900	7.47%
High Efficiency Solar PV Modules	Ministry of New & Renewable Energy	4,500	3.08%
White Goods	Dept. of Industrial Promotion	6,238	4.27%
Speciality Steel	Ministry of Steel	6,322	4.33%
TOTAL		**145,980**	**100.00%**

Cabinet. (2020, Nov 11). Cabinet approves PLI Scheme to 10 key Sectors for Enhancing. *Press Release*. New Delhi, India: pib.gov.in

The focus in this article is on the Automobile Industry, the largest allocation of PLI is in its lap. It has a crucial role in manufacturing sector as in % contribution to GDP.

3. Why Atmanirbhar in Auto Industry? Auto sector closely contributes 7.5% to India's GDP and accounts for 49% of our manufacturing GDP. (Contributor, 2019) It generated millions of jobs and has proven strong growth in the past thereby contributing on tax revenue front. However, this sector was facing a lot of headwinds due to a variety of factors such as BS-VI guidelines, demand saturation i.e. reduction in demand due to reduced need, as a result of fierce competition, market factors or other external reasons change in consumer taste & preference, lack of liquidity of funds for this sector for both buyers & sellers, lack of dynamic policy approach by the government, etc. While these issues require multiple reforms, the government has been focusing especially on providing ample liquidity through easy monetary policy, tax breaks in some cases, policy reforms and also relaxation in BS VI norms. In spite of these multiple efforts, though the demand revived, it did not translate into job creation for India. Hence, the government decided to give a big push to this sector by incentivizing auto industry to manufacture in India through PLI scheme.

4. Lack of Finance in Auto Sector: As observed, financial crunch is the biggest trouble in auto sector. The funds in auto industry mainly came from NBFCs and due to the liquidity issues faced by NBFC industries due to the Infrastructure Leasing & Financial Services (IL&FS)saga, the flow of funds to auto sectors had come to a halt. Banks were shying away from the auto sector (ETBFSI, 2019) and were reluctant to lend to the auto dealers and other companies in auto industry. Since there was virtually no new private investment, auto sector was bleeding. The following table gives a clear picture of funds situation in auto sector:

Table 2 Funds situation in auto sector

Auto Loans (₹ in cr)	Q1	Q2	Q3	Q4	Total
FY18	400.38	453.76	513.18	554.73	1922.05
FY19	512.00	480.08	327.21	173.18	1492.72

(Source: FIDC – Finance Industry Development Council)

Statistics speak the flow of funds is significantly reduced. Funds are like heart and blood for a business and its availability is crucial for the growth the sector, Non- availability of funds would severely impact their growth and this is what had happened to auto industry. Though few companies had introduced leasing models to boost sales, its impact was limited as traditionally auto industry was financed on asset based lending model commonly known as the hire purchase whereby the borrower was allowed the possession of the asset immediately while allowing him to repay the amount in small amounts on periodic basis Thus lack of funds reduced the demand which forced the manufacturers to reduce their inventory thereby worsening the situation for the auto industry. FDI was therefore, required for this industry as it would solve the issue of funds for this industry, at least on the supply front and hence PLI was indeed a great idea for this sector. It would boost GDP as FDI inflows are known to increase GDP (Thomas, 2016)

5. Impact of FDI/PLI in Auto Industry: FDI is known to create jobs and boost GDP, we have historically seen the same for Auto industry. We have received close to US$24.53 billion in FDI between April 2000 to June 2020 (IBEF, 2021). There has been continuous increase in auto production in India and exports too. Also, there has been a reduction in imports in auto industry. The overall auto component import was calculated at $5 billion (Rs 37,710 cr) in first half of FY 21 from $8.2 billion (Rs 56,066 cr) in the same period year ago, recording a decline of 33%. (Auto, 2020). Though the revenues were down, mostly due to covid-19 and liquidity issues, the auto and auto component sector is poised for double digit growth in the years to come. PLI had a good impact on auto industry and we support the same through the following developments in automobile sector in India. (IBEF, 2021):

- Hyundai Motor India invested Rs. 3,500 crores (US$ 500 million) in FY2020, with an eye to gain the market share. This investment is a part of Rs. 7,000 crore (US$ 993 million) commitment made by the company to the Tamil Nadu government in 2019.
- In October 2020, Kinetic Green, an electric vehicles manufacturer, announced plan to set up a manufacturing facility for electric golf carts besides a battery swapping unit in Andhra Pradesh. The two projects involving setting up a manufacturing facility for electric golf carts and a battery swapping unit will entail an investment of Rs. 1,750 crores (US$ 236.27 million).
- In October 2020, Ultraviolette Automotive, a manufacturer of electric motorcycle in India, raised a disclosed amount in a series B investment from GoFrugal Technologies, a software company.
- In September 2020, Toyota Kirloskar Motors announced investments of more than Rs 2,000 crore (US$ 272.81 million) in India directed towards electric components and technology for domestic customers and exports.
- During early September 2020, Mahindra & Mahindra singed a MoU with Israel-based REE Automotive to collaborate and develop commercial electric vehicles.
- In April 2020, TVS Motor Company bought UK's iconic sporting motorcycle brand, Norton, for a sum of about Rs. 153 crores (US$ 21.89 million), making its entry into the top end (above 850cc) segment of the superbike market.
- In January 2020, Tata AutoComp Systems, the auto-components arm of Tata Group entered a joint venture with Beijing-based Prestolite Electric to enter the electric vehicle (EV) components market.
- MG Motor India planned to launch MG ZS EV electric SUV in early 2020 and have plans to launch affordable EV in the next 3-4 years.

The key to prosper industrially and economically, the need of talent, quality products and a sound supply chain to make a product reach to its destination market on time, is a necessity.

6. Conclusion & Inference: India has a huge automobile market and therefore it comes with lot of opportunities and promises. Automobiles still deliver a great as aspirational value to the Indian households especially the Middle Class. The rise of young middle class population is surely a booster shot for the automobile industry and the time is not long India would stand as top 3 largest auto market in the world, given the size of Indian market. India also has opportunity to lead the world in innovation. The new traction around hydrogen cars, electric vehicles and solar batteries in India is a good sign as this will help the auto sector create sustainable business model for them as in the years to come, the world will eventually move to cleaner forms of energy. The recent entry of Tesla in Indian markets is a testimony of India's potential in auto sector especially electric vehicles. All of these coupled with reforms by the government, India is all set to revolutionise auto industry for the world and be a leader in this industry.

"Atmanirbhar" is a long term concept and the same cannot

The new traction around hydrogen cars, electric vehicles and solar batteries in India is a good sign as this will help the auto sector create sustainable business model for them as in the years to come, the world will eventually move to cleaner forms of energy.

be achieved overnight. Though India has taken quantum leaps, and we are witnessing results for the same in the form of multiple investments/plans by various companies in India, its actual results might be visible only in next 5-10 years. As rightly said, "Rome wasn't built in a day", the same holds true for"Atmanirbhar". This is because we live in globalized times and it is not an easy task to attract investments given the intense competition in this sector and the ongoing pandemic which has pushed many countries into recession.

This article opens avenues for further research and observations and realisations of expectations especially in automobile sector of India. Vocal for local' and 'local for global' mantra would positively result as expected. India would become self-reliant with numerous MNCs with local manufacturing. This would be a step towards sustainability in business so as make India strong enough, so to say even if there is problem there is no problem. MA

References:

1. *Auto, E. (2020, Dec 16). Auto component industry top-line dips 34% at Rs 1.19 lakh crore in H1 FY21. Retrieved from auto.economictimes.indiatimes.com: https://auto.economictimes.indiatimes.com/news/industry/auto-component-industry-top-line-dip-34-at-rs-1-19-lakh-crore-in-h1-fy21/79757279*
2. *Cabinet. (2020, Nov 11). Cabinet approves PLI Scheme to 10 key Sectors for Enhancing. Press Release. New Delhi, India: pib.gov.in.*
3. *Chainalytics. (2020, Jan 30). India's Biggest Supply Chain Challenges in 2020. Retrieved from chainalytics.com: https://www.chainalytics.com/india-supply-chain-challenges-in-2020/*
4. *Contributor, M. (2019, June 30). Trouble in Motown! Auto sector which is 49% of manufacturing GDP looks for rescue. Retrieved from moneycontrol.com: https://www.moneycontrol.com/news/business/markets/trouble-in-motown-auto-sector-which-is-49-of-manufacturing-gdp-looks-for-rescue-4264251.html*
5. *ETBFSI. (2019, August 06). Failing NBFCs tow auto sector to a dead-end. Retrieved from bfsi.economictimes.com: https://bfsi.economictimes.indiatimes.com/news/nbfc/failing-nbfcs-tow-auto-sector-to-a-dead-end/70530088*
6. *https://www.roadtraffic-technology.com/. (2014, Jan 12). The world's biggest road networks. Retrieved from https://www.roadtraffic-technology.com/: https://www.roadtraffic-technology.com/features/featurethe-worlds-biggest-road-networks-4159235/*
7. *IBEF. (2021). Automobile Industry in India. New Delhi: www.ibef.org.*
8. *New Service Division, A. (2020, Sept 04). India now got world's 2nd largest road network: Nitin Gadkari. Retrieved from newsonair.com: http://newsonair.com/Main-News-Details.aspx?id=399072*
9. *Supplychainbrain.com. (2013, Feb 25). India's Supply Chain Is Improving, But Still Has a Long Way to Go. Retrieved from supplychainbrain.com: https://www.supplychainbrain.com/articles/15619-indias-supply-chain-is-improving-but-still-has-a-long-way-to-go*
10. *Thomas, D. A. (2016). Impact of FDI on Indian economy. Kerala.*
11. *Varma, A. (2020, May 13). 'Aatmanirbhar Bharat Does Not Mean That India Is An Isolationist Country:' FM Sitharaman. Retrieved from republicworld.com: https://www.republicworld.com/india-news/economy/aatmanirbhar-bharat-does-not-mean-that-india-is-an-isolationist-count.html*

COVER STORY

WHITHER CORRELATION OF FOREIGN DIRECT INVESTMENT (FDI) AND INTERNATIONAL TRADE IN INDIA

Abstract

The recent trend of market Liberation has opened many national markets for international business. It is due to such policy, in many countries, Multinational Co-operations have entered and expected their production, distribution and research facilities wherever permitted and economically feasible, they started moving towards a global scale of operation to skim the cream of the markets, which created a keen competition in domestic, International and global Markets.

Dr. Mohd Azher Parvez
Assistant Professor
Nishitha Degree College, Department of Commerce and Business Management, Nizamabad
mazherparvez@gmail.com

1. INTRODUCTION

Foreign Direct Investment (FDI) known as investment in the foreign country with the intent to manage the assets and business particularly, made in overseas when production costs are lower in the foreign location relative to domestic Location, if there is trade protection as the foreign Market, if there is lower Tax Rate as road, if there is uncertainty in exchange Rate or Large Transportation costs. The flow of foreign investment in to India is the result of changed trade policy. The rationale behind the growth of foreign investments lies in the mutual interests of countries lacking adequate capital and appropriate technologies and multinational investors seeking market opportunities, both the host countries and investing firms expect the benefit from foreign ventures. However, India is the "best destination for FDI and Joint ventures, in the eyes of foreign countries globally", because, FDI policies in India were among the most liberal and attractive in emerging economies. The Government has taken Initiatives in specific sectors such as Telecom, Ports, Railways, Roads, energy, construction development and Insurance Industry with a view to improving competitiveness of the Indian economy. Further, lucrative investment opportunities were being offered to investors through Tax incentives and customs duty concessions for import of plant and Machinery needed for the projects.

2. REVIEW OF LITERATURE

Ade Ibiwoye (2010), in his paper entitled "evaluating financial services productivity: a comparison of ratios, index numbers and frontier methods", to analyst the financial performance of the select insurance companies, to determine the way to go by means of efficient operators of outputs are used to measure productivity, analyses with financial ratios namely, liquidity, leverage, activity and profitability ratios are measured to make financial performance comparisons.

Babar, S.N. and Khandare, B.V. (2012), "Structure of FDI in India during Globalization Period", the study is mainly focused on changing structure and direction of India's FDI during globalization period. The study is done through analysis of benefits of FDI for economic growth, by using sectoral analysis of FDI participation, as well as country wise flow of foreign inflows in India till 2010.

Laura (2003), examined the various determinants between FDI financial market and economic growth during the period (1975-1991). The study explored that developed financial market exploit the FDI easily. It was found that there is a significant relationship between the foreign direct investment and financial market.

Mahanta (2012), explored that research and development as an attractive sector for foreign direct investment in India. It was suggested that Indian government should be provide friendly and liberal tax system for international investors.

Nadia Soboleva (1998), "Foreign Direct Investment: A Dynamic Model of a Firm's Location Choice". She presented the Determinants of the FDI Levels and location choice by considering the firm's investment choice across multiple Locations in university of Toronto. She also discussed FDI and trade policy of a country. Soboleva has determined the value of alternative Investment choices by developing "Dynamic structural model", and applying it to a set of Japanese Consumer electronics firms. The model improves upon existing models of FDI in three ways, by allowing investment to be a dynamic decision, by considering firms investment choice among multiple Locations and by explicit structural modeling of the links between FDI and trade policy.

Nidhi (2013), studied the impact of FDI on developing Indian country. It was found that in long term FDI investment badly effect on the small farmer and small retail store. However, it was also found that after the liberalization FDI is an important factor to increase the Exports and economy growth. It was suggested that India government should liberalize the FDI policy

Park Jongsoo (2004), in his paper on "Korean Perspective on FDI in India: Hyundai Motors Industrial Cluster". The article studies the flow of FDI in India through industrial cluster, with special reference to Hyundai Motors. The article concludes that the attitude of Indian government towards foreign investment has shown a drastic change after 1991. The new reforms of FEMA have been attracting the FII's; hence, the article concludes that two principal deterrents to investment in India are bureaucracy and pace of reforms. The article suggests that the growth of India has increased through joint ventures and Greenfield investments, under FDI.

Rani and Dhanda (2011), examined that both the positively and negatively impact effect of FDI on the host country.

The Government has taken Initiatives in specific sectors such as Telecom, Ports, Railways, Roads, energy, construction development and Insurance Industry with a view to improving competitiveness of the Indian economy.

It was showed that foreign direct investment increase the employment rate, GDP and economic growth and in the term of negative impact it causes increase the inflation rate and uneven distribution of FDI.

3. OBJECTIVES

1) To study the relationship between FDI and Imports and Exports.
2) To analysis and compare the Performance of FDI and Balance of Trade.
3) To find out the relationship between FDI, GDP and International Trade.

4. HYPOTHESES

Ho1: There is no significant difference in the relationship between FDI, GDP, Imports, Exports and Balance of Trade.

5. DATA AND METHODOLOGY

The present study is an analytical and empirical one. The data used in the study has been collected through secondary sources on FDI and International Trade Correlations over the 10 years period, i.e., 2010 to 2020 from Annual reports of World Bank, website of related Variables. To analysis the data with regard to appraisal of FDI and International Trade Correlations, different distinguished variables, viz, name of GDP, Exports, Imports and Balance of Trade (BoT) are taken into consideration. In order to ascertain the hypotheses, t-test is employed.

6. ANALYSIS, DISCUSSION AND FINDINGS

Table I is an attempt to study the whither correlation of FDI and international trade in India, through the data from 2010-11 to 2019-20, pertaining to GDP, Exports, Imports and BoT. The table shows that FDI in general moved-up during the study period, which was US $11834 (million) in the year 2010-11 that has been moved to US $ 22061 (million) in year 2011-12 at a growth rate of 186.42 per cent, further, moved to 19819, 21564, 31251, 36021, 35612, 30286, 30712, 43013 US $ millions at a growth rate of 167.47, 182.22, 264.08, 304.38, 300.93, 255.92, 259.52, and 363.47 per cents in the years 2012-13 to 2019-20 respectively. It is evident that in the year 2010-11 the GDP in India reported a considerable growth of 1656.56 to US $2868.93 (billions). In terms of growth, it is found at 173.19 per cent of the study period to end of the study period respectively. On the other hand, the lowest number, i.e, US $256159 (million) Exports are did against to US $383481 (million) of Import in 2010-11. The trend of Export and Import was found almost similar. Hence, the overall performance of Export and Import over the study period registered at US $320431 (million) Import against US $477937 (million) at a growth rate of 125.09 per cent and 124.63 per cent respectively. Correspondingly, it is evident from table I that the balances of trade in India, which is unfavorable over the study period. The BoT is lowest of US $-127322 (million) in year 2010-11, with highest of US $-180283 (million) it was happened the year 2018-19, over the study period average of US $-154563 (million) respectively (See table II for details).

TABLE I
FDI AND INTERNATIONAL TRADE

Year	FDI (US $ million)	GDP (US $ Billions)	Exports (US $ million)	Imports (US $ million)	Balance of Trade (US $ million)
2010-11	11834	1656.56	256159	383481	-127322
2011-12	22061 (186.42)	1822.99 (110.05)	309774 (120.93)	499533 (130.26)	-189759 (149.04)

2012-13	19819 (167.47)	1828.99 (110.41)	306581 (119.68)	502237 (130.97)	-195656 (153.67)
2013-14	21564 (182.22)	1856.72 (112.08)	318606 (124.38)	466216 (121.57)	-147609 (115.93)
2014-15	31251 (264.08)	2039.13 (123.09)	316545 (123.57)	461484 (120.34)	-144940 (113.84)
2015-16	36021 (304.38)	2103.59 (126.98)	266365 (103.98)	396444 (103.38)	-130079 (102.16)
2016-17	35612 (300.93)	2294.12 (138.49)	280138 (109.36)	392580 (102.37)	-112442 (88.31)
2017-18	30286 (255.92)	2652.76 (160.13)	308970 (120.62)	469006 (122.30)	-160036 (125.69)
2018-19	30712 (259.52)	2713.17 (163.78)	337237 (131.65)	517519 (134.95)	-180283 (141.60)
2019-20	43013 (363.47)	2868.93 (173.19)	320431 (125.09)	477937 (124.63)	-157506 (123.71)
Avg.	28217.3	2183.696	302080.6	456643.7	-154563

Source: Annual reports of Data Bank of Ministry of commerce and industry (MCAI), World Bank and Reserve Bank of India (RBI) (2010 to January 2021). Figures in ( ) are growth rates.

7. TEST OF HYPOTHESES

Ho1: There is no significant difference in the relationship between FDI, GDP, Imports, Exports and Balance of Trade.

Results & Decision

Test Applied T test	Sig. level	d.f	Calculated value	Critical value	Decision
FDI and GDP	5%	9	2.777	2.262	Rejected
FDI and Imports	5%	9	1.736	2.262	Accepted
FDI and Export	5%	9	2.145	2.262	Accepted
FDI and BoT	5%	9	5.663	2.262	Rejected

The calculated value of 't' between FDI and GDP is 2.777, FDI and Balance of Trade is 5.663 against the critical value 2.262. As the calculated value is higher than the critical one, so the hypothesis is rejected. Hence, it can be concluded that there is significant difference in the trend FDI and GDP, FDI and Balance of Trade (BoT).

The calculated value of 't' between FDI and Imports is 1.736, FDI and Export is 2.145 against the critical value 2.262. As the calculated value is lesser than the critical one, so the hypothesis is accepted. Hence, it can be concluded that there is no significant difference in the trend of FDI and Imports, FDI and Export.

8. CONCLUSION

Performance BoT and FDI is not significant but certain ratios are highly influencing the correlation between them in the light of FDI. The negative trade balance wile all the time a positive indication to foreign investors as the rupee value declines due to such reason and returns increases for foreign investors in light of FDI.

The present government permitted FDI in many sector such as in defense, railway infrastructure, insurance etc. It will help India to have more investment in the country. On the basis of this India may be able to reduce its imports and increase its exports. So that objective of a favorable Trade Balance can be achieved. So it is suggested that the sectors and government has to take care in utilizing the products from other countries and make India as hub for export by utilizing the FDI as a focal source to making the operations and offers to the customers at par with the global companies to reach the huge amount. MA

REFERENCES

1. *Naga Raj, R. (2003). Foreign direct investment in India in the 1990s: trends and issues. Economic and Political Weekly, X5, 1701-1712.*
2. *Mahanta Devajit (2012), Impact of Foreign Direct Investment on Indian economy, Research Journal of Management Sciences, Vol. 1(2), 29-31.*
3. *Saiyed (2012), Effect of Foreign Direct Investment on Economic Growth in India: An Empirical Investigation. Indian Journal of Research, Vol.1, 50-91.*
4. *http://www.rbi.org.in.*
5. *http://www.worldbank.org.*

COVER STORY

FOREIGN DIRECT INVESTMENT (FDI) IN PHARMACEUTICAL SECTOR IN INDIA: STRIKING BALANCE BETWEEN INDIGENOUS NEEDS AND FOREIGN INVESTORS' INTEREST

Abstract

Indian pharmaceutical industry is predominantly driven by the private sector and the public sector has negligible role. Notable factor is that Indian pharma industry is ranked 3rd globally in terms of volume, and 14th in terms of value. This growth is attributed to changes made in the Patents Act, 1970, which replaced the Product Patent Act, 1911 which allowed process patent (product patent introduced again in 2005), changes in the Foreign Exchange Regulation Act, 1973 (now, Foreign Exchange Management Act) which compelled foreign companies to reduce their equity to 40% thereby reducing the number of subsidiaries of MNCs from ten (10) in 1973 to two (02) by 1985, among others. Indian pharmaceutical sector is one such sector that not only caters to domestic requirements but also exports to more than 200 countries/territories including highly regulated markets, e.g., USA. The present paper discusses various measures undertaken to protect indigenous pharmaceutical industry or consumers/patients but has implications for FDI. It also throws light on major developments in last one decade that had direct implications on the FDI in Pharmaceutical Sector in India, apart from considering the concerns of foreign investors.

Dr. Anil Kumar Angrish
Associate Professor
Department of Pharmaceutical Management
National Institute of Pharmaceutical Education and Research (NIPER), Mohali
anil@niper.ac.in

CMA (Dr.) Sanjeev K. Bansal
Assistant Professor
Department of Management
I.K.Gujral Punjab Technical University, Main Campus
Kapurthala
commerce.ptu@gmail.com

Introduction:

Indian pharmaceutical market is currently valued at US $41 bn. It is expected to grow to US $65 bn by 2024 and US $120-130 bn by 2030. Pharmaceutical Policy pursued from time to time, has its own role in encouraging domestic pharmaceutical industry. For example, the main goal of Pharmaceutical Policy of 2002 was to strengthen the indigenous capability for cost effective quality production and exports of pharmaceuticals by lowering the barriers to trade in the pharmaceutical sector. Draft Pharmaceutical Policy – 2017 underlined a major area of concern, i.e., heavy dependence on imports from one or two countries for 'Key Starting Materials' (KSMs), intermediates, and 'Active Pharmaceutical Ingredients'. Draft policy was expected to address the ways and means to 'restore' and 'revive' indigenous manufacturing capabilities for these KSMs, intermediates, and APIs. Most recently, on February 24, 2021 the Union Cabinet approved Production Linked Incentive (PLI) Scheme for Pharmaceuticals. This Scheme is for a period of Financial Year 2020-21 to 2028-29. Among other benefits, it is expected to promote production of 'high value products' in India, thereby leading to incremental sales of Rs. 2,94,000 crore, incremental exports of Rs. 1,96,000 during six years period starting from 2022-23. Besides improving 'accessibility' and 'affordability' of medical products, the scheme is also expected to increase in investment of Rs. 15,000 crore in the pharma sector.

Foreign Direct Investment (FDI) and Pharmaceutical Sector in India: Due to the Drug Policy (1986), FDI was allowed up to 51% in 1991 and it was increased up to 74% in the year 2000 due to 1994 Drug Policy. In 2001, the sector was opened for 100% FDI, except for drugs which do not attract compulsory licensing or involved use of recombinant DNA technology and specific cell/tissue targeted formulations. Current status on Equity/FDI Cap and Entry Route for Pharmaceutical Sector is given in the table below:-

Table 1:- Percentage of Equity/ FDI Cap and Entry Route for Pharmaceutical Sector in India

Sector/ Activity	% of Equity/ FDI Cap	Entry Route
Greenfield	100%	Automatic
Brownfield	100%	Automatic up to 74% Government route beyond 74%

Source: - Consolidated FDI Policy (effective from October 15, 2020). Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (p.66)

During 2019-20, pharmaceutical exports from India were worth $20.58 bn with a growth of 7.57%. In FY 2020-21, pharmaceutical exports are expected to cross $25 bn as Indian pharmaceutical exports were $11.38 bn during the first six months which were almost 15% more in comparison to same period in the previous financial year. Given the size of exports of pharmaceuticals from India, FDI is not a huge number as evident from the following table:-

Table 2:- FDI in Pharmaceutical Sector in India

Year	Rs. (In Crores)
2014-15	9,052
2015-16	4,975
2016-17	5,723
2017-18	6,502
2018-19	1,842
2019-20	3,650

Sources: - Datta, P T Jyothi (2019, June 05). Dwindling FDI in pharma, medical devices worries industry. *Business Line*. Narasimhan, T. E. (2019, June 9); Industry blames policies, USFDA probes for 73% drop in pharma FDI. *Business Standard*. FDI in drugs & Pharma sector rose to Rs. 2,065 cr in April-Sept FY20: Govt (2020, February 8). *Economic Times*. Indian pharma market is expected to hit USD 130 billion by 2030: Sadananda Gowda (2021, February 8). *Economic Times*.

Measures undertaken to protect indigenous pharmaceutical industry or consumers/patients but has implications for FDI:-

1. Except in special circumstances with the Government approval, in automatic or government approval route, 'non-compete' clause is not allowed. Due to this clause, sellers give their consent that they will not launch a business in the same domain. For example, when Ranbaxy promoters sold their 34.82% stake to Daiichi Sankyo in June 2008 the promoters of Ranbaxy had entered into a non-compete clause. This clause is generally part of each and every Merger and Acquisition (M&A) deal. If this clause is not kept in transactions related to brownfield investment then foreign investors perceive it negatively.
2. At the time of granting approval, the Government may include conditions for FDI in brownfield cases. In 110th Report on FDI in Pharmaceutical Sector (2013, August 13), Department related Parliamentary Standing Committee on Commerce headed by Shanta Kumar, observed that FDI inflows in India have predominantly been in brownfield pharmaceutical projects. Only one out of 67 FDI investments till September, 2011, had been in green field whereas all other remaining FDI proposals had come in brown field projects. The Committee expressed the concern over the prospects of adverse impact of brownfield FDI on the 'availability' as well as 'affordability' of cheap generic drugs to the Indian public as many local pharmaceutical companies have been acquired by pharma MNCs. Another apprehension expressed was about the 'orientation of research and development activities' of the acquired companies in terms of 'lesser emphasis on R&D for tropical diseases'. The Committee also observed that the pharmaceutical MNCs had control over 19% of the total market share price, and it increased to 28.46% with acquisitions just in few years prior to 2013. The Committee expressed apprehension that continuation of FDI in brownfield pharma projects may result into shift of 50% of the total market share to MNCs. The Committee also observed that the RBI data on FDI equity inflows did not make any distinction between Greenfield and brownfield investments. With this clause, foreign investors are not expected to be comfortable.
3. Other major conditions which are considered as deterrent for FDI, but essential for protecting indigenous interest, comprise

'continuation in manufacturing of drugs which are part of National List of Essential Medicines (NLEM)' over the next five years, 'maintenance of R&D expenses in value terms for five years', 'providing information to the administrative Ministry on Transfer of Technology along with induction of foreign investment' and 'monitoring of compliance of conditionality by multiple agencies such as the Ministry of Health and Family Welfare, Department of Pharmaceuticals or others.

Major developments in last one decade that had direct implications on the FDI in Pharmaceutical Sector in India:-

- **Implementation of New Pricing Policy: -** The National Pharmaceuticals Pricing Policy, 2012 adopted three key principles for regulation of drug prices namely, 'essentiality of drugs', 'control of formulations prices only' as against previous norm on control of bulk drug prices, and 'market-based pricing'. For price control, list of medicines given in the National List of Essential Medicines (NLEM) is considered for the 'essentiality' criteria. It is due to the reason because medicines listed in the NLEM take care of the priority health needs of India's population.
- **Price Control over Drugs in the NLEM List: -** Drug (Prices Control) Order, 2013 (DPCO, 2013) imposes price control over those drugs which are part of the NLEM. Share of drugs under price control was about 14% in FY19 and in FY20 whereas Indian pharma market size was Rs. 1.3 trillion. Drugs under NLEM formed 17% of the total domestic market in 2014-15 when the size of the market stood at Rs. 86,410 crore. The Economic Survey 2019-20 showed that the DPCO led medicines to become costlier.
- **Price Control of Coronary Stents: -** Bare Metal Stents (BMS) and Drug Eluting Stents (DES) were brought under price control by the NPPA on February 14, 2017 as in India, there are more than six crore cardiac patients, and out of which 5-5.5 lakh patients undergo the stent procedure. Through price control in 2017, prices were capped at Rs. 7,260 for BMS and Rs. 29,600 for DES category. Price revision took place on the basis of price revision as per annual wholesale price index (WPI) of 1.88468% in March 2020. Abbott, a renowned pharma MNC withdrew two coronary stents namely, 'Alpine' and 'Absorb', from Indian market immediately after announcement of price cuts. 'Absorb' stent came under scrutiny globally due to 'safety concerns' as well and was later on, withdrawn altogether. Medtronic, another global stent maker requested NPPA for withdrawal of their latest stents form Indian market.
- **Implementation of Goods & Service Tax (GST):-** Implementation of GST was considered a positive by overseas investors as it was expected to contribute towards 'ease of doing business in India', and bring tax transparency.
- **Production Linked Incentive (PLI) Scheme for Pharmaceuticals approved by the Union Cabinet on February 24, 2021:-** PLI Scheme is expected to encourage investment including FDI as the scheme has three categories which cater to diverse players, e.g., category 1 comprises biopharmaceuticals, complex generic drugs, patent drugs or drugs nearing patent expiry, cell based or gene therapy drugs, among others. This category is the forte of research-intensive companies especially MNCs (domestic as well as foreign). Category 2 comprises KSMs, drug intermediates, and APIs. This may be of interest to MNCs which want to reduce their dependence on China, especially after COVID-19 as some countries have started pursing a 'China plus one' policy.

Major Concerns of Foreign Investors: - Among others, major concerns of foreign investors include consistent policy environment, frequent changes regarding Fixed Dose Drug Combinations (FDDCs), e.g., the Kokate Committee had declared many Fixed Dose Combinations irrational. Since 2018, list of rational drugs has been announced thrice. First, it was for 1,681 FDCs, then for another 450 FDCs and then 471 FDCs (related to vitamins, minerals and micronutrients) in August 2020. One key concern of foreign investor is on 'intellectual property protection' related issues especially on 'data exclusivity' rather than 'data protection' only. In contrast to this, indigenous priorities and concerns of Indian economy need to be factored, e.g., transfer of technology by MNCs, availability of drugs, domestic production, etc.

Conclusion: -

Robust domestic pharmaceutical industry in India has lowered the dependence on FDI in last five decades as in pre-1970 era, India used to import 80% of its requirements. Now, Indian pharmaceutical industry is exporting to developed markets and highly regulated markets form 55% share of total exports. Measures undertaken to control FDI are duly taking care of indigenous interests. Recent measures such as PLI scheme is likely to encourage pharma MNCs to invest in India. MA

References:-

1. *Cabinet approves Production Linked Incentive Scheme for Pharmaceuticals (2021, February 24). Press Information Bureau.*
2. *Column: Poor pharma policy (2014, February 12). Financial Express.*
3. *Consolidated FDI Policy (effective from October 15, 2020). Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India.*
4. *Daiichi unveils Ranbaxy open offer (2008, June 17). Economic Times.*
5. *Das, Sohini (2020, February*

25). Share of drugs under price control dips in domestic pharma market. Business Standard.

6. Datta, P T Jyothi (2019, June 05). Dwindling FDI in pharma, medical devices worries industry. Business Line.
7. Datta, PT Jyothi (2018, January 15). Price control fallout: Abbott withdraws two stents from India. Business Line.
8. FDI in drugs & Pharma sector rose to Rs. 2,065 cr in April-Sept FY20: Govt (2020, February 8). Economic Times.
9. How Indian pharma can grow to be a $ 100-bn industry (2020, September 11). Economic Times.
10. Implementation of GST to attract more FDI (2016, September 13). Economic Times.
11. Indian pharma exports miss target, stand at $20.58 bn in FY 20 (2020, May 8). Economic Times.
12. Indian pharma exports may cross $25 bn this fiscal (2020, November 23). Business Line.
13. Indian pharma market is expected to hit USD 130 billion by 2030: Sadananda Gowda (2021, February 8). Economic Times.
14. Jayakumar, PB (2019, July 14). FDI Drying up. Business Today.
15. Kulkarni, Mahesh (2021, January 29). Indian pharma sector set to grow 3 times in next decade, says Economic Survey. Deccan Herald.
16. Medtronic to withdraw latest stents from India after price cap (2018, January 15). Business Line.
17. Nadh P. Omkar (2018, December 27). India's pharma industry: at a patent disadvantage. Deccan Herald.
18. National Pharmaceuticals Pricing Policy, 2012 (NPPP-2012) (2012, December 07). Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers.
19. Narasimhan, T. E. (2019, June 9). Industry blames policies, USFDA probes for 73% drop in pharma FDI. Business Standard.
20. No non-competition clause in pharma FDI: RBI (2014, April 22). Business Standard.
21. NPPA fixes retail prices of 869 formulations & coronary stents under DPCO 2013 based on price revision as per annual WPI (2020, March 28). Pharmabiz.com.
22. NPPA rejects Abbott, Medtronic's request to withdraw latest stents (2017, April 27). Economic Times.
23. One Hundred and Tenth Report on FDI in Pharmaceutical Sector (2013, August 13). Department related Parliamentary Standing Committee on Commerce, Rajya Sabha, Parliament of India.
24. Pharma exports grow 7.57% in FY20 (2020, May 8). The Hindu.
25. Price control on stents to continue: Govt (2018, February 22). Economic Times.
26. Porecha, Maitri (2020, January 31). Drug Price Control Order led medicines to become costlier: Economic Survey. Business Line.
27. Sharma, Samrat (20021, January 5). India's pharma export shoots up amid coronavirus pandemic; 'China plus one' policy helps. Financial Express.
28. Suneja, Kirtika (2020, May 10). Mega FDI plan to focus on faster pharma approvals. Economic Times.
29. Thacker, Teena (2017, September 9). Abbott discontinues global sales of 1st – generation Absorb stents. Mint.
30. Thacker, Teena (2020, August 6). Govenment notifies over 450 Fixed-Dose Combination drugs as 'rational'. Economic Times.

Web References:-

1. https://www.investindia.gov.in/sector/pharmaceuticals
2. https://pharmaceuticals.gov.in/policy/pharmaceutical-policy-2002

ATTRACTING FOREIGN DIRECT INVESTMENT TO BOOST EMPLOYMENT: A ROUTE TO BECOME ATMANIRBHAR

Abstract

This paper intends to provide an overview of the trends of inflow of foreign capital in India and how it contributed to the employment growth. A comparison of Indian scenario with the rest of the world is presented next. It is found that inflow of foreign capital is concentrated mainly in the service sector and is inadequate in the manufacturing sector. Foreign investment led to increased employment in absolute terms, but it is not sufficient to absorb the ever-expanding working-age population of India. Therefore, this study also zooms into the possible channelization of foreign capital that would help create employment opportunities which requires improvement in the employability of workers. In other words, we prescribe policies that will make India 'Atmanirbhar'.

Subhasree Basak
State Aided College Teacher
Seth Anandram Jaipuria College
Kolkata
sb1.commerce@sajaipuriacollege.ac.in

Hirakjyoti Basak
M.Sc. (Economics)
London School of Economics and Political Science (LSE), United Kingdom
hirakjyotibasak1998@gmail.com

1. Introduction:

Investment is one of the most crucial factors driving economic growth. But domestic capital may not be sufficient to achieve a high level of growth, especially for a developing country like India. Consequently, we need to rely on foreign capital as well. India followed a restrictive trade regime till the 1990s with the intention of being self-sufficient. Faced with the Balance of Payments (BOP) crisis, India had to open up the economy by adopting the New Economic Policy, 1991. This lubricated the entry of foreign firms into the country. A natural accompaniment of this infusion of foreign influence was their superior technological know-how. Over the three decades following the structural policy change, India has experienced persistent rise in the inflow of foreign capital. Unanimity prevails on the viewpoint that foreign direct investment (FDI) fuels the growth rate of recipient country as is evinced in the activities and strategies of countries towards attracting foreign capital. This is the recipient country's side of the multifaceted story. The other dimension involves the incentives for foreign firms to invest in a country. They look for cheap resources, sizable market, and ease of attaining the license. However, the concept of "jobless growth" which is now used in common parlance, raises some eyebrows in judging whether foreign capital is innocuous. To put it differently, hotly contested debates revolve around the employment generating capacity of the incumbent and potential foreign firms.

High rate of unemployment is the talk of the day for developing countries. Considering the case of India, it currently has one of the youngest populations in an overall aging world. The extent to which this 'window of opportunity' is leveraged hinges on the policies undertaken by the government. It includes facilities for improving the employability of the population via training programs, and simultaneously generating employment to absorb the enormous pool of labour force. In this article, our objective is to examine the sectoral distribution of FDI and its impact on employment generation in the corresponding sectors. Accounting for the existing trends, we aim to provide insights about how India can reap the benefits of demographic transition by escalating the employability of workers and hence providing them employment via foreign capital and emerge as a self-reliant nation. In the subsequent sections, we explore the aforementioned objects.

2. Nexus between Employment Generation and FDI: World versus India

A situation where benefits of growth fail to percolate to the population of the country renders the growth to be futile. FDI escalates the intensity of production process within the geographical boundary of a country, which in turn raises its gross domestic product (GDP), a measure of economic growth. But is the fruit of growth equitably distributed? A more pressing question from the perspective of Indian economy is whether the foreign firms are utilizing the potential manpower by employing the youths? This is the question we will delve into in this section, adopting a comparative perspective between India and the rest of the world.

Foreign investment leads to generation of employment via two channels- direct job creation by setting up of new firms, and through backward and forward linkages which leads to the growth of allied firms. Although foreign enterprises bring along new technologies which exert a positive economic and social spillover effect, however, these very technologies used by the firms are usually capital-intensive and demand skilled workers to operate the same. This naturally replaces the unskilled laborers in case of forward and backward linkages, while never creating employment for them in case of newly set-up production units. Thus, there are two opposing effects of foreign capital inflow on job creation.

2.1. World Scenario: Sector-wise Impact on Employment Growth

Experiences across countries about the impact of trade liberalization, inflow of foreign capital, on employment, are heterogeneous. Capital-intensive technology applied to the agricultural sector raised productivity of workers and curbed disguised unemployment in countries like Mexico and US. Mexican manufacturing industries also experienced a huge spike in employment when foreign capital was allowed in that sector, especially formation of *maquiladoras*. At *maquiladoras*, they receive the raw materials and intermediate goods from the US and export the finished good back to the US. Located at the US-Mexico border, a low-cost, tax-free, duty-free company exploits the potential of the unskilled workers, thereby improving the manufacturing sector and contributing to employment generation in Mexico. Somewhat similar story was encountered in China which started receiving FDI from 1970 onwards. China being a labour abundant country, it provides supply of unskilled labour to the manufacturing sector at cheaper wage relative to other economies. By exploiting this labour abundance it emerged as a hub for the assembly line in the global value chain which facilitated the country's growth.

Inflow of foreign capital also showed positive impact on employment growth in Caribbean countries (Craigwell, 2006) and, Bangladesh and Vietnam (Raj and Sen, 2012). On the contrary, the picture was not that positive for Morocco (Currie and Harrison, 1997) and New Zealand (Lang, 1998).

2.2. Indian Side of the Story

The primary sector in India has faced continual paucity of FDI, with its FDI share being the lowest among the three sectors. Agricultural and allied activities absorb nearly 50% of the workforce which is in stark contrast their contribution to the GDP of the country (18%). This fact signals towards low productivity and high level of disguised unemployment in that sector.

Unlike Mexico and China, Indian manufacturing sector did not receive adequate FDI. Moreover, series of studies conducted on the manufacturing industries of India over different time periods by growing number of researchers suggest the same overall story- FDI in Indian manufacturing sector has little or no impact on employment promotion (Goldar, 2000; Banga, 2005; Sen 2008, 2009).

Tertiary (i.e. service) sector attracted indispensable share of FDI in India, around 17%. During the 1990s, the era of IT revolution, MNCs found it beneficial to invest in India because of the cheaper labour specially trained for jobs such as software engineers, IT professionals and the like. Pre-liberalization, India was a major exporter of primary products. However, since adoption of New Economic Policy (1991), India's service sector took the upper hand in exports. Naturally, the growth we experience is service-led. While the sector is the key driver of economic growth in India, employment generation capacity of this sector is limited and skewed towards skilled workers. Sector-wise FDI flow into India from 2015 to 2020 is given in the following table:

Table 1: Sector-wise Foreign Direct Investment Flows to India

FOREIGN DIRECT INVESTMENT FLOWS TO INDIA					
(US$ million)					
Source/Industry	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 P**
1	**2**	**3**	**4**	**5**	**6**

Total FDI	36,068	36,317	37,366	38,744	42,629
Sector-wise Inflows					
Manufacturing	8,439	11,972	7,066	7,919	8,153
Communication Services	2,638	5,876	8,809	5,365	6,838
Retail & Wholesale Trade	3,998	2,771	4,478	4,311	4,914
Financial Services	3,547	3,732	4,070	6,372	4,326
Computer Services	4,319	1,937	3,173	3,453	4,104
Business services	3,031	2,684	3,005	2,597	3,684
Restaurants and Hotels	889	430	452	749	2,546
Transport	1,363	891	1,267	1,019	2,333
Construction	4,141	1,564	1,281	2,009	1,937
Electricity and other energy Generation, Distribution & Transmission	1,364	1,722	1,870	2,427	1,906
Real Estate Activities	112	105	405	213	564
Education, Research & Development	394	205	347	736	528
Miscellaneous Services	1,022	1,816	835	1,226	443
Mining	596	141	82	247	217
Trading	0	0	0	0	0
Others	215	470	226	102	137

Source: Reserve Bank of India

Footnote: (1) P: Provisional, (2) Includes FDI through SIA/FIPB and RBI routes only.

Looking at a wider picture, we witness an increase in employment in both manufacturing and service sector. Apparently, it seems that with increased foreign investment, the country experienced considerable rate of economic and employment growth. Moreover, the share of population involved in agricultural sector is declining over the years and the shift is towards the service sector which is again a sign of development (Figure 1). But if we look at the employment elasticity, it shows a declining trend (Kirti and Prasad, 2016).[1] This implies that with an increase in GDP, there is lesser increase in employment.

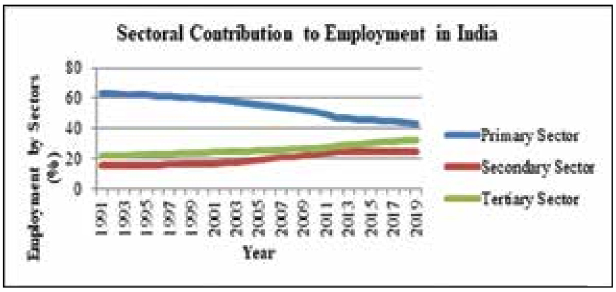


Figure 1: Sectoral Contribution to Employment in India

Source: World Bank

3. Challenges faced by Indian Economy and the Possible Way-outs:

3.1 Challenges:

For a country to experience sustained growth, improving the functionality of the manufacturing sector is a pre-requisite. India is lagging behind the pool of developing countries in terms of growth envisaged by manufacturing sector. Post-independence, the manufacturing sector has faced economic stagnation. Skipping a step in the process of economic development, India directly shifted from being agriculture driven country to being service sector driven. Again, India is a labour-abundant country whose significant proportion of population is unskilled. Stagnant manufacturing sector failed to absorb the growing population of unskilled workers. Their last resort is to get dissolved in the agricultural sector. Given the demographic transition India is experiencing, around 70% of Indian population is in working-age group, and the number is presently increasing. To provide employment to this ever-increasing youth is a herculean task and is practically impossible to achieve without foreign support.

3.2 Possible Way-outs:

Having outlined the problems faced by India, this section proposes some measures to ameliorate the grim scenario.

- The need of the hour is to form a strong manufacturing base and aim towards becoming a major exporter of manufacturing products. Employment can be generated if the industry has high export intensity. Moreover, the US-China trade war adversely affected China's position in the global value chain (GVC). India could use this situation to their advantage by establishing a firm-footing in the assembly line in the GVC if it focuses on the improvement of the manufacturing sector. However, such *trade diversion* potentially demands help in the form of FDI. This would expand job opportunities, include the increasing population of India into its workforce and release the responsibility of agricultural sector in employment generation.
- Indian population lacks the proper skill required to be

[1] Employment elasticity is defined as the percentage change in employment due to 1% increase in growth.

earn employment in the MNCs or other sectors. Hence, apart from focusing on job creation, India should also focus on increasing the employability. This could be achieved by providing vocational training and skill enhancement programs.

- MNCs usually shy away from expanding its operation in India because acquiring license takes time. Although India's rank in terms of 'ease of doing business' improved, standing at 63rd position as of 2020 compared to its 142nd position in 2015, it still has a long way to go. The emphasis should be on improving performance in "enforcing contracts", reducing the number of days taken to "register property" and number of hours taken in "paying taxes".

4. Concluding Remarks:

India is an emerging economy with a burgeoning working-age population. To provide employment to the ever-expanding youth and restrict the outflow of human resources to mitigate the issue of brain drain, India needs to increase the job opportunities. Equitable and inclusive growth without foreign help is rather infeasible. Thus, India should compete to attract more and more foreign capital not only in service sector, but also in the manufacturing, to establish itself as a hub for assembly line in the global value chain. In order to incentivize firms to operate in the country, India should also work on certain parameters to improve its rank further in 'ease of doing business'. While attracting FDI is needed to emerge as a self-reliant nation, or as the motto goes 'Atmanirbhar Bharat', it should also focus on making its population employable. MA

References:

1. *Banga, R. (2005): Impact of Liberalisation on Wages and Employment in Indian Manufacturing Industries, ICRIER Working Paper No. 153. New Delhi: Indian Council for Research on International Economic Relations.*
2. *Craigwell, R. (2006): Foreign Direct Investment and Employment in the English and Dutch-Speaking Caribbean, Project prepared forILO, Trinidad and Tobago: International Labour Organization.*
3. *Currie, J. and Harrison, A. (1997): Sharing the Costs: The Impact of Trade Reform on Capital and Labour in Morocco, Journal of Labour Economics, 15(3), S44-S71.*
4. *Goldar, B. (2000): Employment Growth in Organised Manufacturing in India, Economic and Political Weekly, 35(14), 1-7.*
5. *https://www.financialexpress.com/economy/india-lines-up-fresh-plan-to-break-into-top-50-nations-in-world-banks-ease-of-doing-business-index/2153843/*
6. *Kirti, R. and Prasad, S. (2016): FDI Impact on Employment Generation and GDP Growth in India, Asian Journal of Economics and Empirical Research, 3(1), 40-48.*
7. *Lang, K. (1998): The effect of Trade Liberalisation on Wages and Employment, Journal of Labour Economics, 16(4), 792-814.*
8. *Raj, R.S.N. and Sen, K. (2012): Did International Trade Destroy or Create Jobs in Indian Manufacturing? European Journal of Development Research, 24(3), 359-381.*
9. *Sen, K. (2008): International Trade and Manufacturing Employment Outcomes in India: A Comparative Study, UNU-WIDER Working Paper Series RP 2008/87, Helsinky: World Institute for Development Economics Research United Nations University.*
10. *Sen, K. (2009): Trade Policy, Inequality and Performance in Indian Manufacturing, Routledge Advances In South Asian Studies, New Delhi: Routledge.*

INSIGHTS ON INDIA'S FDI POLICY
CONTRIBUTIONS AND IMPLICATIONS TO THE DEVELOPMENT OF ECONOMY

Abstract

Foreign Direct Investment (FDI) is considered as one of the sources of foreign investment and one of the best avenues available for the economies to develop themselves . It is a type of investment made by one enterprise in a country located outside its political borders. FDI has gained relevance globally as an instrument of economic integration and provides access to the innovative technology which promotes the efficiency and productivity of the existing production capacity and generates new production opportunity in the emerging economies.. In order to attract more and more FDI's, the GOI took several initiatives to improve the foreign investments and kept on amending its FDI policies periodically.

Santosh G
Asst. Professor of Commerce
Vivekananda College of Law
Bangalore
lpsantosh09@gmail.com

Introduction:

Improvement in the economic condition of the country depends on various factors like financial condition, technology, labour skills and education system. But these are not available in equal measures in all the countries. Hence, no country in the world is self sufficient and self reliant. Therefore, most of them largely depend on other nations. Most of the advanced economies with their surplus reserves try to penetrate into the economies (developing & under developed) as they are rich in above mentioned factors. FDI (Foreign Direct Investment) plays an important role in accelerating the growth of such economies. FDI is considered as a major source of non-debt financial resource for economic development.

At present, most of the emerging economies like India, Brazil, and Mexico have taken a lot of initiatives to attract FDI by providing various attractive incentives. FDI is one such source which bridges the gap from opportunity constraint to opportunity development and growth. In the progress of economic development, foreign investments help to overcome various constraints such as poverty and unemployment and even while providing improvement in productivity from the existing capacity. However FDI has both positive & negative effects on host economies.

This research paper clearly exhibits how the FDI has contributed for the development of Indian economy, its contribution to the Indian GDP, sector wise flow of FDI into India, pro's & con's of FDI to Indian economy & other relevant factors that are directly associated with economy growth.

Review of Literature

Dr. S N Babar and Dr. B V Khandare, (2012), "Structure of FDI in India during globalization period". The study is mainly focused on changing structure and direction of India's FDI during globalization period.

Singh (2009) stated in their study that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. The paper highlighted the trend of FDI in India after the sector-wise economic reforms.

Devajit (2012) conducted the study to find out the impact of foreign direct investments on Indian economy and concluded that Foreign Direct Investment (FDI) as a strategic component of investment is needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries etc.

Zafar, S.M.Tariq & Waleed Hemdat (2016) in their study found that FDI flow in India has increased too many fold in comparison to past. They also found that FDI inflow has influenced the GDP of the nation and both were moving with matching pace and was having positive impact on economy.

Bhavya Malhotra (2014) in her study tried to study the trends and pattern of FDI along with assessing the determinant of FDI Inflows. In her study he found that Indian economy has a tremendous potential and FDI has a positive impact.

Dr. Jasbir Singh, Ms. Sumita Chadha, Dr. Anupama Sharma(2012) in their study they draw conclusion that maximum global foreign investment's flows are attracted by the developed countries rather than developing and under developing countries.

Statement of the problem

It was considered once upon a time, that, Indian economy was an under developed economy because of the stringent rules & regulations. After the implementation of LPG policy & relaxation in FDI policies, the economic condition of the country accelerated towards development.

At present, most of the the advanced economies like USA, UK, JAPAN etc., have considered that Indian economy is no more a developing economy, but is a developed one. This paper is an attempt to bring out the factors that have contributed for development, the sectors that are attracted towards FDI & their contribution for economic development of India .

Research Methodology

This study is based on the data & information gathered from secondary sources viz., reports published by the GOI, RBI reports relating to foreign flows, reports published by the Department for Promotion of Industry and Internal Trade (DPIIT), economics journals and internet sources.

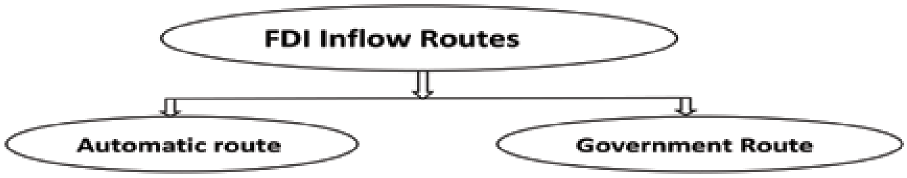
Objective of the study

- To study the evolution of FDI in Indian economy.
- To study the routes of FDI inflow.
- To study the sectors Permissible and Prohibited under FDI.
- To study the contributions(pros) and implications(cons) of FDI to Host and Home economies.
- To study the year-wise FDI inflow and sector-wise FDI Equity inflows (Top 35 sectors) in India.
- To study FDI contribution towards GDP of the economy.

1.1 Table indicating the Evolution of FDI in Indian economy.

Stages	I	II	III	IV	V	VI
Policies & Regulations	**Industrial Policy, 1948**	**MRTP Act- 1969** **FERA-1973**	**Industrial Policy 1991 (LPG Policy)** **FEMA-1999**	**Consolidated Documentation**	**Consolidated FDI Policy & Make in India initiative**	**Initiatives taken by the GOI on (consolidated) FDI policy,2020**
Decisions & Amendments	➢ To promote industrialization, foreign investment was allowed. ➢ Stringent rules and regulations were imposed regarding inflow of foreign capital to protect the national interest of the economy ➢ Actions were taken to maintain the ownership and majority holdings in Indian hands.	➢ **MRTP Act, 1969:** • This Act was introduced in order to have control over the operation size of the organization, product pricing and services offered by the foreign companies. ➢ **FERA,1973** • This Act limited the extent of investment in foreign equity up to 40%, with the exception of 74% for technology intensive export intensive and core sector industries. **(Now MRTP Act has been replaced by Competition Act , certain Foreign Trade Policies and FERA Act has been replaced by FEMA Act)**	➢ As per industrial policy 1991, 51% of FDI was allowed in automatic route in 35 high priority industries which require large capital inflows and advanced innovative technologies. ➢ In 1996, automatic approval route for FDI was expanded. The automatic route was increased from 35 industries to 111 industries. ➢ FIPB (Foreign Investment Policy Board) was constituted for processing FDI proposals.	➢ In 2000 all activities were placed under automatic route except for a small negative list. ➢ Insurance and defense sectors were opened up with a cap of 26%. ➢ In 2005, Telecommunication sector cap was increased from 49% to 74%. ➢ FDI up to 51% in single brand retail was allowed in 2006. ➢ Consolidation of existing FDI regulations to a single document enabled ease of reference.	➢ In Pharmaceutical Sector, the FDI was allowed up to 74% under automatic route and beyond that in the government route. ➢ In defense sector, foreign investment was allowed up to 49%. Up to 100% will be permitted through the government route. ➢ For aviation sector, 100% FDI has been allowed in automatic route.	➢ In August 2020, the Government of India amended Foreign Direct Investment Policy, 2017 on commercial coal mining policy making it approved only under the Government route. In 2019, the Central Government amended FDI Policy 2017, to permit 100% FDI under automatic route in coal mining activities. ➢ In May 2020, Government increased FDI in defense manufacturing under the automatic route from 49% to 74%. ➢ In April 2020, Government amended existing consolidated FDI policy for restricting opportunistic takeovers or acquisition of Indian companies from neighboring nations. ➢ In March 2020, Government permitted non-resident Indians (NRIs) to acquire up to 100% stake in Air India.

1.2 Routes of FDI Inflow



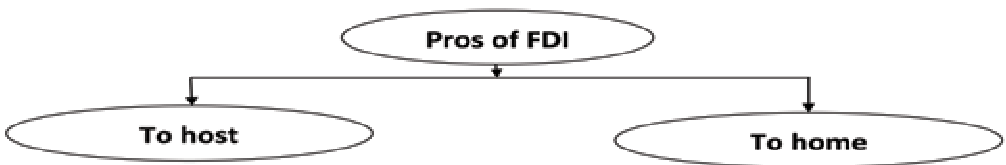
Automatic route: Under this route, the Non-Resident Investor or foreign investor (NRI) or the Indian company does not require any approval from Government of India for the investment.

Government (Approval) Route: Under this route, prior approval of the Government of India is required. Under Government Route the proposals for foreign investment are considered by respective Administrative Ministry/Department.

1.3 Sectors Permissible and Prohibited under FDI

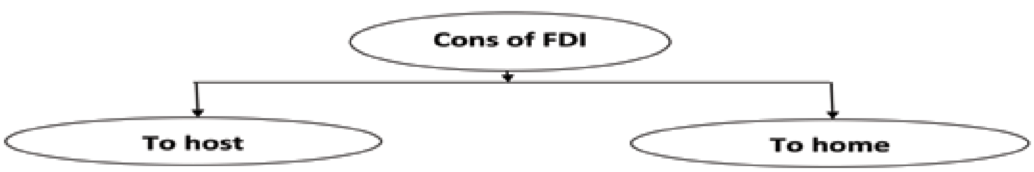
Permissible Sector	Prohibited Sector
1. Agriculture, Plantation & Animal Husbandry.	**1.** Lottery Business including government/private lottery, online lotteries.
2. Mining And Petroleum & Natural Gas	**2.** Gambling and Betting including casinos.
3. Manufacturing and Industrial Parks.	**3.** Chit funds and Nidhi company.
4. Defense and Railway Infrastructure	**4.** Trading in Transferable Development Rights
5. Broadcasting Carriage And Content Services.	**5.** Real Estate Business or Construction of Farm Houses.
6. Print Media , Telecom Services and E-Commerce Activities	**6.** Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
7. Civil Aviation and Satellites- Establishment And Operation	**7.** Atomic sector
8. Construction Development: Townships, Housing, Built-Up Infrastructure. Etc.	

1.4 Pros and Cons of FDI to Host and Home economy



1.	Stimulates country's economic development.
2.	Creates Employment opportunities.
3.	Boosts the economical condition of the country
4.	Knowledge and resources transfer.
5.	Removes poverty and improves the living standard of people.
6.	Improves Export and Import
7.	Improves GDP of the economy

1.	Creation of new market segment
2.	Expansion and Exploration.
3.	Acceleration of industrial operations globally.
4.	Improves profitability.
5.	Contributes for Favorable BOP
6.	Resource acquisition at lower prices.
7.	Cultural exchange



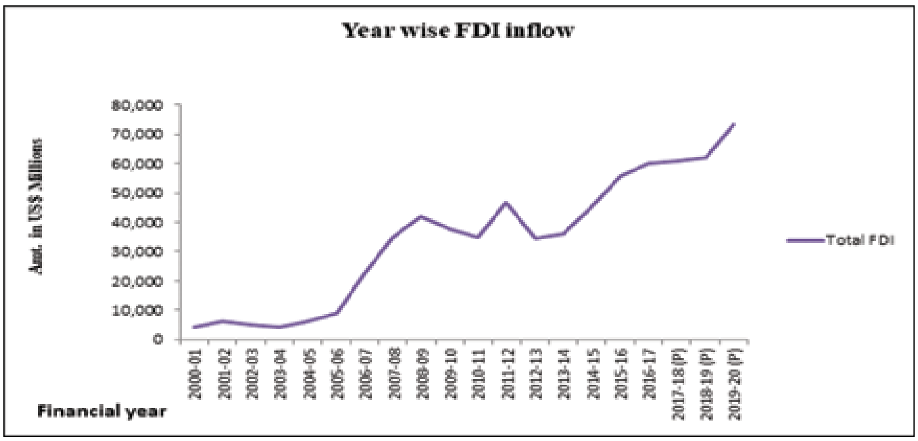
1.	Chance of losing economic sovereignty
2.	Ethnocentric approach in staffing
3.	Loss of cultural moorings.
4.	Promotes regional economic disparities.
5.	Exploits labor forces of host nations
6.	Affects domestic industry by monopolizing the host country's market.

1.	Neglects home country's economic development.
2.	Foreign country's culture are detrimental to interest of the home country
3.	Follows polycentric approach which does not create job opportunities to the people of the home country.
4.	People of home country may have objections to its operations.

1.5.1 Table indicating the year wise FDI inflows

(Amount US$ Million)

SL.NO	FINANCIAL YEAR	Equity		Re- invested earnings +	Other capital +	FDI FLOWS INTO INDIA	
		FIPB Route/RBI's Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI Flows	%age growth over previous year (in US$ terms)
1.	**2000-01**	2,339	61	1,350	279	**4,029**	-
2.	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**
3.	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**
4.	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**
5.	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**
6.	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**
7.	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 155 %**
8.	**2007-08**	24,573	2,291	7,679	300	**34,843**	**(+) 53 %**
9.	**2008-09**	31,364	702	9,030	777	**41,873**	**(+) 20 %**
10.	**2009-10**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**
11.	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**
12.	**2011-12**	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**
13.	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	**(-) 26%**
14.	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**
15.	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**
16.	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**
17.	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**
18.	**2017-18 (P)**	44,857	664	12,542	2,911	**60,974**	**(+) 1%**
19.	**2018-19 (P)**	44,366	689	13,672	3,274	62,001	**(+) 2%**
20.	**2019-20 (P)**	**49,977**	**1,226**	**14,052**	**8,200**	**73,455**	**(+) 18%**
CUMULATIVE TOTAL		**472,877**	**16,687**	**154,170**	**37,185**	**680,919**	**-**

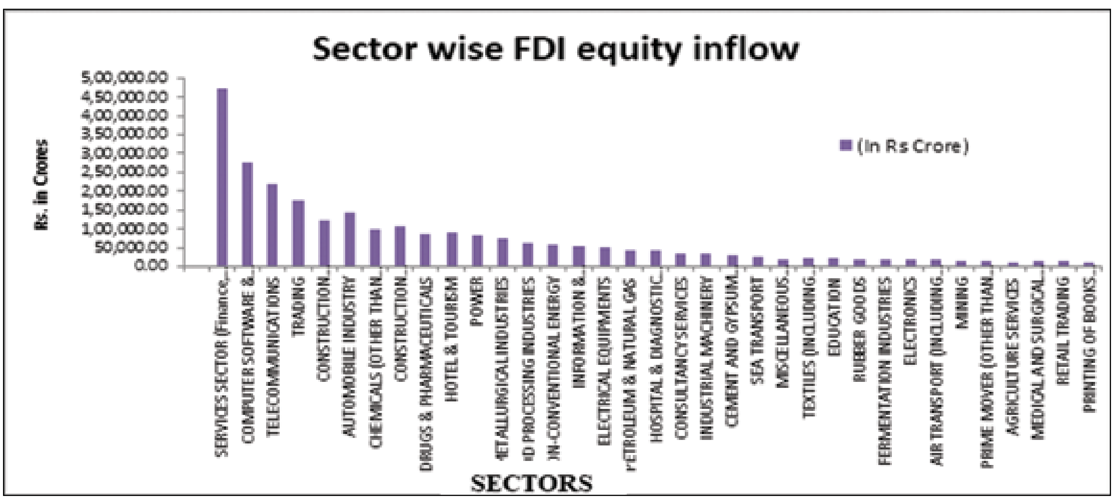


The above table and the graph indicate the year wise FDI inflows to Indian economy from the past 20 years through FIPB's/ RBI's automatic route, Reinvestment earnings and equity capital of unincorporated bodies. The above figures are measured in terms of US Dollars.

1.5.2 Table indicating the Sector-wise FDI Equity inflows (Top 35 Sectors)

SL.No	Sectors	Amount of FDI Inflows	
		(In Rs Crore)	(In US$ Million)
1	SERVICES SECTOR (Finance, Banking, Insurance, Research And Development Sector, etc.)	471,730.06	82,002.96
2	COMPUTER SOFTWARE & HARDWARE	276,006.42	44,911.21
3	TELECOMMUNICATIONS	219,188.59	37,270.95
4	TRADING	176,004.68	27,594.95

5	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	123,963.97	25,662.33
6	AUTOMOBILE INDUSTRY	143,741.68	24,210.68
7	CHEMICALS (OTHER THAN FERTILIZERS)	98,554.35	17,639.48
8	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	108,382.52	16,846.88
9	DRUGS & PHARMACEUTICALS	87,814.31	16,500.62
10	HOTEL & TOURISM	91,778.50	15,288.97
11	POWER	82,650.58	14,987.93
12	METALLURGICAL INDUSTRIES	74,595.40	13,401.78
13	FOOD PROCESSING INDUSTRIES	61,811.45	9,980.75
14	NON-CONVENTIONAL ENERGY	57,144.30	9,225.51
15	INFORMATION & BROADCASTING (INCLUDING PRINT MEDIA)	55,361.25	9,208.14
16	ELECTRICAL EQUIPMENTS	50,719.96	8,604.02
17	PETROLEUM & NATURAL GAS	40,915.45	7,824.16
18	HOSPITAL & DIAGNOSTIC CENTRES	41,154.70	6,726.93
19	CONSULTANCY SERVICES	34,701.93	5,834.81
20	INDUSTRIAL MACHINERY	32,588.56	5,619.50
21	CEMENT AND GYPSUM PRODUCTS	29,327.06	5,281.37
22	SEA TRANSPORT	25,482.60	4,241.88
23	MISCELLANEOUS MECHANICAL & ENGINEERING INDUSTRIES	19,031.46	3,636.79
24	TEXTILES (INCLUDING DYED,PRINTED)	20,343.63	3,447.53
25	EDUCATION	20,731.59	3,244.83
26	RUBBER GOODS	18,011.38	3,018.07
27	FERMENTATION INDUSTRIES	17,192.31	2,989.45
28	ELECTRONICS	16,192.60	2,791.11
29	AIR TRANSPORT (INCLUDING AIR FREIGHT)	17,703.78	2,751.92
30	MINING	15,616.67	2,731.07
31	PRIME MOVER (OTHER THAN ELECTRICAL GENERATORS)	13,130.02	2,227.49
32	AGRICULTURE SERVICES	11,449.75	2,164.72
33	MEDICAL AND SURGICAL APPLIANCES	13,048.80	2,129.50
34	RETAIL TRADING	14,161.96	2,127.01
35	PRINTING OF BOOKS (INCLUDING LITHO PRINTING INDUSTRY)	11,623.71	1,787.15



The above table and graph indicate the sector-wise FDI equity inflow. Here the top 35 sectors have been considered for the purpose of analysis.

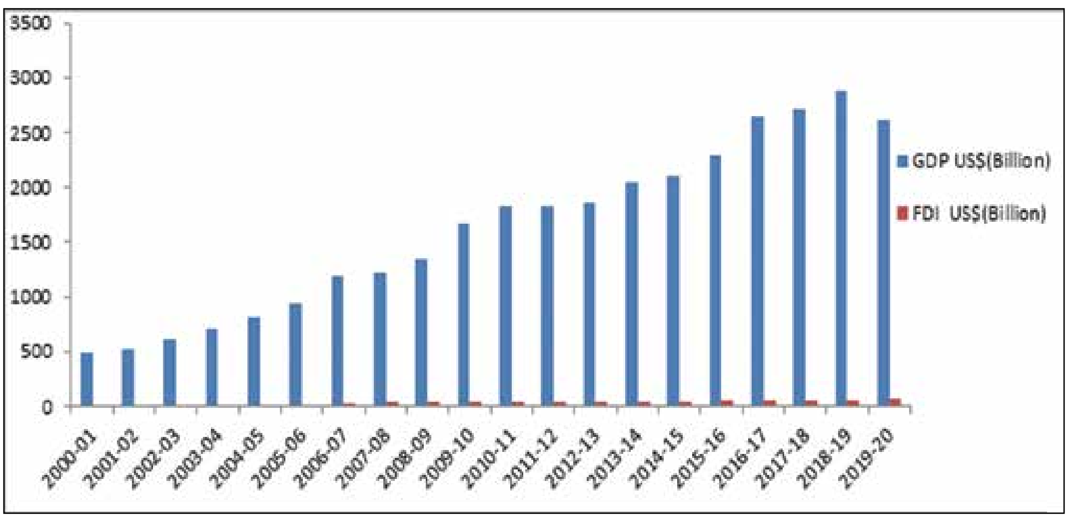
Source/ Scale:

- FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEPR), Mumbai.
- From 2000-01 to 2019-20.
- # Figures for equity capital of unincorporated bodies are estimates (1.5.1).
- (P) Represents the figures are provisional.

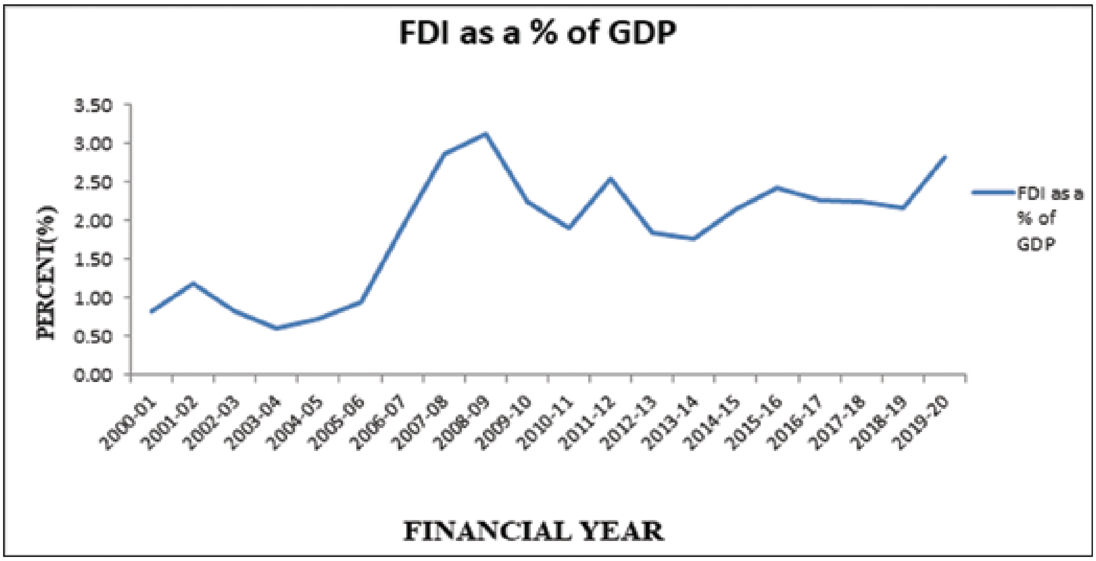
1.6 Table indicating FDI in percentage of GDP

Years	GDP US$ (Billion)	FDI US$ (Billion)	FDI as a % of GDP
2000-01	485.44	4.029	0.83
2001-02	514.94	6.13	1.19
2002-03	607.7	5.035	0.83
2003-04	709.15	4.322	0.61
2004-05	820.38	6.051	0.74
2005-06	940.26	8.961	0.95
2006-07	1190.9	22.826	1.92
2007-08	1216.74	34.843	2.86
2008-09	1341.89	41.873	3.12
2009-10	1675.62	37.745	2.25
2010-11	1823.05	34.847	1.91
2011-12	1827.64	46.556	2.55
2012-13	1856.72	34.298	1.85
2013-14	2039.13	36.046	1.77
2014-15	2103.59	45.148	2.15
2015-16	2294.8	55.559	2.42
2016-17	2652.75	60.22	2.27
2017-18	2713.17	60.974	2.25
2018-19	2875.14	62.001	2.16
2019-20(P)	**2610**	73.455	2.81

Multiple bar diagram indicating GDP and FDI (in US $) of Indian economy for past 20 years



Line graph indicating FDI as a % of GDP



The above table, multiple bar diagram and line graph shows the GDP of the Indian economy, FDI inflow to the economy for the past 20 years and FDI in percentage of total GDP of economy which is on an increasing trend.

Source:

- FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEPR), Mumbai.
- MacroTrends
- **P:** Figures are provisionals.

Findings of the study:

This paper exhibits the evolution of FDI in India in different stages and the contemporary developments that have happened in the economy at different stages, routes of FDI inflow and the sectors that are eligible for FDI and the sectors which are ineligible.

Table 1.5.1 and its graph represents the trends of FDI inflow into the economy from the past 20 years. Up to the year 2008-09 the FDI flow into the economy was on an increasing trend. Due to economic depression in the year 2008, the flow of FDI from the advanced economies has decreased. After recovery from such economic derpression, the flow of FDI to Indian economy is on an increasing trend.

Table 1.5.2 and its graph represents the quantum of FDI equity inflow(in Rs crores) to various sectors. Here the service sectors(i.e Banking, Isurance, Finance, Research and Development) are more attracted towards FDI equity inflow. Other sectors like computer software, hardware, tele communication, constructions, automobile industry, hotel and tourism are also attracting the foreign flow in a fair measure.

Table 1.6 and its multiple bar diagram and line graph represent the GDP of the Indian economy, FDI inflow to the economy for the past 20 years and FDI in percentage of total GDP. Here, the contribution of FDI towards Indian GDP is at its best. From the past 20 years, the trend is at its best, since the FDI's contribution has increased from $4.029 billion(2001) to $73.455 billion{2020 (P)}. In the year 2008-09 FDI's contribution to the total GDP was around 3.12%, but due to economic depression, the FDI inflow rate was decreased, which directly impacted the GDP growth of the economy. Presently, the average rate of contribution of FDI to GDP is at 1.87%, which is moderate.

Conclusion:

From the above conceptual study, I conclude that FDI is one of the tool which has contributed for the development of the home and host economies. However, it carries both advantages and disadvantages. Hence the GOI has to undertake various innovative initiatives and steps to inculcate competitive policies which are adjustable to the global environment conditions regarding promotion and inclusion of FDI's for economic growth of the country. MA

References:

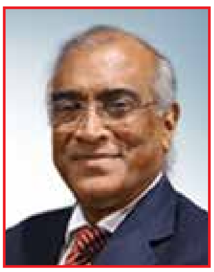
1. *Dr Shikha Singh,(2019),"Foreign Direct Investment (FDI) Inflows in India". ISSN 2348-2869, Journal of General Management Research, Vol. 6.*
2. *Tilak Raj & Ashima Pahwa (2018), Impact of Foreign Investments on Economic Growth of India, Research Review International Journal of Multidisciplinary, Volume-03, Issue-12, December -2018.*
3. *Dr. S N Babar and Dr. B V Khandare, (2012), "Structure of FDI in India during globalization period".*
4. *Bhavya Malhotra ,(2014), "Foreign Direct Investment: Impact on Indian Economy". ISSN 2278-3679 Volume 4.*
5. *Dr. Dhadurya Naik M "An empirical study on Foreign Direct Investments Impact on Economic Growth of India".*
6. *Devajit, M. (2012). Impact of foreign direct investment on Indian economy. Research Journal of management Sciences, 1(2), 29-31.*
7. *Consolidated FDI Policy 2020, Department for Promotion of Industry and Internal Trade.*

DIGITAL OBJECT IDENTIFIER (DOI)

Issue: March - 2021 [Vol. 56 No. III]

Name of The Article	Name of Author/s	Volume	Issue	Issue No.	Page No.	DOI Numbers
WOMEN ENTREPRENEURSHIP: A PATH LESS TRAVELLED…	Aruna Balamurugan Shefali Tripathi	Vol.56	Mar-21	3	24-25	10.33516/maj.v56i3.24-25p
WOMEN'S PARTICIPATION IN THE CORPORATE SECTOR	CMA Remya Damodaran	Vol.56	Mar-21	3	26-28	10.33516/maj.v56i3.26-28p
A STUDY ON EMERGENCE & DEVELOPMENT OF INDIAN WOMEN ENTREPRENEURSHIP	Rashbihari Dutta	Vol.56	Mar-21	3	29-31	10.33516/maj.v56i3.29-31p
NITI AAYOG'S WOMEN ENTREPRENEURSHIP PLATFORM: STEPPING AHEAD TO MAKE "BHARATIYA NAARI ATMANIRBHAR"	Dr. Pooja	Vol.56	Mar-21	3	32-36	10.33516/maj.v56i3.32-36p
WOMEN EMPOWERMENT AND ITS SIGNIFICANCE: STUDYING THROUGH THE LENS OF FEMALE HANDLOOM WORKERS OF INDIA	Ankita Chakraborty	Vol.56	Mar-21	3	37-40	10.33516/maj.v56i3.37-40p
A STUDY OF MARKETING PROBLEMS OF SELECTED SELF HELP GROUPS (SHGs) OF SIKKIM	Amit Kumar Dutta	Vol.56	Mar-21	3	41-44	10.33516/maj.v56i3.41-44p
GENDER EQUALITY AND WOMEN'S OWNERSHIP OF THE CONCEPT(?)	CMA Apoorva Vyas	Vol.56	Mar-21	3	45-47	10.33516/maj.v56i3.45-47p
WOMEN OF INDIA: THE BETTER HALF OR THE NEGLECTED HALF?	Subhasree Basak	Vol.56	Mar-21	3	48-51	10.33516/maj.v56i3.48-51p
ROLE OF DISTRICT WOMEN AND CHILD DEVELOPMENT AGENCY (DWCDA) IN EMPOWERING WOMEN IN VISAKHAPATNAM	P. Jansi Ratna Dr. A. Narasimha Rao	Vol.56	Mar-21	3	52-56	10.33516/maj.v56i3.52-56p
CHALLENGES AND BARRIERS FOR FEMALE ENTREPRENEURS IN INDIA	Dr. Ashish B. Gorvadiya Dr. Manish B. Raval	Vol.56	Mar-21	3	57-59	10.33516/maj.v56i3.57-59p
A STUDY ON ROLE OF SELF HELP GROUPS FOR PROMOTING WOMEN ENTREPRENEURS IN INDIA	Priyajit Ray	Vol.56	Mar-21	3	60-62	10.33516/maj.v56i3.60-62p
RECENT TREND OF WOMEN ENTREPRENEURSHIP – A STUDY ON VIETNAMESE ECONOMY	CMA Sandip Basak Sayani Sikdar	Vol.56	Mar-21	3	63-65	10.33516/maj.v56i3.63-65p
DIGITAL TRANSFORMATION -ADMINISTRATION AND SERVICE DELIVERIES BY SOVEREIGN NATIONS	CMA (Dr.) Paritosh Basu	Vol.56	Mar-21	3	70-74	10.33516/maj.v56i3.70-74p
UNION BUDGET 2021: A COSTNOMIC VIEW!	CMA (Dr.) Sreehari Chava	Vol.56	Mar-21	3	75-78	10.33516/maj.v56i3.75-78p
INSIGHT INTO UNION BUDGET 2021-22	CMA KM Riyazuddin	Vol.56	Mar-21	3	79-81	10.33516/maj.v56i3.79-81p
FIN TECH: REGULATORY SAND BOX	Biplab Chakraborty	Vol.56	Mar-21	3	82-85	10.33516/maj.v56i3.82-85p
QUANTAMENTAL INVESTING: AN EMERGING DIMENSION IN PORTFOLIO MANAGEMENT AND SCOPE OF CMAs	Dr. Kalpataru Bandopadhyay Dr. Abhijit Sinha	Vol.56	Mar-21	3	86-90	10.33516/maj.v56i3.86-90p
A STUDY ON IMPACT OF FINANCIAL INCLUSION ON INCLUSIVE GROWTH IN INDIA	Dr. Sohag Joarder	Vol.56	Mar-21	3	91-94	10.33516/maj.v56i3.91-94p
USING THE DISTANCE MODE FOR SKILL DEVELOPMENT: A GAME CHANGER FOR INDIA'S SKILL DEVELOPMENT ENDEAVOURS	Sutapa Bose	Vol.56	Mar-21	3	95-97	10.33516/maj.v56i3.95-97p
EFFECTIVENESS OF ONLINE TEACHING OFFERED BY THE FACULTIES OF THE ROYAL UNIVERSITY OF BHUTAN - A STUDY FROM THE FACULTY PERSPECTIVE	CMA Purnendu Basu Dr. Rupa Basu	Vol.56	Mar-21	3	98-102	10.33516/maj.v56i3.98-102p

DIGITAL TRANSFORMATION - EMERGING DIMENSIONS OF RISKS AND AUDIT 4.0



CMA (Dr.) Paritosh Basu
Senior Professor
NMIMS School of Business Management
Mumbai
paritosh.basu@sbm.nmims.edu

Genesis of Accountability and Auditing

Desktop research of the author could trace conventional practices for documentation of movements in economic resources, reporting and exacting accountability from the in-charge of exchequer during the period of 1500 Before Common Era (BCE or BC). According to *Kautilya's Arthshastra*[1], this practice continued over centuries with progressively improved processes for recording and accountability of *rajashyas* (king's levies) and expenses to run the kingdom. The underlying objective of ensuring such accountability is essentially mitigation of various risks perceived by the kings of ancient era.

Pre-Vedic and Vedic literature, written by *Rishi* (Sage) Veda Vyas, sages of his clan and subsequent other literature, contain many references about audit. Mahajan and Mahajan[2] traced that in *Valmiki's Ramayana* there was a reference of auditing. Lord *Rama* asked his cousin brother *Bharata*, when the latter came to meet him during his exile, whether the income of his kingdom was more than expenditure or vice versa. In *Mahabharata* King *Dbarmaraj Judhistir* advised his younger brother *Nakula* to look after the army's accounts.

It seems that in that era independent record keeping by itself involved auditing, because the person responsible was a man of confidence like *Nakula* exacting accountability from persons in-charge of handling economic resources. Here again the drivers were anxieties driven by risks perception of a probability of the kingdom suffering from resource crisis or the army not being appropriately equipped and trained due to shortage or misappropriation of resources.

According to Wikipedia[3], *"By about the 4th century BC, the ancient Egyptians and Babylonians had auditing systems for checking movements in and out of storehouses, including oral "audit reports…"* LEE Teck-Heang and Azham Md. Ali[4] observed in their seminal paper on evolution of auditing *that. "The ancient checking activities found in Greece (around 350 B.C.) ..... The existence of such activities can be proven by Aristotle's quotation (as cited in McMickle, 1978, pp. 11-12).*

Similar kinds of checking activities were also found in the ancient Exchequer of England .... during the reign of Henry 1 (1100-1135) ... special audit officers were appointed to make sure that the state revenue and expenditure transactions were properly accounted for....”

One of the objectives of auditing is identification of risks followed by actions for mitigation. Processes for this have evolved over centuries in response to the perceived needs of investors for assurance about legitimate conduct and performance of individuals responsible for dealing with resources. Auditing continued to gain critical importance with accelerated industrialisation post World War - II. Lee and Azham[4] have quoted from papers of many research scholars observing that, *“... The aim of an audit has always been a dynamic rather than a static one. Brown (1962) asserts that the objective and techniques of auditing have changed during the four hundred years of recognizable existence of auditing to suit the changing needs and expectations of society.”* Needs and expectations of society, investors, and business organisations from audit continued to metamorphose with impacts from mutated dimensions of political, economic, societal, technical, environmental, and legal (PESTEL) factors dynamically influencing business ecosystem.

Background and Objective

Human civilisation while evolving through centuries has witnessed three industrial revolutions, viz., mechanisation (1770), electrification (1870), Computerisation and Automation (1970) and expansion of horizon called Globalisation (1980). The present period is considered as the Industry 4.0 era which started from around year 2000. In the interregnum of about three and a half centuries mankind has experienced many regimentation changes. After World Wars the countries seem to have settled down to democracy in general.

The world had experienced dot.com bubble bursting in 1999-2000. Many believed that has heralded digital transformation (DT) powered by internet and innovative digitisation. The world had again endured worst ever global financial disaster during 2008 to 2010 due to subprime mortgage crisis in the USA. It is claimed that the birth of cryptocurrency is from the ashes of that crisis. Its cradle was provided by Blockchain technology. Having suffered such repeated man-made crises perceptions and scepticisms about efficacy, riskiness and success of digital technologies are still fresh in common people’s mind.

Advancements of digital technologies and ‘innoventive’ applications thereof at overwhelming speed are fearlessly yet beneficially disrupting corporates across industry sectors. Common people’s way of living is being transformed through digital devices and soft aids. However, multipoint capturing of meta data and their unsafe storage are exposing peoples’ core personal information to severe security and safety related risks. Their private digital spaces are also being invaded.

The newly added source of risks are employees working from home forced by Covid-19 Pandemic. On a positive note, the pandemic crises in waves are also the crucibles for building many more innovative digital solutions and multiplying success from existing applications. But cyber criminals are running their own industry by spawning malwares for hacking and extracting millions of dollars. Cyber warfare is also at the core of apprehensions of governments and commercial entities. The possibility of fighting the third world war at global cyber space are not being ruled out.

The author in his previous nineteen papers under this column has written about innovative applications of eight deep digital technologies, benefits being reaped, and startups working for building many more solutions. The objective of this article is to reflect on the risks that DTs are fraught with. It will examine how to approach identification and analyses of such risks through proactive and reactive auditing at different stages of planning, solution building, commercialisation, monitoring of systems, processes and deriving benefits for humanity.

Digital Transformation and Related Risks

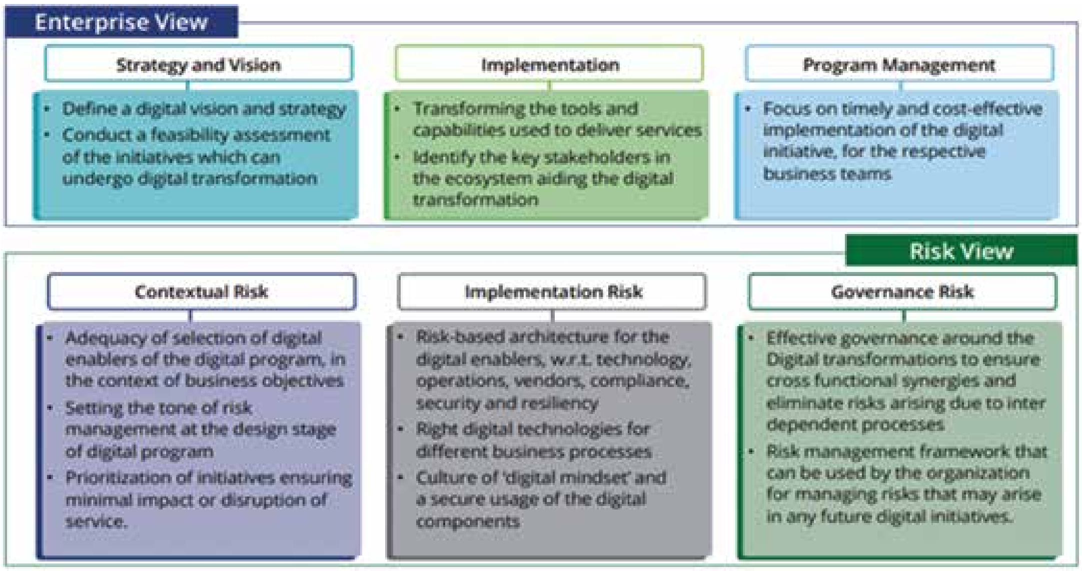
The perception of this author as a student of finance gathered since 1967 through studies and research is that after the 2nd World War focus of business organisations have altered through decades in the following manner while horizon of conducting business activities kept on expanding:

The focal point of the present era of Industry 4.0 is at the top in which digital technologies are convincingly proving to be the most effective enabler of innovation. Business systems and processes are transforming at an overwhelming speed driven by the following major factors:

- Fast changing demographics, heightening consumer expectations and demands,
- Increasing urbanisation, deeper and speedy broadband, and logistical penetrations,
- Accelerated infiltration of smart devices and digital aids in the way common peoples’ living life,
- Startupians challenging traditional operating systems by offering innoventive digital solutions with applications of IoTs, RPAs, deeper data analytics
- Growing propensity to adopt technological innovations to avoid being disrupted by first generation entrepreneurs.

Readers will agree that business risks are also equally going through multi-featured mutations triggered by the change of focus and technologies being adopted. Brian de Lemos[7] (2019) observed that *“Unfortunately, we’ve also seen what happens when these new technologies aren’t managed properly: costly breaches or security incidents impacting reputation, trust, and the bottom line. It’s critical to understand the factors that may introduce digital risks .... along with adoption. These risk challenges are not unique to any one industry.... What I hear from customers is the need for a consistent framework to assess their business risks. Additionally, security leaders want* *to buck the stereotype that they are "business inhibitors" and instead drive perception of being facilitators of their company's journey through vast disruption and change.*

All these, therefore, call for exploring and be informed about the dark side of DT before evaluating emerging risks, defining objectives of auditing of DT and designing processes for auditing. Deloitte in their risk advisory titled 'Managing Risks in Digital Transformation', 2018[6] advised that *"Digitalization means different things for different stakeholders. For an effective digital environment to meet the desired objective, it is critical to consider risk areas beyond traditional risk".* They have captured the gamut of such new risks in the following visuals:



Source: https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/in-ra-managing-risk-in-digital-transformation-1-noexp.pdf

The above points are self-explanatory and easy to be assimilated for framing proactive and reactive audit plans and initiating mitigation measures. However, it will be worthwhile to appreciate the other dimensions of risks when a busines entity enlists DT at top of the CEO's agenda. If an entity plans for faster digital transformation with quantum leaps in operating proficiencies, customer centricity, new business and revenue models, the following risks threaten with dire consequences. This is because sub-optimal applications and inappropriate handling of digital technologies can lead to unprecedented security breaches, crisis of trust which can seriously damage reputation.

Syndromic Risks

Me Too Syndrome

Not all organisations need all sorts of DT in all segments of its business. The most common risk of cash burning without any tangible benefits occurs when digital technologies are adopted without relevant diagnostic studies befitting the specificities of a business entity and synergy analysis. Research findings suggest that random decisions driven by me too syndrome may slap adverse consequences even threatening an entity's very existence.

Sunflower Syndrome

One common perception is that plans for DT should be executed only when the going is good, and the entity is flushed with funds like blooming of sunflowers when the sun shines bright. Good going does not ensure sustainable growth and prosperity. Industry 4.0 is an era of disruption and 'destruption' (destructive disruption). Therefore, an entity need not wait for abundance to plan and adopt DT. At the same time profligacy may also negative returns. The decision for DT should absolutely be need based, else there would be possibilities of lagging at the wayside.

Shiny Object Syndrome

An entity should not adopt technologies, viz., RPA, Blockchain, AR & VR, FinTech and AI & ML because competitors or entities in other industry sectors are doing well by adopting one or more of those. The quest for finding a quick fix or a dropped from the sky solution for riding on the hype latest technology may prove to be perilous. Implementation of digital technology must be part of a larger vision for a company's sustainable journey, not an one-off activity.

Golden Goose Syndrome

Quite often entities end up with sub-optimal return from DT by expecting too much too soon. Power of digital technologies cannot be made to drive business at neck breaking speed like beating a horse to run fast. This may boomerang with law of diminishing return and may finally end up with tangible losses. The keynote of success depends on striking the right balance, ensuring flexibility and scalability.

Common Set of Risks from DT

i. Cyber militancy

Cybercriminals and militants are equipping themselves with power of the same digital technologies that are being used by scientists to bring in inclusive smiles for humanity. Frequency of assaults with innovated digital weapons and stealthily manner of spawning malwares for extracting ransom are much more than before.

ii. Human resource

Traditional manpower, unless made to learn, unlearn, and relearn can by itself be a source of risks. Balancing cost and reward calls for a combination of green horn digital technologists and retraining existing manpower having business insights. A structured framework for change management is a prerequisite for this.

iii. Flexibility and Scalability

Initial success of digital transformation may not ensure scaling newer heights and/or adapting unforeseen/unprecedented changes in business ecosystem. Lack of flexibility and scope left for scalability in the blueprint for DT may pose as a source of risk. Such a risk can even cause derailing of an entity from the realms of its vision and mission.

iv. Cloud facility

Despite all assurances from the cloud service providers, data security, safety and privacy risks cannot be ruled out. Proactive ethical hacking as a concurrent activity for monitoring such risks may be used as a deterrent for such risks.

v. Legal and regulatory compliance

Compliance with legislated requirements should not be considered as the end of measures for risk mitigation. DT calls for remaining much ahead of one size fit all type of compliance requirements. This is because an entity has more insights about its business and technology specific vulnerabilities that may cause risks to sneak in.

vi. External Stakeholders

Extending digitally transformed facilities to and integrating the same with those of external stakeholders, viz., vendors, customers, etc. are also sources of risks. Cyber criminals can infringe through the holes left unplugged at the stakeholders' end. Therefore, the same set of proactive risk mitigation measures with equal rigours should be insisted for implementation by those stakeholders.

vii. DT enabled SOPs

DT would essentially necessitate reframing legacy operating practices for business operations with embedded measures for risk-enabled performance management. Such new SOPs, if are not in sync with solutions designed using digital tools, may be the fountain of self-generated risks with opened gateways for cyber criminals.

viii. Business Process Continuity Management (BPCM)

DT entails voluminous storge of structured and unstructured data and analytics thereof. Experiences prompt that any type of hardware used for computerisation and data storage are susceptible to crashing and vulnerable to security risks. Business entities generally create facilities for disaster recovery and redressal (DRR) simultaneously with measures for business continuity. Therefore, BPCM and DRR can create potential risks unless redesigned and augmented with implementation of DT.

ix. Data privacy, safety, and security

Last but not the least data is the most valuable strategic asset in present times, and key enabler of innovation. This is the new oil that drives business. Hacked out data can provide business insights/ secrets, key information of customers external stakeholders, etc. Therefore, such data is a source of potential risks because it is the most attractive asset to cybercriminals for extracting and abusing for monetary gains.

Digital Transformation and Audit

Readers by now might be sceptical and are thinking whether traditional post facto internal audits would still be effective in a digitally transformed operating environment! If not, what should be done about it? The author is not a professional auditor and hence will take resort to viewpoints of professional auditors and audit firms for bringing out the imperatives and recent developments. His research findings corroborate that such scepticism and anxiety are almost common across business entities.

Jim DeLoach, MD, USA, and a member of Protiviti's solution leadership team wrote in an article of August[8], 2020 that "*With digitization fuelling innovation and change, two questions arise: Is internal audit adjusting quickly enough to innovate and embrace underlying technologies, and should executive management and the board care?* The answer is in affirmative. The point that can be added to the views of Jim DeLoach is that every organisation should elevate and upscale responsibilities for in-house auditors to a digitally trained and equipped management audit team (MAT) with a differently designed approach befitting the need and specificities of the organisation.

The predominant objective for such elevation should be to ensure risks-enabled performance management. This function should no longer be treated as a post facto reviewer of what management has done and results thereof. Instead, it should participate as a proactive enabler for right decision making with responsibilities for continuous monitoring of the outcomes and suggest corrective actions. It would be useful to delve into 20 Principles[9] for enterprise risk management suggested by Committee of Sponsoring Organizations of the Treadway Commission (COSO, October 2018). This will inter alia help aligning the entire task with the vision, mission, and core values of the entity.

Source: https://www.coso.org/Documents/COSO-WBCSD-ESGERM-Guidance-Full.pdf

Digital transformation is a journey and not a onetime exercise. Involvement of the MAT must be right from the beginning of this journey. For this purpose, an external expert group of consultants may be engaged for handholding and recommissioning the in-house team. But before that MAT must train their members to instil desired technical competencies and achieve a state of readiness for partnering with business and technology team members.

The statutory auditors' role should include the task of evaluating and attesting the process of governance and management audit functions as well as report on sufficiency and effectiveness of the newly framed/designed policies, SOPs, etc, in a digitally transformed environment. Members of MAT needs to also be effective in enhancing 'stragility' (ability to create agile strategies) and transforming into a multi-skilled technology enabled functional group. In the words of Jim DeLoach[8], this team *"..... must commit itself to elevate value proposition. .... Able to recognise emerging risks and changes to the organisation's risk profile quickly and efficiently enough .... To deliver stronger assurance and more valuable insights to the business efficiently, a next-generation function embraces a holistic approach focussing on competencies, qualities and components falling into three categories... Governance including strategic vision, Methodology and Enabling technology."*

In the context of proactive involvement of MAT in the journey with DT and a higher value proposition through assurance function, one can draw analogy from the following steps generally followed by business entities for implementing business expansion and/or diversification projects involving voluminous capital expenditure:

- ***Concept Study***: Environment scanning to bring out project idea as a broad investment proposition for DT.
- ***Pre-feasibility Study***: Further collection of data, analyses, and review to assess whether the concept study justifies a more informative study to be undertaken for aligning the DT project with vision, mission, and business model specific strategies.
- ***Technical and Financial Feasibility Study***: Establish technological, marketing, commercial and financial viabilities before investment decision is taken.
- ***Flexibility, Scalability and Sustainability Study***: Initial studies should contemplate probable changes in business ecosystem in predictable future that may necessitate ensuring flexibility and keeping scope for scaling up facilities with growth in business going forward. Sustainability in any case is an imperative to be kept in view at all stages.
- ***Detailed Project Report***: This would entail a complete report with analytical details of all aspects of the project including implementation schedule and systems for monitoring results and efficacy of risk management. This report is expected to include separate segments for the following:
  - Change Management: A white paper with well laid out plans for transition management from legacy to digitally transformed systems and processes.
  - Communication Strategy: Strategy for sharing the right information on a need-to-know basis at the right time with the right group of employees for creating the right impact and achieving a state of pervasive readiness. This would also help winning heart and garnering all-round support from all employees.
  - Training and Development: A detailed plan for training and upskilling existing manpower to make them future ready to successfully evolve and navigate through the process of executing DT and running the organisation with new capabilities. This should also include plan for talent acquisition with relevant knowledge and skillsets.

Involvement of the newly metamorphosed MAT right from conceptualisation stage would help:

- Developing a sense of shared ownership for their DT project right at the outset,
- Gathering more insights about the laid down policies and processes for conducting business with new systems and processes,
- Achieving consensus with all CXOs about future deliverables of MAT and the framework to be followed for auditing,
- Framing their own process for audit/review and

monitoring of results with applications of digitally enabled tools.

- Gaining abilities to proactively alerting management about challenges and upcoming risks that my disrupt and hinder progress, etc.

For this it would be logical to suggest, from the perspective of the principles of equity, that all the MAT members should also equally share all rewards and losses with all other functional team members.

Audit 4.0 - Smart Audit and Evidence Management

Organisations evolving with DT and riding through the trajectory of growth and prosperity, must plan for always working concurrent audit. In certain cases, if need be so, particularly for transactions processed through Blockchain platforms, online real time auditing systems may be introduced. It is not desirable to follow the traditional routine of periodical post facto audit because much damage might have been done in the intervening period. One must keep in mind that DT has accelerated the end-to-end processes of conducting business.

MAT must make efforts at regular intervals to anticipate, identify and appreciate nature, intensity and impacts of emerging risks and probable money value that could be exposed to risks in foreseeable future. This task of predictive analyses and profiling of business and technology related risks should be conducted at regular intervals with the objective of staying ahead of time. MAT should also organise brainstorming sessions at equal time intervals with leadership team members with the objective to frame audit plan and address those risks through appropriately articulated deliverables by assurance function.

The author could trace the following comment in an article titled 'Smart Audit: the digital transformation of audit' published in the Journal of European Court of Auditors, (February 2020)[10] - *"The world is changing at digital speed, but the accounting profession does not seem to notice it with arcane measures and old-fashioned assurance. The forthcoming data ecosystem (Cho, Vasarhelyi, and Zhang, 2019) will consist of a large chain of interlinked data sources and many constantly acting intelligent agents (Vasarhelyi and Hoitash, 2005) performing assurance tasks and drawing exceptions in some form of continuous audit (Vasarhelyi and Halper, 1991).*

When an organisation is evolving with DT, auditing also must adapt and transform with new realities. Jun Dai and Miklos Vasarhelyi[11] of Rutgers University in their paper on mentioned that *"Audit 4.0 will piggyback on technology promoted by Industry 4.0 to collect financial and non-financial information, and analyze, model, and visualize data for the purpose of providing effective, efficient, and real-time assurance. It is typically an overlay of Industry 4.0 business management processes and uses a similar infrastructure, but for assurance purposes."* They recommended auditors to master and use in auditing process digital tools offered by Sensors, computers embedded with Cyber-physical systems, IoTs linked to computers, RFID, GPS, and tools aided by AI and ML.

Aldo Dubacher, Mattig-Suter & Partner in his article on the subject[12] (Spring, 2020) wrote that, *" ..... digitalisation in auditing is not limited to electronic audit working papers. ..... the exchange of documents between audited companies and the audit firms is shifting to web-based data storage services. ....With the switch from paper to electronic working papers, powerful tools such as Excel-based analytical testing procedures will become essential. It is time to remove the critical attitude towards data analytics that is still widespread in the audit profession in the age of "big data*". Again tools for conducting audits should also be redesigned applying AI, ML and big data analytics.

Audit 4.0 and Ethical Hacking

Several research-based publications have pointed out with reference to facts that hackers with malicious objectives can penetrate any computing system howsoever strong and deep its fire walls and surveillance systems are. Cybercriminals have also infiltrated many a times data centres and cloud computing systems. The very recent two examples are alleged infiltration of computing and data storage systems of Maharashtra Industrial Development Corporation and Mobikwik, a digital wallet service providing Unicorn in India.

Cyber criminals are equally cerebral innovators, and create/ sharpen weapons and strategize modus operandi with the power of AI and ML, etc. Therefore, testing hackability of any computing hardware, applications and data storage is a must before those are launched for commercial use and every time when those are modified and/or integrated with IT systems of external stakeholders.

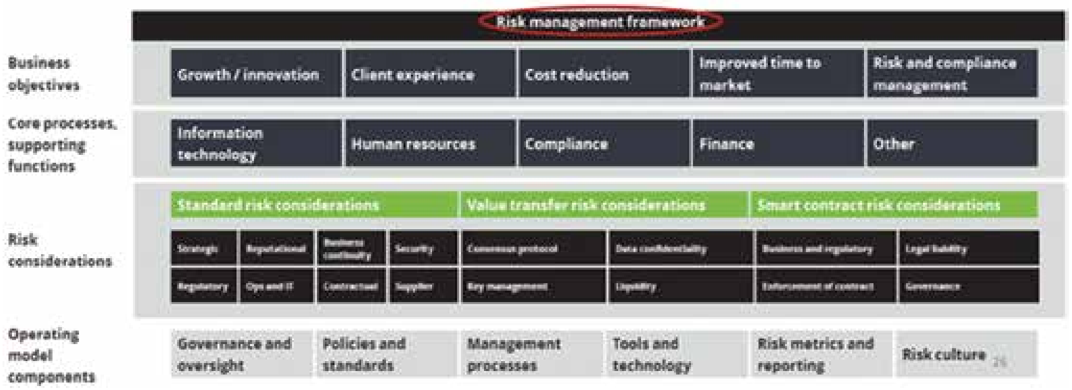
Ethical hacking is a legally permissioned assignment to penetrate any computing system, application, or data storage without being given any approved access. It comprises the task of anticipating and replicating strategies and actions of cybercriminals who may access with malicious objectives. This task also includes testing of penetrability into the system through the Apps in handheld devices of frontend customers.

The MAT of any organisation should, therefore, have a few such ethical hacking team members aka 'White Hats' who should proactively hack an entity's facilities for assessing vulnerabilities and suggest remedies for plugging apertures. The sole objective of such a group is to secure and improve in-house facilities and thus pre-empt attacks by cybercriminals. One time and recurring plans for friendly hacking should be done and approved by leadership team as a part of the main annual strategic plan for management audits. Utmost confidentiality must be maintained in all matters of ethical hacking and adverse findings must be addressed without losing any time what so ever.

Audit of Transactions through Blockchain Platforms

Blockchain, out of the eight deep digital technologies, can best be used for identity/credential management and conducting commercial transactions in a secured peer-to-peer network environment. The author has written about multifarious applications of Blockchain technology in his previous articles. Readers can access and study many those papers at the Knowledge Input section of the authors personal website https://www.innoventionians.com/ . In this article it would be worthwhile to examine new requirements for auditing. Deloitte in one of their publications titled 'Blockchain Risk Management'[13] mentioned the following about features of Blockchain Platforms:

Peer-to-peer framework offers the potential to transform current business processes by disintermediating central entities or processes, improving efficiencies, and creating an immutable audit trail of transactions. Blockchain technology and Smart Contracts embedded therein could alter the way organisations conduct business as many transactions are peer to peer in nature *"Blockchain technology will transform business models from a human-based trust model to an algorithm-based trust model, which might expose firms to risks that they have not encountered before. In order to respond to such risks, firms should consider establishing a robust risk management strategy, governance, and controls framework."* Deloitte has suggested the following risk management framework to be considered by auditors while framing their auditing strategies, plans and evidence management methodology.



Source:https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-fsi-blockchain-risk-management.pdf

The author is of the view that the MAT of every organisation can consider the above framework as the foundation for designing strategies and tools for auditing in a digitally transformed business environment with/without applications of Blockchain. It is accepted that there no standard way to validate blockchain-based business processes and the related control environment since Blockchain environments have unique architectures and lack standardization. Therefore, each business entity must design its customised control environment based on specificities of the platform designed by them. Traditional audit techniques may not be found effective for auditing transactions in Blockchain platforms. Audits for those should be planned and conducted on an online real time basis. There is a need for further research to ascertain whether tools have already been designed and applied for this purpose.

Conclusion

Digital transformation of business processes is helping commercial organisations to handle much larger volume of operations covering much wider horizon at an accelerated pace and achieving higher ROI. Needless to say, that complex, perilous and hitherto unknown risks are also being faced with far reaching impacts. Simultaneously with advancements of digital technologies and their more and more new applications the professionals engaged in rendering services for risk management, internal and statutory auditing are also evolving with new skill sets and experiential learning points.

In the above discourse the author has narrated how new systems, processes and audit tools are changing. Authorities for setting standards for both internal and statutory audits at global and country specific levels must be working for promulgating new versions of standards. Therefore, there seems to be no reason to believe that future does not hold many new promises for humanity to achieve inclusive smile. Readers must have appreciated the horizon, expanse, and enormity of the subject. A few pages of such an article are not enough to write about all its dimensions. The author would feel happy if ideas articulated in this paper, are found to be useful by readers for implementation at their respective organisations. MA

Bibliography and Webliography

1. *L. N. Rangarajan, "Kautilya - The Arthashastra", (India Penguin Random House India Pvt. Ltd.), 1992, pp 196 – 197, 245, 282.*
2. *Sanjeev Kumar Mahajan and Anupama Puri Mahajan, "Financial Administration in India", (India PHI Learning Private. Ltd.) pp 323-324.*
3. *https://en.wikipedia.org/wiki/History_of_accounting*
4. *LEE Teck-Heang and Azham Md. Ali, The evolution of auditing: An analysis of the historical development, Journal of Modern Accounting and Auditing, Dec. 2008, Vol.4, No.12 (Serial No.43) pp 1- 9.https://www.researchgate.net/publication/339251518_The_evolution_of_auditing_An_analysis_of_the_historical_development*
5. *https://www.researchgate.net/publication/339251518_The_evolution_of_auditing_An_analysis_of_the_historical_development*
6. *https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/in-ra-managing-risk-in-digital-transformation-1-noexp.pdf*
7. *https://www.delltechnologies.com/en-us/perspectives/the-dark-side-of-digital-transformation-8-emerging-digital-risks/*
8. *https://www.corporatecomplianceinsights.com/getting-more-internal-audit-digital-age/*
9. *https://www.coso.org/Documents/COSO-WBCSD-ESGERM-Guidance-Full.pdf*
10. *https://medium.com/ecajournal/smart-audit-the-digital-transformation-of-audit-b283e1653bd4*
11. *http://raw.rutgers.edu/docs/wcars/38wcars/Presentations/Jun-Audit%204.0%20short.pdf*
12. *https://ggiforum.com/assurance/1946-how-digital-transformation-is-changing-audit-processes.html*
13. *https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-fsi-blockchain-risk-management.pdf*

FINANCIAL INCLUSION AND MICRO FINANCING IN INDIA

Abstract

Since more than 52 years have elapsed from the time the commercial banks were nationalised in India, almost 50% of the adult population has no access to formal banking and financial services till date. Either the individuals do not have any savings or assets, or have no bank accounts or any financial advice or cannot afford to pay for such advice. This article focuses on various aspects of financial inclusions, followed by micro financing as an alternative delivery mechanism to meet the necessities of these population.

CMA (Dr.) Subhash Chandra Das
Former Director (Finance)
HPC Ltd. Kolkata
scdas2002@gmail.com

1. INTRODUCTION

Since more than 52 years have elapsed from the time the commercial banks were nationalised in India, 50% of the adult population has no access to formal banking and financial services till date. These financial exclusions have taken place on the grounds that either the individuals do not have any savings or assets, or have no bank accounts or do not have any financial advice or maybe they cannot afford to pay for such advice.

The Committee on Financial Inclusion set up by the government in 2008 revealed that 51.4% of farmer households were financially excluded from formal as well as informal sources. 73% of farmer households did not have any access to the formal source of credit. The financial exclusions were maximum especially in the Central, Eastern and North-eastern regions of the country with 64% of the households financially excluded. Till date, the situation has not improved much. In India, the financially excluded sections comprise: (i) marginal farmers, (ii) landless labours, (iii) self-employed organisations, (iv) unorganised sector enterprises, (v) socially excluded groups, (vi) socially excluded groups etc.

2. CAUSE AND EFFECT OF FINANCIAL EXCLUSION

Further studies on financial exclusions have shown that there are various causes responsible for the mass-scale financial exclusions in this country. The commercial banks undertook various activities in the rural areas of the country in terms of opening of branches, implementations of poverty-alleviation programmes, encouraging self-employments through concessional credit etc. However, all these activities were undertaken without proper policies, proper services and loan products. In fact, the large number of poor rural households did not require large sizes of loan products. What they really wanted was to have a better and easy access to the services and products rather than subsidised credit. The main focus of the banks was concentrated on the credit delivery for the agriculture to meet the priority sector lending target laid down by the RBI. These policies and practices did not however, encourage them to finance micro enterprises and to create self-employment opportunities.

The effect of financial exclusion is that it results in loss of opportunities of growth for the individuals, which, in turn, leads to loss of production and productivity for the economy and decline in social welfare. Naturally the financially excluded sections would turn towards informal sector to meet their essential requirements and get trapped into a vicious circle of poverty, social exploitation and exclusion. The magnitude of financial exclusion in this country has been that there are at least 500 million unbanked populations in this country. Out of more than 600000 rural inhabitants, only 32000 have a commercial bank branch. Around 99 blocks in the country do not have a single bank branch. Out of 99 blocks, 86 blocks are situated in the North-east with some blocks having population less than 10000.

3. FINANCIAL INCLUSION – A CONCEPT

The Committee on Financial Inclusion has defined 'financial inclusion' as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. It includes: (a) Access to no-frills account; (b) Access to credit; (c) Access to insurance and remittance facilities; (d) Credit counselling; and (e) Financial education and literacy.

4. POLICY INITIATIVES FOR INCLUSIVE FINANCE

Various policy initiatives have been undertaken by the Government of India from time to time directly and through the RBI and other agencies for ensuring financial inclusion such as (i) Nationalisation of banks, (ii) Lead bank scheme, (iii) Priority sector lending, (iv) Setting up of RRBs in 1975, (v) Poverty alleviation programmes in 1980s; (vi) Micro finance-SHG movement in 1990s, (vii) Simplification of KYC norms, (viii) Issue of general credit card (GCC), (ix) Business correspondent (BC) / business facilitator (BF) model, (x) Redefinition of priority sector, etc.

5. MICRO FINANCE – DEFINITION AND CONCEPT

NABARD defines 'micro finance' as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. Micro finance in other words is the provision of financial services to the poor in the form of micro-savings, micro-credit, and micro insurance. Micro finance is a holistic concept as it includes micro-credit as also the support services viz. savings, payments, insurance, market and technical assistance, and capacity building.

Micro finance beneficiaries are agriculture labourers, mining and construction workers, small and marginal farmers, rural artisans and weavers, self-employed in urban informal sector, self-employed in non-farm activities and women.

6. MICRO FINANCE IN INDIA

As mentioned earlier, a large section of the population in this country is still not covered by the formal financial system even after so many years of nationalisation of banks whereas the objective behind nationalisation was to expand the banking system for the purpose of enlarging its coverage to the large sections of the population of this country, by way of the use of targeted low-priced loans. No doubt that the poor rural inhabitants were provided subsidised credit in order to reduce their dependence on the informal sector. The RRBs and RCBs were set up to cater to the financial needs of the rural poor.

Micro finance in other words is the provision of financial services to the poor in the form of micro-savings, micro-credit, and micro insurance.

Besides, as per government policy, 40% of the total credit is required to be allocated to the priority sectors. In order to achieve this quantitative target, banks kept on providing credit to the poor without even caring for the qualitative aspects of lending. This resulted (a) high loan defaults, (b) high transaction costs in servicing small loans, and (c) risk cost in absence of proper risk management system. Therefore, lending to the poor became a social burden to banks and not a viable commercial activity. This ultimately widened gap between demand and supply of credit to the weaker sections in the rural areas. Thus, a large section of Indian rural population remains excluded from access to formal financial services.

With a view to meeting the needs of the poor, an alternative delivery mechanism named 'micro finance' has come into existence. Various initiatives have been taken in this regard as mentioned below:

In 1970s, micro finance movement started in India. Shri Mahila SEWA (Self-employed Women's Association) Sahakari Bank in Gujarat and Working Women's Forum in Tamil Nadu were the pioneers in micro financing. In 1974, the SEWA Bank, being the world's largest poor women's bank was set up as an urban cooperative bank for the purpose of providing banking services to the poor self-employed women. Its deposits are over Rs. 100 crore mobilised from 250000 women. In 1980s, many NGOs were involved in setting up of small informal self-help groups (SHGs) engaged in micro finance activities for meeting the urgent needs of their members.

Having understood the potentials of SHGs, NABARD designed the SHG-bank linkage concept whereby the SHGs are connected with the banks for funds. Thereafter, several MFIs came into existence to offer help to the rural and semi-urban poor especially the women.

7. DELIVEY MECHANISM OF MICRO FINANCE

There are several mechanisms for providing micro finance services to the poor, which are briefly discussed below:

Conventional Weaker Section Lending by Banks

The commercial banks, both in private and public sector, are the major providers of micro finance. The RRBs and SCBs were set up specifically for this purpose i.e. to cater to the needs of rural and the urban poor. The banks provide loans for agriculture and other allied activities as part of the priority sector lending mandated by the RBI. Many private sector banks and foreign banks have come forward to actively participate in micro finance. They are providing loans to the MFIs after raising funds from the capital market.

Micro Finance Institutions (MFIs)

Micro Finance Institutions have been defined by NABARD as those which provide thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas to assist them to raise their income levels and improve living standards. MFIs obtain their funds from various sources such as, Banks, SIDBI, Private equity, Venture capital funds, Capital market, and Donors.

There are not less than 900 MFIs in India. They can be grouped into 4 categories viz: (i) Not-for-profit MFIs, (ii) Mutual-benefit MFIs, (iii) For-profit MFIs, and (iv) Cooperative MFIs.

Not-for-profit MFIs are: (a) Societies registered under the Societies Registration Act, 1860 or similar State Acts; (b) Public Trusts registered under the Indian Trust Act, 1882; and (c) Non-profit companies registered under Section 25 of the Companies Act, 1956.

Mutual-benefit MFIs are: (a) State Credit Cooperatives; (b) National Credit Cooperatives; (c) Mutually Aided Cooperative Societies (MACSs) set up by MACS Act, 1955 enacted by the Andhra Pradesh government.

For-profit MFIs are the NBFCs registered under the Companies Act. They are: (a) Sanghamitra - Bangalore;

(b) SHARE Microfin Ltd. Hyderabad; (c) Indian Association for Savings and Credit (IASC), Tamil Nadu; and (d) Cashpor Financial and Technical Services (CFTS), U.P.

SHG-Bank Linkage Programme

SHG-Bank Linkage Programme is the largest micro finance programme in the world in terms of outreach. It is recognised as part of priority sector lending by the RBI. This programme was introduced by NABARD in February 1992 with the assistance of RBI. Under this programme, small groups of poor were encouraged to pool their savings regularly. Out of this pool, small interest bearing loans were made to the members. Later on, bank credit was made available to the group in order to augment resources for lending to the members.

SHG-Bank Linkage Programme is a partnership model between three agencies viz. the SHGs, Banks and NGOs. NABARD operates 3 models under this programme. They are:

Model I: NABARD-Bank-SHG: Under this model, the SHGs are formed and financed by banks. NABARD supports banks and in turn, banks support SHGs. About 15% of the SHGs are financed by banks under this model.

Model II: NABARD-Bank-SHG (with NGO as a facilitating agency): Under this model, NGOs promote SHGs and connect them with banks. These SHGs are directly financed by banks. It is the most popular model as around 80% of the SHGs are financed by banks under this model.

Model III: NABARD-Bank-NGO-SHG (with NGO as a financial intermediary): Under this model, funds flow from NABARD to banks and then from banks to NGOs and then from NGOs to SHGs. In other words, SHGs are financed by banks through NGOs. Around 5% of the SHGs are financed by banks under this model.

A noteworthy feature of these programmes is that 95% of the loans to the poor have been repaid in time.

8. APEX MICRO FINANCE SERVICE PROVIDERS

Basically there are three apex micro finance service providers in India. They are: NABARD, SIDBI, and Commercial Banks.

NABARD is the premier micro finance provider in this country. It is the promoter and regulator of the SHG-Bank linkage programme. It has also collaborated with institutions such as post offices for financing SHGs, promoted by NGOs. Post offices open their accounts in the name of SHGs and provide them term loans which are repayable within 2 years in 24 monthly instalments.

SIDBI is also another premier micro finance provider in India. It launched its micro finance programme in February 1994. It pioneered the concept of capacity assessment rating (CAR) in 1999. It also launched transformation loan in the year 2003 for the MFIs which is a quasi-equity product with longer repayment period and has feature for conversion into equity at a later date. It also facilitates the MFI to convert itself into a corporate entity.

COMMERCIAL BANKS in India have played a significant role in promoting and developing micro finance sector. They have the maximum share in savings of SHGs as well as disbursement of loans to SHGs.

9. CONCLUDING REMARKS

Despite the shortfalls, no doubt there are success stories of micro finance sector in India. This sector has established a growth rate of 60% per annum during all these period. It has enormous potentials for further growth. The micro finance is considered to be an extremely profitable venture with recovery level of more than 95%. That is why many international venture capital funds as well as private equity funds have already made a foray into micro finance sector.

The renowned corporate houses like ITC and HUL have successfully penetrated the rural markets through the help of SHGs and NGOs. They have undertaken many successful projects in the rural markets and created income generating capabilities for rural people especially women and transformed many of them into successful promoters of different ventures. MA

References:

1. *Acharya, Shankar, 'The Rajan Report on Finance', Business Standard, April 10, 2008.*
2. *Bajpai, G.N., 'Development Financing in a Changing Environment', Economic and Political*
3. *Weekly, May 29, 2004.*
4. *Das, S. C., The Financial System In India: Markets, Instruments, Institutions, Services and Regulation, PHI Learning (P) Ltd. Delhi, 2015.*
5. *Dutta, B., 'Restoring Stability in Financial Sector', The Economic Times, March 21, 2009.*
6. *Ghosh, S., 'Financial Inclusion: A Realty Check', The Economic Times, August 22, 2008.*
7. *Government of India, 'Report of the Committee on Financial Sector Reforms', (Raghuram Rajan Committee Report), Planning Commission, New Delhi, 2008.*
8. *Gurusamy, S., Indian Financial System, Tata Mc Graw-Hill Education (P) Ltd. New Delhi, 2011.*
9. *Jalan, Bimal., 'Finance and Development – Which Way Now,' RBI Bulletin, June, 2000.*
10. *Khan, M.Y., Indian Financial System, Tata Mc Graw-Hill Education (P) Ltd. New Delhi, 2011.*
11. *Mohan, Rakesh., 'Financial Sector Reforms and Monetary Policy: The Indian Experience', RBI Bulletin, July, 2006.*
12. *Pathak, Bharati V. The Indian Financial System – Markets, Institutions and Services, Pearson Education, Dorling Kindersley (India) Pvt. Ltd, New Delhi, 2011.*
13. *Paul Mosley., 'Micro Finance Experience of Developing Countries: Lessons for Banks in India', In Kishanjit Basu and Krishan Jindal., Micro Finance – Emerging Challenges, Tata McGraw Hill Publishing Co. Ltd. New Delhi, 2000.*
14. *Thorat, U., 'Financial Inclusion – The Indian Experience', RBI Bulletin, July, 2007.*
15. *Thorat, U., 'Inclusive Growth – the Role of Banks in Emerging Economics', RBI Bulletin, March, 2008.*

ENTERING INTO UNKNOWN REALMS AND BROADENING OUR OUTLOOK

Abstract

People in the field of accountancy with professional qualifications of CA/CMA/CS, become specialists in the profession and generally become complacent with acquiring the professional qualification. It is also common to see that many try to acquire double or even triple qualifications amongst these three professional qualifications. However, after acquiring these qualifications, these men become busy in their chosen area and stop acquiring further knowledge due to various pressures. The highly specialized professionals are however lacking in language skills and various other aspects. In this article, the importance of growing knowledge in other areas beyond the profession of Finance/ accountancy is emphasized. Some examples from literature were also narrated to give an insight. Professional Institutes offering CA/CMA/CS degrees may also think in this direction to encourage their members to emulate successful people who have acquired varied skills.

CMA R. Srinivasa Rao
Dy. General Manager (F & A)
Rashtriya Ispat Nigam Limited
Visakhapatnam Steel Plant, Visakhapatnam
rachamallasri@vizagsteel.com

We all know there are some great advocates who excelled in the bar room, though their roots were entrenched in accounting profession. There are some members from accountancy profession who made bigger strides as industrialists. It is heartening to note that some from the profession rose to ranks in parliament. We can count many belonging to accountancy profession opted out to be politicians and became Members of State Assemblies and State Legislative Councils. In all the above cases, the professional accounting background might have been of some help at some point or the other to these great achievers.

Then comes the case of people who acquired their CA, CMA, CS but have chosen an entirely unrelated field to pursue their passion or future careers. We come across cases of rank holders who searched their paths to self-realization by choosing to fields in fine arts like practicing vocal Karnatic Music, violin etc. and became maestros to count. It is awe inspiring to learn that members also made forays into Hindu Astrology and learning Vedas, and no doubt excelled in such fields beyond our imagination.

Now let us look into the case of persons who do not possess any professional qualifications in accountancy like CA/CMA/CS but have forays made into accounting related fields. We come across many such success stories which can be gauged from youtube.

To summarize the above, in the first paragraph the case of persons who acquired professional qualifications like CA/CMA/CS but entered into slightly different fields is discussed and these qualifications surely are helpful in their pursuits. In the second paragraph the case of persons with professional qualifications CA/CMA/CS but ventured into totally unrelated fields is depicted. In the third paragraph the case of persons who do not have any of these professional qualifications like CA/CMA/CS, but having other qualifications like engineering, who have excelled in the finance and accountancy related fields is brought out.

In all the above instances, we can see one common quality. The persons who had broadened their spread of skills and made forays into other areas, have no doubt added glitter to their work as well as added benefit to others.

There is no limitation for acquisition of knowledge and degrees. The stories of exceptional personalities from the profession of accountancy as discussed above are always inspirational and each story is worth a case study in itself. However, we come across many cases where the persons from the profession of finance and accountancy are restricting their knowledge to their field only. These highly qualified professionals are lacking in many other areas like communication skills, oratory skills, having scant knowledge of other areas.

We also see questions posed many often by young aspirants, wishing to make a career in finance, as to whether pursue an MBA in Finance or a CA/CMA qualification. Some say CA/CMAs are strong technically but are not up to mark in communication skills whereas it is better with an MBA.

Look at these terms: CAGR, Operating profit, net profit, EPS, valuation of shares, Discounted Cash Flow (DCF), Debt Equity Ratio, PEG ratio. Seems to be more familiar to finance persons with qualifications of CA/CMA/CS. But, how many of us have put them to use or explored the investment area unless really working in investment field. Though many brethren from the finance profession are naturally excelling in investment field, we can also see some who have not at all invested a single rupee. Engineers, science graduates and people from other fields are equally making strides in this area along with the qualified CA/CMA/CS.

Restricting themselves to their own limited area is a grave shortcoming for the profession of accountancy. Though not on their agenda, the professional bodies giving CA, CMA and CS degrees have to make note of this Achilles Heel and should strengthen their curriculums to set right the lacuna. Though this phenomenon is equally applicable to all other professions and academics, this is more relevant now to our field.

The persons who had broadened their spread of skills and made forays into other areas, have no doubt added glitter to their work as well as added benefit to others.

What is the need of the hour? Accountants who excelled in their academics by acquiring the toughest professional qualifications, should continue with the same vigor to increase their range. They need to make forays into diverse fields and other areas. Be it music, literature, sports, painting, philosophy or anything of any kind which is of interest to him/her. One should read and know as much as possible in that field which is of interest to him/her. This will certainly increase the content and weight in the subject of our professional fraternity and will bring perceptible transformation in professional and personal lives.

Some examples of other areas are illustrated here just to elicit interest and throw light on the vast variety of subjects available out there. One must have read the essay of Steve Jobs "Stay hungry, stay foolish". Jobs states that every skill acquired will be useful somewhere in a person's journey. Steve Jobs in his own words narrated in this essay that the calligraphy classes he attended and skill acquired in arranging letters as a college dropout helped him after 10 years while designing the first Macintosh Computer by him and his team which paved way for many beautiful fonts in the modern computers. His words as stated are: "If I had never dropped out, I would have never dropped in on this calligraphy class, and personal computers might not have the wonderful typography that they do. Of course it was impossible to connect the dots looking forward when I was in college. But it was very, very clear looking backwards ten years later."

We may not be able to connect the dots at the time of learning, but for any skill learnt it is sure that it will come handy in future. Even if we do not use the whole knowledge acquired, we will have the satisfaction of having learnt a new skill. So, it is advised to pursue other passions and read voraciously anything and everything that comes the way in that field of interest. Let us call the greats to fill our appetite, like - Marcus Aurelius, Epictetus, Arnold Bennet, Ralph Waldo Emerson, Warren Buffet, Dale Carnegie, Norman Winsent Peale, apart from Shakespere and Bernard Shaw in English literature, or Bhagavadgita, Bible, Quron, Ramayan and Mahabharat. The grail can be filled also with stream of Indian writers like Nani Phalkiwala, Swami Ranganathananda, Sourabh Mukherjea. The list is endless. One needs to read extensively, even if it is in a vernacular language or in Sanscrit, which will add weightage and lustre to all the individual deeds and words. Swami Ranganathananda in his "Universal Message of the Bhagavadgita" said that there is no difference between Mother Sarawaswati and Mother Lakshmi. (His books can be obtained from Ramakrishna Math or online). If you are blessed by Mother Saraswati then Mother Lakshmi follows automatically.

Finally, we are already specialists and there are no qualms raised on our ability. But think of it. As exhorted by David Epistein, do we like to ride on a single road or on a highway with eight lanes or even ten lanes? We, from the accounting profession need to expand our range, make forays into other areas and broaden our outlook. In fact, our training must start after acquiring our CA/CMA/CS. The Institutes name will also flourish with the elite enlightenment of their members. In fact, there are already many torch bearers standing as great examples whose foot prints are just to be followed. Greatness of members pampers the greatness of the institutions.

Wish us all the kind blessings of Maa Saraswati. MA

References:

1. *Swami Ranganadhananda, Ramakrishna Math: Universal Message of Bhagavadgita.*
2. *Steve Jobs: Essay titled "Stay Hungry, Stay Foolish".*
3. *David Epstein: Why Generalists Triumph in a Specialized World.*

INDIAN BANKING – CURRENT CHALLENGES, RESOLUTIONS, TRENDS & OPPORTUNITIES

Abstract

Over the Years, Role of Banking has been to channelize the Domestic Savings towards formation of capital required for the Industry and thereby playing a role of Catalyst in the Economic Development of the Country. As Bond Market as well as Equity Market is not yet penetrated deeply in India, majority of Indians still prefer to deposit their Savings with Bank. Failure of a Large Bank may impact the Banking System and an Overall Economy of a Country. Let's try to understand the current Challenges, Desired Resolutions, Trends and Opportunities available in the Indian Banking Sector.

CMA Ranjan Gunjal
DGM Finance
Godrej & Boyce Mfg. Co. Ltd, Vikhroli, Mumbai
ranjang@godrej.com

Indian Banking has come a long way from i) the era of **Nationalisation of 14 Banks** in 1969 to spread the Banking at broader level of economy to ii) **Mismanagement of these PSU Banks** post Opening of Economy to iii) **Private Banks taking over** the Baton in last 2 Decades and then lately iv) **introduction of Fintech Companies** as well as Small Finance Banks reaching at the Grassroot level to provide Microfinance to Customers. Government's plan to Privatise most of the PSU Banks had completed a full circle which started 50 Years back when Private Banks were Nationalised!

I. Pre-Liberalisation (Up to 1991):

- Prior to Nationalisation of Banks, Private Banks were largely servicing Businesses and Urban Population. Rural People were depending upon Moneylenders for their Financing requirements.
- Exploitation done by Moneylenders was one of the features of Old Bollywood Movies as depicted in "Mother India" when Sunil Dutt Pointing out the gun at the Moneylender says ,"*Laala, Meri Maa ke Kangan Lauta de !*"
- Nationalisation of Banks helped in increased flow of Money in System and resulted in development of Agrarian Indian Economy as well as implementing the Government Schemes to masses.

II. Post Liberalisation (Post 1991 Scenario):

- RBI allowed Private Banks to operate post 1991 as per M. Narasimhan Committee's Recommendations. Banking Sector saw significant growth since then as these Banks brought in Professionalism, Competition and Global Standards.

Challenges faced by Banking System in last Decade:

- **Value Creation by Banks:**
  - India is ranked 5th in terms of GDP by Country. However, as per Wikipedia, India has just one Bank in Global Top 100 Banks whereas Top 4 Economies have far higher Numbers in Top 100 Banks (US - 12, China - 18, Japan - 8 and Germany - 5)
  - Value created by a Listed Company is reflected in the Market Capitalisation (Market Price of an Equity Share X No. of Equity Shares) of that Company. Hence, to understand Value Creation of listed Banks, let's see some Numbers as shown in Table 1.

Table 1

Name of the Bank	Sector	Established in	Market Capitalisation – Rs. Crs.
SBI	Public	1955	2.4 Lacs
Punjab National	Public	1894	0.3 Lacs

HDFC Bank	Private	1994	7.6 Lacs
Kotak Mahindra	Private	2003	3.6 Lacs

- Due to the various issues which PSU Banks have grappled; Value creation is negligible in these Banks. Private Banks were introduced only around 25 Years ago or so; But they are leading the Banking Industry currently. Market Capitalisation of HDFC Bank (established in 1994) is far higher than Total Market Capitalisation of PSU Banks (Some of them over 100-Year-old) put together. Even, Market Capitalisation of Kotak Mahindra Bank (established in 2003) is higher than Market Capitalisation of SBI (established in 1955)

Issue of Non-Performing Assets (NPA):

- Post Sub- Prime Crisis in 2008, GDP growth was sluggish at Domestic as well as Global Level. To Support the Growth, Government pushed for higher liquidity through lower Interest Rates. Loans were given without proper Due Diligence & Project Evaluation, especially by Indian PSU Bank. Add to this, "Connected Lending" was prevalent in last Decade. As quoted by Dr. Raghuram Rajan in his book "I do what I do", "*Bankers will remember the period of irrational exuberance in 2007-08 when they lent without asking too many question*".
- Fast forward to 2016, large part of these Loans started being recognising as NPA & this became the biggest issue which Indian Banking has grappled in the Current Decade. India's NPA is at 9% (Largely contributed by PSU Banks) in 2019 as compared to less than 3% in 2011. Corresponding Values are 3% for Brazil, 1.8% for China & 0.9% for USA. As per RBI's Financial Stability Report, NPA's will worsen further by 4% due to Covid 19 related Stress. Also, it will still take some time to understand the Real impact of NPA on the Balance sheets of the Banks as Moratorium as well as One Time Restructuring Facility has been given to Debtors by RBI based upon K.V. Kamath Committee's Report.
- Increase in NPA results in deterioration of Bank Capital. Banks are required to increase the Capital to give further Lending as Banks needs to maintain Certain Capital Adequacy Ratio according to Basel Norms, i.e. For giving a loan of Rs. 100, Bank should own the Capital of say, Rs. 10.
- For Recapitalisation of Public Sector Banks, Government is compelled to pump in the Taxpayer's Money into a Stressed Bank, in a way providing "Good Money" for "Bad Money".

Fall of Reputed Financial Institutions in Recent Past:

- Recent Years saw fall of NBFC's like IL&FS & DHFL as well as Banks like Punjab & Maharashtra Bank, Yes Bank & LVS Bank caused by liquidity concern, ballooning NPA's and Frauds. Fraudster's dupe the Banks and fly out of Country and it take years in litigation due to loopholes in our Legal System. And Even if the Fraudster's are arrested, the recovery rates seems to be negligible in such cases.
- Yes Bank was supported by SBI and Consortium of Banks. LVS Bank is being merged with DBS Bank. At the same time entities as DHFL and Punjab & Maharashtra Bank are still struggling to come out of the hole.

Lower Credit Growth

- Issue of NPA as well as Failure of some of the Banks resulted in Banks losing the Trust in the System. Also, increased possibility of threat from CBI & ED to Bankers, especially for PSB Bankers (for Loans which turns into Stressed Assets), dampened their confidence towards lending. This resulted in sluggish growth of Credit to the Industry in last Decade.
- Getting the required Credit is one of the biggest Challenges of MSME Sector. Retail Customers, in absence of Credit history and lack of Security, find it very hard to get required Credit. These Customers are compelled to take credit at higher rate either from Banking / Informal Sources which further leads to their prolonged indebtedness and overall growth Prospects. *There is a YouTube video of Mr. V Vaidyanathan of IDFC First Bank talking to a Taxi Driver. Taxi Driver had taken a Small Loan through an informal route worth Rs. 5000 for which he had to pay the Monthly Interest of Rs. 3000! Sad Story of India's Financial Inclusion!*
- As per data in Economic Survey of Government of India (GOI), Credit Growth has gone down substantially from the Average of 23% (2005-06 to 2009-10) to 10% (2015-16 to 2019-20) in spite of lower Repo Rate (*Repo Rate is the Rate at which RBI lends Money to Commercial Banks*), thanks to ballooning NPA, Lenders losing confidence and sluggish economic growth !

Table 2

Period	Scheduled Commercial Bank Credit Growth (Average)	Repo Rate (Average)
2005-06 to 2009-10	23%	6.9%
2010-11 to 2014-15	15%	7.5%
2015-16 to 2019-20	10%	6.3%

Problems associated with Co- Operative Banks

- Co – Operative Banks accounts for 8-9% of Country Deposits as well as Loan Disbursements

- Depositors are attracted towards these Banks as the Rate of Interest on Deposit is quite high as compared to Commercial Banks.
- Capital Requirement for these Banks is as little as Rs. 1 Lakh as against Rs. 500 Crs. for Commercial Banks.
- Till June 2020, Co- Operative Banks were very little regulated by RBI as they were the State Subjects. Local Politicians play a big role in managing these Banks which results into Poor Governance and eventually fall of many Banks. From June 2020, Government has brought all these Banks under the Supervision of RBI which should help to improve the situations of these Banks.

Suggested Resolutions to be carried out:

- **Privatisation of PSU Banks**
  - Recently, Merger of 22 PSU Banks into 12 PSU Banks was implemented. Will this help in addressing the PSU Banks issue? It may not be! Dr. Raghuram Rajan in his book "I do what I do" mentioned that, *"So Long as the Public Sector Banks (PSBs) had an umbilical Cord attached to the Central Government Treasury, they would not have the discipline to reform, or so they argued"*
  - As per Dr. Raghuram Rajan, Government should sell/lower the Stake in PSU Banks. Bank Boards should to be incentivised & Professional People with high integrity should be empowered to take Decisions as against currently decisions being taken by Department of Financial Services of Ministry of Finance, GOI.

- **Securitisation of Stressed Assets**
  - Resolution of Stressed Assets was difficult before the implementation of Insolvency & Bankruptcy Code (IBC) which was implemented in 2016. Although reals success of IBC is yet to be seen, the fear of losing the Control over an entity by the Promoters has resulted in faster resolution and reduction in NPA to some extent.
  - Possibility of creating a Liquid Market for Stressed Assets can be explored.
  - Common Database of Defaulters available to all the Lenders can avoid subsequent Lending.

- **Role of RBI as a Regulator:**
  - RBI is the Apex Banking Body which monitors and regulates the Banks. Usage of the Modern Tools like Big Data Analysis, Artificial Intelligence (AI), Common Defaulter's Database can go a long way in identifying issues w.r.t. Specific Banks well ahead of time!

For Recapitalisation of Public Sector Banks, Government is compelled to pump in the Taxpayer's Money into a Stressed Bank, in a way providing "Good Money" for "Bad Money".

New Trends & Opportunities:

- Events like Demonetisation and Covid 19 have accelerated pace of **Digitisation** in India. Internet & Smartphones have revolutionised the way people are doing Banking. No longer Banking growth is dependent upon opening of New Banks & Bank Branches. Today, Bank Accounts can be opened with the Click of Few Buttons sitting at home.
- More than 50% of Fixed Deposits, Mutual Fund and Credit Card Sales of Leading Private Banks is happening digitally and mainly through Mobile Apps. *Bank is now basically an "App"* which is available on your fingertips! Now ROBO's are interacting with Customers using AI and they are doing a far better jobs than a Regular Bank Employee!
- **Fintech** Companies have started disrupting the Market in the Area of **Payment** (Digital Wallets like Googlepay, Paytm, PhonePe etc), **Insurance** (e.g. Policybazaar), **Lending** (e.g. Loanbazaar), **Personal Finance** (e.g. Cred). Enormous Numbers of startup are working in this area. Basically, these are Internet Companies which provides the Services to Customers in an Easy, Faster and Cost-Effective Manner.
- **Small Finance Banks** (e.g. Ujjivan Small Finance Bank, AU Small Finance Bank) have started tapping the unattended area of Micro Financing thereby providing "Banking to the Unbanked" Community.
- Recently, RBI's Internal Working Group Report has suggested following recommendations:
  - Large NBFC's can be converted to Commercial Banks
  - Large Corporates / Industrial Houses can be allowed to Own Commercial Banks
  - Increase in Promoter's stake from Current Level of 15% to 26%

Conclusion

India's Banking Sector need a quantum jumps if it has to support the World's 5th Largest Economy. India's Credit to Private Sector as a % of GDP @ 50% as compared to 163% for China says that a lot need to be desired from the Current level. Government & RBI need to provide better regulated and level playing field to Banking Industry and at the same time, Bankers need to pull up their Socks to build a robust, well governed and tech driven Banking Industry! MA

Sources:

1. *RBI Data*
2. *World Bank Data*
3. *Economic Survey Reports of GOI*
4. *"I do What I Do" – By Dr. Raghuram Rajan*
5. *Wikipedia*

TIME-DRIVEN ACTIVITY COSTING AND ITS APPLICATION IN PUBLIC HOSPITALS

Abstract

It is increasingly becoming difficult for public hospitals to survive. At the same time, traditional cost accounting and control methods can no longer meet the development needs of public hospitals. How to reduce costs while ensuring high-quality service has become a problem in public hospitals. This article studies the application of time-driven activity-based costing in the cost accounting of public hospitals and provides basis for such hospitals to implement cost accounting. The research results show that the time-driven ABC can improve the precision of hospital cost accounting, improve the efficiency of medical staff and enhance the core competitiveness of the hospital.

Dr. Imran Ahmad Khan
Former Faculty
College of Administrative and Financial Sciences
Saudi Electronic University, Dammam, Saudi Arabia
imranalig77@gmail.com

Overview

In 2004, Professor Kaplan and Stephen Anderson proposed the Time-Driven Activity Costing (TDABC) method based on the traditional ABC, which greatly overcomes the disadvantages of the original ABC in the implementation process, such as expensive, time-consuming and inaccurate. The differences of different business types are integrated into the time equation, and the time equation is used to automatically allocate resource consumption to cost objects. TDABC is easier to operate and does not need to recalculate or modify the entire model when changes occur. TDABC does not require regular employee interviews, which greatly saves time. The large amount of time and cost to complete these interviews is the biggest reason why the traditional ABC cannot be implemented.

In recent years, many scholars have applied TDABC to hospitals. In a study of the cost of plastic surgery at a children's hospital in Boston, it was found that TDABC can provide an accurate cost measurement. Some scholars have also discovered important ways to reduce the cost of heart valve surgery and improve the nursing process through the Cleveland Clinic and Harvard Business School's TDABC pilot program. Research has shown that TDABC has made minor but important changes compared to the original costing method, and the cost data is more accurate.

This article applies the time-driven activity costing method to the TCM department of Shifa hospital and promotes the universal promotion of time-driven activity costing in similar general hospitals through specific case analysis and practical application.

The similarities and differences between time-driven activity costing and traditional activity costing

The principle of TDABC is the basic cost accounting equation: resource cost = number of resource units × price per unit of resource. TDABC can be seen as rediscovering this basic accounting equation and applying it to all consumed resources, not just direct labor and direct materials. Therefore, almost all personnel costs, equipment and instrument costs, indirect and auxiliary costs can be directly attributed to the output of products, services or medical care. The implementation and testing of TDABC show that it is cheaper, simpler and more effective than traditional ABC. TDABC enables hospitals to accurately measure the cost of treating patients in any specific medical situation during the complete longitudinal care cycle.

TDABC enables hospitals to accurately measure the cost of treating patients in any specific medical situation during the complete longitudinal care cycle.

The operating cost calculated by TDABC can be used as a reference for data analysis and decision making. Compared with traditional activity-based costing, TDABC is different in at least five aspects: ①Time is the main cost driver for cost targets (products, services, customers, departments, transactions, orders), because most resources such as manpower, equipment, and instruments are Resources that can be measured by the time consumed; ②TDABC eliminates the first step of the implementation of traditional activity-based costing-the identification of different operations, it does not need to allocate the cost of the head office to different operations; ③TDABC simplifies the implementation procedures, eliminating the traditional activity-based costing method to allocate resource costs to the staff interviews and surveys; ④TDABC will also determine the idle capacity based on the actual capacity utilization calculated by the effective capacity and select the corresponding Cost; ⑤TDABC can adapt to complex services in reality and can adjust models in time according to different businesses.

The hospital cost accounting process based on TDABC includes the following steps:

1: Determine accounting departments and accounting items. Analyze the income of the department, determine the relevant medical service items, and work out the collection period of the project accounting data.

2: Collect the revenue, cost and medical item data of the accounting department. Revenue data refers to the unit price of a certain item and the total amount of charges.

3: Determine the job. In this step, determine the cost information of the job. For hospitals, operations refer to the various procedures or links in the medical service process, such as diagnosis, treatment, nursing, surgery etc.

4: In order to simplify the model, various tasks need to be integrated to a certain extent.

5: Determine the capacity cost rate. The capacity cost rate of the job must be calculated. The capacity cost rate can be calculated by formula (1):

$$\text{Capacity Cost Ratio} = \frac{\text{Capacity required by the department}}{\text{Resources required for actual capacity}} \qquad (1)$$

6: Estimate the operating time. At this stage, management estimates the time to complete a single job. Professor Kaplan believes that it is appropriate for the accuracy of the estimate to vary within a few percentage points. Large errors will be very obvious because they will cause overcapacity or underproduction.

7: Determine the time equation. Usually the different characteristics of different businesses determine the length of time it takes. TDABC uses an additive linear equation to reflect the resource capacity requirements of different types of operations. Estimating a time equation requires describing the basic operation and all the main differential operations related to it, identifying the cost drivers of the differential operation, and estimating the standard time of the basic operation and the differential operation. From a mathematical point of view, the time equation can be written in the form of formula (2):

The time required for the process = the time required for each task = $\beta_0+\beta_{1x1}+\beta_{2x2}+\beta_{3x3}+\cdots+\beta_{ixi}$ (2)

where β_0 is the standard time for the basic tasks (For example, 10 minutes); β_i is the time required for the additional i-th job (for example, 2 minutes); X_i is the number of additional jobs (for example, the number of items).

8: Determine the cost driver rate. In TDABC, the cost driver rate of an operation is determined by the capacity cost rate of an operation unit and the estimated time.

9: Assign activity costs to cost targets. Activity costs are allocated to cost targets by multiplying the cost driver rate by the actual number of cost driver units.

The hospital performs cost control based on the results of time-driven operation costing. Time-driven cost control completes the steps of job analysis and job improvement, reduces the time of single operations, eliminates unnecessary operations, selects low-cost jobs and uses the improved data of operations for performance appraisal, followed by performance improvement. Through TDABC the hospital can implement a complete cost management process and comprehensively enhance the hospital's cost competitive advantage.

Application of Time-Driven Activity Costing

The implementation of time-driven activity costing first requires the selection of target departments. The selection of target departments mainly has the following criteria: ①Accurate cost data can be obtained; ②The daily operation process is simple and fixed. Based on this, this article selects the TCM clinic of Shifa Hospital for case analysis. The department currently has 19 specialist doctors, including 4 well-known experts, 2 chief physicians, 6 associate chief physicians, and 7 attending physicians.

According to the opinions of hospital experts, this article divides the operation process of the medicine department into three links, namely triage, diagnosis and comprehensive treatment.

2. Time-driven activity costing application.

(1) The monthly total cost of the TCM department is shown in Table 1:

Table 1

Resource Category	Various Costs (Rupees)
Wages and salaries	40323.52
Cost of sanitary materials	42815.92
Equipment related costs	13086.51
Property management fees	4303.34
Water	793.11
Electricity bill	4730.31
Office expenses	824.09
Other costs	11476.39
Management department apportionment	6453.26
Apportionment of medical auxiliary departments	5460.18
Total	130266.63

Part of the sanitary material fee in the total cost is directly used by the medical project, so it can be directly included in the corresponding project. Therefore, Rs. 13014 out of Rs. 42815.92 sanitary material fee is directly included in the two medical items of acupoint application therapy and acupoint topical application of Xia Ointment. The remaining 29801.92 rupees sanitary material costs and other resource category costs are allocated through the three tasks and then included in each medical project.

The average working time of the staff in the TCM department is 8 hours a day, and each person works 22 days in the month. Then the theoretical capacity of the department can be calculated as:

t=19×8×22×60=200640 (minutes)

The actual production capacity is 160512 minutes (200640×80%) and the production cost rate is 0.81 rupees/minute (130266.63÷160512)

(2) After inquiring with experienced professionals, the average time required to determine the basic medical services in TCM departments is shown in Table 2:

Table 2

Operation	Unit time (minutes)
Well-known expert registration	25
Chief physician registration	20
Deputy Chief Physician Registration	18
Attending physician registration	15
Acupoint Application Therapy	3
Subcutaneous injection	10
Intramuscular injection	5
Intravenous infusion	20
Observation of outpatient routine infusion	25
Bath therapy	30
Acupoint application of Xia ointment	3
Quick quantification of dry chemical blood sugar	5

(3) Determine the cost drivers of each project, as shown in Table 3:

Table 3

Project name	Project instance
Well-known expert registration	1897
Chief physician registration	219
Deputy Chief Physician Registration	2278
Attending physician registration	3198
Acupoint Application Therapy	2468
Subcutaneous injection	24
Intramuscular injection	56
Intravenous infusion	12
Observation of outpatient routine infusion	12
Bath therapy	233
Acupoint application of Xia ointment	207
Quick quantification of dry chemical blood sugar	9

(4) Calculate the cost driver rate of each project, as shown in Table 4:

Table 4

Operation	Unit capacity consumption Consumption (minutes)	Unit production cost (Rupees/ minute)	Cost driver rate (Rupees/ case)
Well-known expert registration	25	0.81	20.25
Chief physician registration	20	0.81	16.20
Deputy Chief Physician Registration	18	0.81	14.58
Attending physician registration	15	0.81	12.15
Acupoint Application Therapy	3	0.81	2.43

Subcutaneous injection	10	0.81	8.10
Intramuscular injection	5	0.81	4.05
Intravenous infusion	20	0.81	16.20
Observation of outpatient routine infusion	25	0.81	20.25
Bath therapy	30	0.81	24.30
Acupoint application of Xia ointment	3	0.81	2.43
Quick quantification of dry chemical blood sugar	5	0.81	4.05

(5) Calculate the final cost of the cost object, as shown in Table 5 on the following page:

Table 5

Project name	Unit price of direct material (rupees)	Unit capacity consumption (minute)	Cost driver rate (rupees/case)	Cost driver (example)	Indirect cost allocation (rupees)	Direct cost (rupees)	Total cost (rupees)
Well-known expert registration	0.50	25	20.25	1897	38414.25	948.50	39362.75
Chief physician registration	0.50	20	16.20	219	3547.80	109.50	3657.30
Deputy Chief Physician Registration	0.50	18	14.58	2278	33213.24	1139.00	34352.24
Attending physician registration	0.50	15	12.15	3198	38855.70	1599.00	40454.70
Acupoint Application Therapy	7.00	3	2.43	2468	5997.24	17276.00	23273.24
Subcutaneous injection	5.00	10	8.10	24	194.40	120.00	314.40
Intramuscular injection	5.00	5	4.05	56	226.80	280.00	506.80
Intravenous infusion	2.00	20	16.20	12	194.40	24.00	218.40
Outpatient routine infusion observation fee	0.50	25	20.25	12	243.00	6.00	249.00
Bath therapy	30.00	30	24.30	233	5661.90	6990.00	12651.90
Xia ointment points External application	30.00	3	2.43	207	503.01	6210.00	6713.01
Quick quantification of dry chemical blood sugar	8.00	5	4.05	9	36.45	72.00	108.45
Total Cost					127088.19	34774.00	161862.19

Time-driven cost accounting makes the cost accounting units more detailed than performance appraisal units, and provides a more precise and accurate evaluation basis for hospital performance management, especially for the distribution of department bonuses based on medical project teams. When medical staff in hospital departments are overloaded, time-driven ABC is more used for refined cost accounting. When medical staff have more free time, time-driven ABC can significantly reduce accounting costs.

Conclusion

Reforming and improving hospital cost accounting is an important part of medical and health reform, and cost advantage has become the focus of competition among various hospitals. This article draws the following conclusions through research: TDABC can provide more accurate cost data. The complexity of medical procedures and the uncertainty of medical services have greatly increased the difficulty of hospital cost management. TDABC can use the time equation to accurately calculate the time required for complex medical services and use the rich data resources in the existing system to easily calculate. It also allows managers to fully realize the role of the time factor, which is conducive to saving time, improving work efficiency and improving hospital management in the process of medical services, thereby enhancing the competitiveness of the hospital. MA

References:

1. *Berlin MF, Smith TH. Evaluation of activity-based costing versus resource-based relative value costing. J Med Pract Manage. 2004(4).*
2. *Chapko MK, Liu CF, Perkins M, Li YF, Fortney JC, Maciejewski ML. Equivalence of two healthcare costing methods: bottom-up and top-down. Health Econ.*

2009(10).

3. *Dalci I., Tanis V., Kosan L.. Customer profitability analysis with time-driven activity-based costing: a case study in a hotel ［J］ . International Journal of Contemporary Hospitality Management, 2010(5).*
4. *Donovan CJ, Hopkins M., Kimmel BM et al. How Cleveland Clinic used TDABC to improve value ［J］ . Healthcare Financial Management: Journal of the Healthcare Financial Management Association, 2014 (6).*
5. *Everaert P., Bruggeman W., De Creus G.. Sanac Inc.: From ABC to time-driven ABC (TDABC) An instructional case ［J］ . Journal of Accounting Education, 2008(3).*
6. *Fei Feng. Time-driven activity costing Application in hospitals ［J］ . Health Economics Research, 2005 (9).*
7. *French KE, Albright HW, Frenzel JC, Incalcaterra JR, Rubio AC, Jones JF, Feeley TW. Measuring the value of process improvement initiatives in a preoperative assessment center using time-driven activity-based costing. Healthc (Amst) 2013(3-4).*
8. *Fu Meifang, Fei Feng , Feng Zheng et al. Application of internal transfer price in hospital department cost allocation——Based on time-driven activity costing ［J］ . Health Economics Research, 2010(12).*
9. *Harvard Business School. Porter, ME. Value-based healthcare delivery: an agenda for transforming anesthesiology. American society of Anesthesiologists Annual Meeting, October 22, 2016.*
10. *Hennrikus WP, Waters PM, Bae DS et al.. Inside the value revolution at Children"s Hospital Boston: time-driven activity-based costing in orthopaedic surgery ［J］ . The Harward Orthopaedic Journal, 2012(2).*
11. *Huang Chengli, Zhu Weiwei. Using Time-Driven Activity-Based Costing Method to Evaluate Hospitalization Service Efficiency ［J］ . Health Economics Research, 2009(6).*
12. *Kaplan RS, Anderson SR. Time-driven activity-based costing ［J］ .Harvard Business Review, 2004(11).*
13. *Leblanc MR, Lalonde J, Lalonde DH. A detailed cost and efficiency analysis of performing carpal tunnel surgery in the main operating room versus the ambulatory setting in Canada. Hand (N Y) 2007(4).*
14. *Morris AJ, Feng AY, Nayor J. et al. How a tertiary care academic endoscopy center used time-driven activity-based costing to improve value. NEJM Catalyst. 2017.*
15. *Najjar PA, Strickland M, Kaplan RS. Time-driven activity-based costing for surgical episodes. JAMA Surg. 2017(1).*
16. *Porter ME. A strategy for health care reform—toward a value-based system. N Engl J Med. 2009(2).*
17. *Reynolds MR, Lei Y, Wang K, Chinnakondepalli K, Vilain KA, Magnuson EA, Galper BZ. et al. Cost-effectiveness of transcatheter aortic valve replacement with a self-expanding prosthesis versus surgical aortic valve replacement. J Am Coll Cardiol. 2016(1).*
18. *Yu YR, Abbas PI, Smith CM, Carberry KE, Ren H, Patel B, Nuchtern JG. et al. Time-driven activity-based costing to identify opportunities for cost reduction in pediatric appendectomy. J Pediatr Surg. 2016(12)*

CRITICAL STUDY OF IMPACT OF QUANTIFIABLE VARIABLES ON THE YIELD PER HECTARE IN THE INDIAN AGRICULTURAL SECTOR

Abstract

Agriculture has been the locomotive for economic growth in India. The agriculture growth and development are depended on the proper utilization of resources.

Researcher has tried to study the data in quantitative form (not in monetary term) available from different government's reports. Researcher has considered the data for the period of 2000-2001 to 2014-2015, and used SPSS 22 for statistical analysis. The dependent variables considered are the yield per hectare (kgs/hectare), and production of food gains (thousand tonnes). Independent variables are: 1. Population density per square kilometer, 2. Cropping intensity in terms of percentage, 3. Poverty rates – persons per million, and 4. Gross irrigated area in thousand hectares. The conclusion supports that the yield per hectare is 64% dependent on gross irrigated land area and crop density.

The conclusions have supported the null hypothesis between yield per hectare, and crop density; while not accepted the null hypothesis between yield per hectare and gross irrigation land area.

CMA (Dr.) Paresh Shah
Principal and Professor
Rai Business School, Rai University
Delhi
paresh@profparesh.in

Introduction:

The expansion, productivity and efficient management of an agricultural activities, are extremely important for the globe at large, including the Indian Continental. As the demand creation by societal member at large, depends on the agricultural output. Food, Shelter, Cloth, Health and Education services are needed for the maintaining and sustaining livelihood for society at large. The agricultural output and its movements across the globe, gave rise to the Global village, and export-import activities, etc. Agriculture will continue to be an important component of Indian Economy because she needs to feed 1369.56 million (1.37 billion) plus population. The agriculture is the single largest livelihood provider. It contributes around 16 percent of the national GDP as per the data for the year 2018-19.

To achieve the ambition of reaching a level of five trillion economy, will demand the agricultural contribution towards the GDP should be increased. At best, the India's policy makers need to treat the farmers as 'Agripreneurs' and farming as an enterprise activity, and in turn agricultural activities has been the locomotive for economic growth in India.

Significance of Agricultural Sector:

Researcher has tried to correlate the micro level of demand by population at large, with the role of government agencies, and in turn drive towards the overall growth, productivity management of agricultural sector.

Researcher felt the need to revisit the concept of disposable income, as part of academical studies and activities. Researcher felt that, effective disposable income would be more important than the disposable income concept as per macro economical variable. The effective disposable income is the residual after providing for societal need, superannuated needs, and cautionary funds on account of changes in the policies of state and central government. Researcher also tried to establish the linkages between the parameters, like demand and consumption, governmental support (both financial and non-financial), agricultural growth, and its impact on industrial output; through the consideration of savings of society diverted in productive way to maintain their own need of future.

Research methodology:

Researcher has focused on the Empiricism, as the heart of scientific analysis. Researcher has used the model that is best suited in given thought process; concentrating only on quantitative variables and data, neglecting the monetary and financial terms and values; as a simplified description or representation. The changing values in monetary and financial terms on account of socio-economic-commercial parameters, are omitted, to undertake the meaningful study.

The researcher has felt that, considering the above, the essential focus is on increasing productivity (including factor level productivity) with thrust on optimal utilization of resources, supplied through the Government Agencies, directly and indirectly.

Objectives of the study:

1. To analyse the impact of selected agricultural input on yield per hectare.
2. To analyse the impact of selected agricultural resource available on yield per hectare.
3. To give suggestions for improvement in the impact of agricultural yield.

Hypotheses:

To conduct empirical analysis, researcher refers to a model's predictions as hypotheses. Such hypotheses are supported and/or contradicted by the available data. These are the proposal intended to describe certain facts and observations. The following five hypotheses are formed to conclude the research study.

H_{01}	No significant difference between percentage of changes in population density and cropping density.
H_{11}	Significant difference between percentage of changes in population density and cropping density.
H_{02}	No significant difference between percentage of changes in population density and food grains production.
H_{12}	Significant difference between percentage of changes in population density and food grains production.
H_{03}	No significant difference between percentage of changes in population density and yield per hectare.
H_{13}	Significant difference between percentage of changes in population density and yield per hectare.
H_{04}	No significant difference between percentage of changes in yield per hectare and gross irrigated land.
H_{14}	Significant difference between percentage of changes in yield per hectare and gross irrigated land.
H_{05}	Change in Yield per hectare is not dependent on change in crop density and change in gross irrigated land.
H_{15}	Change in Yield per hectare is dependent on change in crop density and change in gross irrigated land.

Data Collection:

The proposed research study based on secondary data related to variables taken in to consideration. Researcher has tried to study the data in quantitative form (not in monetary term) available from different government's reports, etc. Researcher has considered the data from the period of 2000-2001 to 2014-15, and used SPSS 22 for statistical analysis. The dependent variables considered are the yield per hectare (kgs/hectare), and production of food gains (thousand tonnes). Independent variables are: 1. Population Density per square kilometer, 2. Cropping intensity in terms of percentage, and 3. Gross irrigated area in thousand hectares. The four hypotheses are being developed to establish the relationship between two variables. To frame the conclusive result, multi-linear based hypothesis is developed.

Tools and Techniques:

For the analysis, researcher has used the descriptive statistics, T test (SE of two sample means), F test (Ratio of Variations), Correlation coefficient, Co-efficient of determination, Kolmogorov-Smirnov test, and Durbin-Watson test.

Researcher has used the interpolation, and extrapolations techniques of statistics, to fill the gap of few information, as that information are not available.

Data Analysis:

The study is based on the impact of population density, cropping density and gross irrigated land on the yield per hectare and food grains production. To achieve the scientific resolutions and study of data, the absolute form of data has been converted in to the percentage of changes.

Interpretation:

The interpretation for each five hypotheses is presented in the table 1, as given hereunder entitled as Testing of Hypotheses.

Table 1: Testing of Hypotheses

Values	Percentage of Change in Population Density	Percentage of Change in Cropping Density	Percentage of change in Food Grains Production	Percentage of change in Yield per hectare	Percentage of change in Gross Irrigation Land
Arithmetic Mean	1.6300	0.5607	2.2093	1.9236	1.7525
Standard deviation	0.0000	1.3457	9.6102	6.3124	3.8395
Co-efficient of Standard Deviation	0.00	2.4000	4.3499	3.2816	2.1909
Hypothesis One					
H_{01}			No significant difference between percentage of changes in population density and cropping density.		
H_{11}			Significant difference between percentage of changes in population density and cropping density.		
Correlation			-4.89691E-17		
T Test (SE of Two Sample Mean)					
Significance Level			0.05		
SE (calculated t value)			-2.973		
Table value			3.012		
Compare			SE<Table Value, H_{01} Accepted, H_{11} Rejected		
Conclusion			It is proved that there is no significant difference between two sample mean.		
F test (Ratio of Variations)					
Significance Level			0.05		
SE (calculated t value)			-2.431		
Table value			3.14		
Compare			SE<Table Value, H_{01} Accepted, H_{11} Rejected		
Conclusion			It is proved that there is no significant difference between two sample mean.		
Kolmogorov-Smirnov Test (non-parametric test of equality)			0.200[1,2] Retain Null (H_{01}) 1 Lilliefors Corrected 2 This is lower bound of the true significance		
Hypothesis Two					
H_{02}			No significant difference between percentage of changes in population density and food grains production.		
H_{12}			Significant difference between percentage of changes in population density and food grains production.		
Correlation			-3.65347E-17		
T Test (SE of Two Sample Mean)					
Significance Level			0.05		
SE (calculated t value)			-0.226		
Table value			3.012		
Compare			SE<Table Value, H_{02} Accepted, H_{12} Rejected		
Conclusion			It is proved that there is no significant difference between two sample mean.		
F test (Ratio of Variations)					
Significance Level			0.05		
SE (calculated t value)			0.740		
Table value			3.14		
Compare			SE<Table Value, H_{02} Accepted, H_{12} Rejected		

Conclusion	It is proved that there is no significant difference between two sample mean.
Kolmogorov-Smirnov Test (non-parametric test of equality)	0.200[1,2] Retain Null (H_{02}) 1 Lilliefors Corrected 2 This is lower bound of the true significance
Hypothesis Three	
H_{03}	No significant difference between percentage of changes in population density and yield per hectare.
H_{13}	Significant difference between percentage of changes in population density and yield per hectare.
Correlation	-9.73465E-17
T Test (SE of Two Sample Mean)	
Significance Level	0.05
SE (calculated t value)	-0.174
Table value	3.012
Compare	SE<Table Value, H_{03} Accepted, H_{13} Rejected
Conclusion	It is proved that there is no significant difference between two sample mean.
F test (Ratio of Variations)	
Significance Level	0.05
SE (calculated t value)	1.300
Table value	3.14
Compare	SE<Table Value, H_{03} Accepted, H_{13} Rejected
Conclusion	It is proved that there is no significant difference between two sample mean.
Kolmogorov-Smirnov Test (non-parametric test of equality)	0.200[1,2] Retain Null (H_{03}) 1 Lilliefors Corrected 2 This is lower bound of the true significance
Hypothesis Four	
H_{04}	No significant difference between percentage of changes in yield per hectare and gross irrigated land.
H_{14}	Significant difference between percentage of changes in yield per hectare and gross irrigated land.
Correlation	0.787117604
T Test (SE of Two Sample Mean)	
Significance Level	0.05
SE (calculated t value)	0.049
Table value	3.012
Compare	SE<Table Value, H_{04} Accepted, H_{14} Rejected
Conclusion	It is proved that there is no significant difference between two sample mean.
F test (Ratio of Variations)	
Significance Level	0.05
SE (calculated t value)	0.898
Table value	3.14
Compare	SE<Table Value, H_{04} Accepted, H_{14} Rejected

Conclusion	It is proved that there is no significant difference between two sample mean.
Kolmogorov-Smirnov Test (non-parametric test of equality)	0.200[1,2] Retain Null (H_{04}) 1 Lilliefors Corrected 2 This is lower bound of the true significance
Hypothesis Five (Multi Linear Model)	
H_{05}	Change in Yield per hectare is not dependent on change in crop density and change in gross irrigated land.
H_{15}	Change in Yield per hectare is dependent on change in crop density and change in gross irrigated land.
Intercept	-0.548
Regression coefficient of Changes in Crop density	-1.137
Regression coefficient of Changes in Gross Irrigated Land	1.688
Multi-correlation	0.800
Co-efficient of determination	0.639
Durbin-Watson (auto-correlation)	2.101 (lower than the critical value)
Conclusion	It is proved that the change in yield per Hectare is negatively impacted by changes in crop density while positively impacted by changes in gross irrigated land. The model has supported for the 64% causal relationships.

Suggestions and Recommendations:

There are following suggestions and recommendations for improvement in yield per hectare and enhancing the food grains production.

1. The population density in agricultural land by farmer to be reduced. It means that number of members involved in farming activities are to be reduced.
2. Government should provide the alternative employment to the rural persons involved in farming activities, so that quasi-employment level can be reduced.
3. The cropping density should be reduced, considering the seasonality, environmental factors, etc.
4. The gross irrigated land proportion should be increased among the agricultural land.
5. Government should implement the systems and processes so that more land can cover under the irrigation facilities.
6. In general, inspire and impart knowledge and information to the farmers about reducing the crop density, population density, rain water storage and uses of irrigation facilities.

Conclusions:

This research study establishes that the impact of increasing the gross irrigation land and reducing the cropping density on yield per hectare is apparent. Present scenario of gross irrigation land and cropping density is satisfactory, providing 64% impact on the yield per hectare. It can also be concluded that, farmers with small land holding, are employing more manpower than the needed. This has created the quasi-employment in the farming sector; in turn inefficient use of labour as a resource. Application of various suggestions given in this research paper can help in improving the food grains production and yield per hectare, through proper knowledge, skill sharing and governmental support. MA

References:

1. *Reddi Sankara G. H. & Reddy Yellamanda T. (2012), "Efficient use of irrigation water", Kalyani Publisher Ludhiana.*
2. *Bhende M. J., "cropping pattern and Resources use Efficiency for major crop- A case study of Kamataka, GLIMPSES of Indian Agriculture-macro & micro aspects Vol. No.2*
3. *Singh, Alok Kumar. and Singh, Narendra., "Impact of Diversification of Cropping Patterns on Sustainable Development of Farm Sector of Uttar Pradesh: Theoretical Underpinnings", International journal of management studies, July 2018*
4. *Majhi, B. and Kumar, Awadhesh., "Changing Cropping Pattern in Indian Agriculture", Journal of Economics and Social Development, Jan, 2018.*
5. *National Sample Survey Organisation (1995-2019): Situation Assessment of Farmer's Household",*
6. *National Sample Survey Organisation (1995-2019): Situation Assessment of Farmer's Household",*
7. *Governmental Reports, including working papers*

Websites:

1. *www.economicsdiscussion.net*
2. *www.microfinancegateway.org*
3. *https://www.statista.com/statistics/263766/totalp-population-of-india/*

FINANCIAL PERFORMANCE OF VIZAG STEEL PLANT - A CASE STUDY

Abstract

RINL (Rashtriya Ispat Nigam Limited) is a completely claimed central PSU, anyway the Center chose in September 2011 to strip 10% of its stake by means of an initial public offering (IPO). Some way or another, the arrangement had been kept waiting for different reasons until the choice to privatize it totally now. VSP, with a selective product mix of longs, is the biggest maker of bars and rods in the country with a piece of the overall industry of more than 10% and has recorded a yearly turnover of 20,844 crore in 2018–19. The products of RINL incorporate rebars, wire rods, adjusts, structural, blooms and billets, and pig iron and the organization additionally advertises the resultant by products like coal synthetic compounds - ammonium sulphate, benzoyl products, and so forth.

Dr. Mohammad Khwaja Moinoddin
Head & Professor
Dept. of Business Management
SRM Group of Institutions, Karimnagar
mohin_khwaja1@yahoo.co.in

INTRODUCTION

A Navratna public sector unit from 2010, RINL's Vizag Steel Plant located in Vishakapatnam, is India's first coastal-based amalgamated steel plant constructed with state-of-the-art technology, licensed in 1992 with a capacity of 3.0 MTPA of liquid steel. Afterwards VSP increased its capacity to 6.3 MTPA in April 2015 and to 7.3 MTPA in December 2017. RINL has three hostage mines and 25 marketing branches across India and gradually over the time spent set up another unit - Forged Wheel Plant - at Raebareli, Uttar Pradesh.

OBJECTIVE OF THE STUDY

The main purpose of conducting the study is to know the Financial performance of the Vizag steel plant during the period of 2014-15 to 2018-19. Secondary objective of the study is to present the reason for the losses of VSP in recent time.

SCOPE OF THE STUDY

The present study confined to only the Vizag Steel Plant financial performance. The study results limited to 2014-15 to 2018-2019 financial years only.

RESEARCH METHODOLOGY

The research work carried out based on the secondary data available in the Annual reports of the VSP, Company website, Bulletins and financial newspapers.

For Analysis purpose Mean, Standard deviation, Variance, Financial Ratios etc have been used. The hypothesis has been tested by using student t test and p test.

HYPOTHESIS

H1: There is a significant difference between VSP employee benefits expenses and VSP Raw Material Consumption cost.

H2: There is no significant difference between Net Profit of the VSS and EPS of the VSP.

ANALYSIS & INTERPRETATION

Table- 1

BREAK UP OF GROSS INCOME

(Rs. In crores)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Sale of by products	428 (4%)	392 (3.74%)	472 (3.72%)	586 (3.94%)	825 (3.96%)

Interest Earned	67 (0.63%)	89 (0.85%)	66 (0.52%)	79 (0.53%)	89 (0.43%)
Other Revenues	195 (1.83%)	297 (2.84%)	266 (2.10%)	302 (2.04%)	393 (1.89%)
Internal Consumption	26 (0.24%)	36 (0.34%)	30 (0.24%)	32 (0.22%)	19 (0.09%)
Sale of Iron & Steel	9972 (93.30%)	9667 (92.23%)	11845 (93.42%)	13874 (93.28%)	19513 (93.64%)

Source of Data: Annual Reports of RINL

The above table shows, the Gross income earned in various areas during the period 2014-15 to 2018-19 by the Vizag Steel Plant. The income from the sale of major products i.e Iron & Steel has been increased throughout the reference period. The Income from sale of Iron & Steel in the year 2014-15 stood as 9972 crores, and it was increased to 19,513 crores in the year 2018-19. From the above table it is also cleared that around 93 % of income coming to the organisation from Iron & steel sales only. If we look at the second major source of income (Sale of by products) for VSP (Vizag Steel Plant), the income except in the year 2015-16, increased every year in the study period. The plant earned 428 crores in the year 2014-15 (4% of total Gross income) whereas in the year 2018-19, the income reached to 825 crores. The plant also registered healthy growth in other sources of Gross income such as other revenues, Income from Interest, and Internal consumption. The percentage of income in these areas has been increased year to year in last 5 years.

Table- 2

DISTRIBUTION OF GROSS INCOME

(Rs. In crores)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Employee Benefits (Including Gratuity)	820.19 (-7.67%)	1923 (18.35%)	2164 (17.07%)	2885 (19.4%)	2213 (10.62%)
Power & Fuel	1918 (17.98%)	875 (8.35%)	1062 (8.38%)	1078 (7.25%)	1148 (5.51%)
Financial costs	1118 (10.46%)	1143 (10.91%)	1278 (10.08%)	938 (6.31%)	1278 (6.13%)
Other Expenses	1656 (15.48%)	1724 (16.44%)	2174 (17.13)	593 (3.97%)	1411 (6.75%)
Depriciation	271 (2.54%)	347 (3.31%)	659 (5.2%)	778 (5.23%)	1058 (5.08%)
Raw material Consumed	5128 (47.98%)	4142 (39.52%)	6945 (54.78%)	8601 (57.83)	13730 (65.89%)

Source of Data: Annual Reports of RINL

The above table 2 represents the spending pattern of Gross income shown in the Table 1. If we observe the spending areas of the VSP in the study period, it has been cleared that the majority of income used to acquire the raw material for the production related activities. The amount used to acquire the raw material has been increased every year except in the year 2015-16, the plant spent 5128 crores in the year 2014-15 for purchasing the raw material. The expenditure has increased to 13,730 crores in the year 2018-19. After the raw material, the plant spending majority of its profits for the employee welfare (Including Gratuity) in the study period, the plant allocated 820.19 crores in the financial year 2014-15 whereas in the year the allocation increased to 2213 crores in 2018-19. The plant other expenses like power & Fuel, Financial costs and other operating and non-operating expenses also increased throughout the study period.

Table -3

FINANCIAL RATIOS

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Current Ratio	0.6	0.6	0.5	0.5	0.6
Quick Ratio	0.3	0.3	0.1	0.1	0.2
Gross Profit to Sales	4.6	(7.6)	(7.5)	(6.7)	4.8
Net Profit to Sales	0.5	(14.1)	(10.3)	(9.5)	0.5
Inventory to sales	44.4	38.8	38.7	16.7	16.6
EPS	0.09	(3.52)	(2.62)	(2.93)	0.11
Turnover	11675	12270.58	12706	16618.40	20844.38

Source of Data: Annual Reports of RINL

The above table disclosing the liquidity, profitability and Turnover position of the VSP during the study period. The plant maintains the relationship between current assets and current liabilities as 0.4: 1 on average. Whereas, the absolute liquidity ratio stood as 0.2:1. It means the firm employing its majority of capital in long term and fixed assets rather than current assets. The gross profit and net profit ratios to sales are adverse in the years 2015-16 to 2017-18. Due to the negative profits in these years, the EPS of the company badly affected during 2015-16 to 2017-18. The reason behind negative profits is excess of inventory cost, inferior raw material imported from other countries like China resulted in decline of sales. The increased operating & Non-operating costs also affected the profitability position of the VSP. But the company succeed in converting losses into profits in the year 2018-19. The turnover of the company registered growth almost every year during the study period. The conversion rate of Inventory to sales good at first three years later it came down compared to earlier years, still the firm able to maintain the healthy conversion rate.

Table- 4

There is a significant difference between VSP employee benefits expenses and VSP Raw Material Consumption cost.

	*Employee Benefits	Raw Material Cost
Mean	2001.038	7709.2
Variance	450673.0498	11403370.16
Standard Deviation	671.3219	3376.8876
N	5	5
t	-3.7072	

Degrees of freedom	4
Critical Value	2.776

The absolute value of the calculated ***t*** exceeds the critical value (3.7072 > 2.776), so the means are significantly different.

The above hypothesis table revealed that there is a significant difference between VSP expenditure on raw material and the amount spent for the welfare of VSP employees. It means, the majority of VSP profits used for procurement of raw material only.

*As Employee Benefits stood as second major expenditure in the study period, it has been selected for hypothesis testing.

Table- 5

There is no significant difference between Net Profit and EPS of the VSP.

	Net Profit to sales	EPS
Mean	-6.58	-1.774
Variance	35.8336	2.4249
Standard Deviation	5.9861	1.5572
N	5	5
t	-1.7374	
Degrees of freedom	5	
Critical Value	2.571	

The absolute value of the calculated ***t*** is smaller than critical value (1.7374 < 2.571), so the means are not significantly different.

From the above table, it has been cleared that the Means of both Net profit and Earning Per share not significantly different, by which means the EPS dependent element over the net profit. We can see the same in the table number 3. The Net profit during the period 2015 – 18 recorded as negative, the same reflected on the EPS.

CONCLUSION

By seeing the above performance of VSP, it is concluded that the plant is not incurring losses since its inception. The plant generated profits for many years earlier and also keeps on giving livelihood to thousands of families directly or indirectly. Recently the plant being in losses and suffering with debt burden. But the primary reason for the losses is absence of captive mines due to which the RINL is mobilising the raw materials at market price, which resulting in a financial loss of minimum 5,000 on every ton produced by the plant. But the problem may not be solved immediately by simply privatising the steel plant, here the problem is not ownership, it is only production cost. Here if the government adopt make or buy decision principle in cost control, the profitability scenario may be changed. If the government disinvest its total

But the primary reason for the losses is absence of captive mines due to which the RINL is mobilising the raw materials at market price

share in RINl, the public who sacrificed their own lands 50 years ago for Vizag steel plant may demand their rights and compensation which also become a financial obligation for the central government. The Central Government will also loose the income in the form of Dividend and taxes, if the plant is handed over to private players. MA

References

1. *"RINL Formation Day Celebrated" (PDF). Rashtriya Ispat Nigam Limited. Retrieved 2 September 2011.*
2. *"RINL conferred Navratna status" (PDF). Rashtriya Ispat Nigam Limited. 16 November 2010. Retrieved 2 September2011.*
3. *"Visakhapatnam Steel Plant unions serve strike notice". 10 June 2012.*
4. *"Cabinet clears privatisation of Rashtriya Ispat Nigam - The Hindu Bus…». archive.vn. 7 February 2021.*
5. *"Doctors in Kerala observe fast protesting anomalies in pay revision". archive.vn. 7 February 2021.*
6. *"India to Sell 10% Stake in Rashtriya Ispat Nigam". The Wall Street Journal. 2 September 2011. Retrieved 2 September 2011.*
7. *"Expansion Plans". Rashtriya Ispat Nigam Limited. Retrieved 2 September 2011.*
8. *"RINL to invest Rs 60K cr to have 20 MT capacity by 2027". Business Standard. Press Trust of India. 3 October 2013. Retrieved 23 October 2016*

- *www.vizagsteel.com*
- *www.jstor.org*
- *en.wikipedia.org*
- *Annual Reports of RINL*
- *The print.in*

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
www.icmai.in

DIRECTORATE OF STUDIES - TRAINING & PLACEMENT

E-mail:
cpt@icmai.in / placement@icmai.in

Contact:
+91 94323 82747 / +91 89813 91330

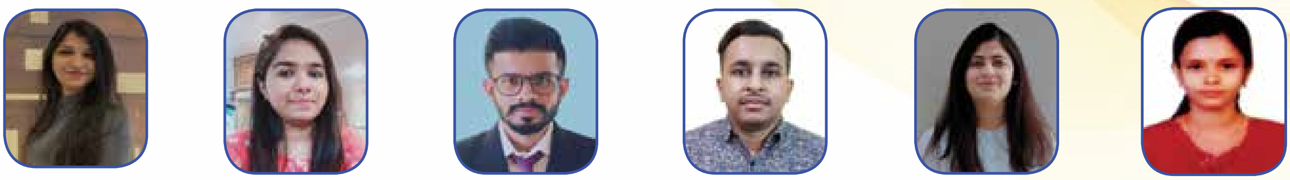
Congratulations to Successful Qualified CMAs of December 2019 Batch - Placed through Campus Placement Drives of the Institute (Partial List)

S Sai Naresh REC Ltd.	**Rishabh Raj** REC Ltd.	**Nuthi Lakshmi Rajesh Babu** REC Ltd.	**Arnav Goel** REC Ltd.	**Yash Sarda** NMDC Ltd.	**Sourabh Pandit** NMDC Ltd.

Rishab Gourisaria NMDC Ltd.	**Simran Godwani** NMDC Ltd.	**Akash Kumar Dalai** NMDC Ltd.	**P K Hemanth** NMDC Ltd.	**Rohit Ghosh** NMDC Ltd.	**Y Venkata Shivaji** NMDC Ltd.

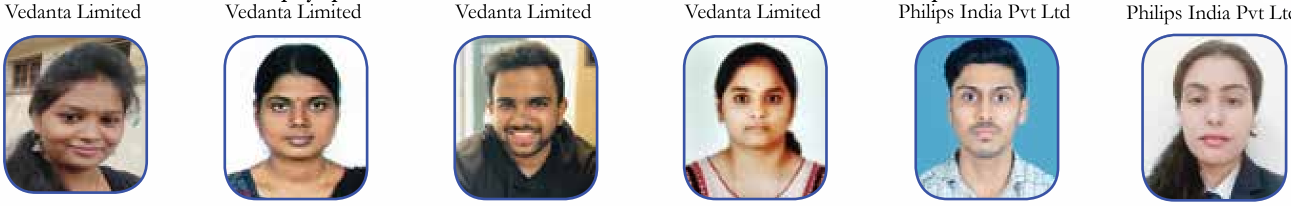
Veerreddy Sathi NMDC Ltd.	**Akhil Nerella** Rashtriya Ispat Nigam Ltd.	**Rajat Chawla** Rashtriya Ispat Nigam Ltd.	**Bijaya Kumar Nath** Mecon Ltd.	**Bhushan Dilip Shet** Bajaj Auto Ltd.	**Abhay Kumar Dinavahi** Conseroglobal

Chinchu S Conseroglobal	**Vagicharla Naveen Kumar** Conseroglobal	**Vikram Jotiram Khamkar** Conseroglobal	**Kapil** Conseroglobal	**Praseed P** ITC Ltd, Food Division	**Saloni Khandelwal** ITC Ltd, Food Division

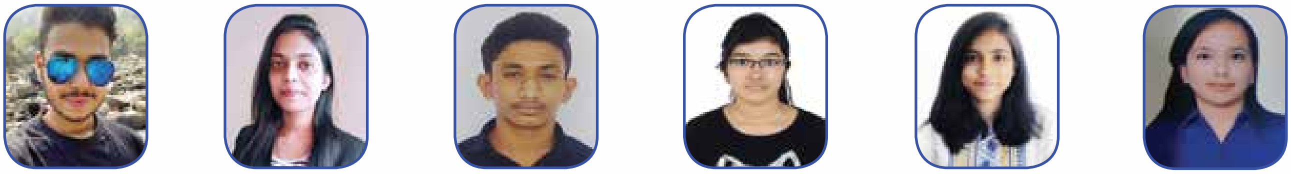


Ishu Sunderka Vedanta Limited	**Shirin Ashfak Shaikh** Vedanta Limited	**Rishikesh Rathi** Vedanta Limited	**Piyush Dugar** Vedanta Limited	**Suhani Badaya** Vedanta Limited	**Sneha Karri** Vedanta Limited

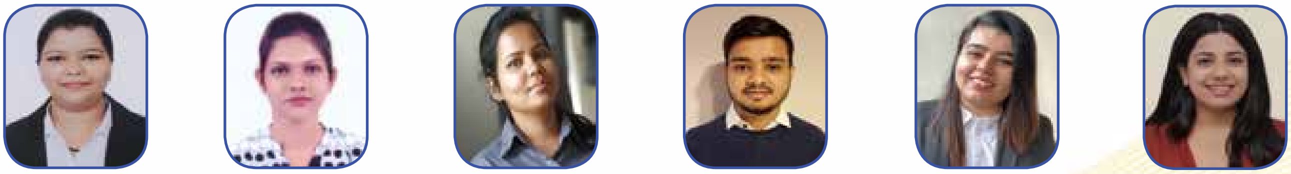
Murchana Pathak Vedanta Limited	**Viswapriya p v** Vedanta Limited	**Pratik Gaikar** Vedanta Limited	**Haru Hambir** Vedanta Limited	**Koruprolu Manikanta** Philips India Pvt Ltd	**Susruth Chinni** Philips India Pvt Ltd



Naga Gayatri Hanisha Paruchuru Philips India Pvt Ltd	**Martala Guru Prasanna** Philips India Pvt Ltd	**Kushagra Jagdish Taparia** Wipro Limited	**Sai Aparna Tadepally** Wipro Limited	**Ankit Munot** Wipro Limited	**Juhi Gurnani** Wipro Limited



Prajwal Sahu – Wipro Limited
Nisha Shrivastav – Wipro Limited
Eeregowd M – Wipro Limited.
Manisha Agarwal – Wipro Limited
Pratibha Lohiya – Schneider Electric India Pvt Ltd
Himani Gandhi – Schneider Electric India Pvt Ltd



Poonam Khemka – Tax Connect Advisory Services LLP
Nutan Mandal – TRL Krosaki Refractories Limited
Riya Agrawal – TRL Krosaki Refractories Limited
Chintan Sompura – TATA Motors
Richa Tripathi – TATA Motors
Mehak Khurana – Citco Group Services (India) LLP

Mohit Munot – Citco Group Services (India) LLP
Aakash Achhra – Citco Group Services (India) LLP
Mansi Gupta – Citco Group Services (India) LLP
Madhushree Gopal Shettigar – Citco Group Services (India) LLP
Nitheesh A – Citco Group Services (India) LLP
Pooja Auti – Citco Group Services (India) LLP

Shivani Jadhao – Citco Group Services (India) LLP
Varun Khattar – Citco Group Services (India) LLP
Debarati Sil – Citco Group Services (India) LLP
Dhanshree Sapkal – Citco Group Services (India) LLP
Ashish Vinod Shukla – Citco Group Services (India) LLP
Kapil Inderlal Tanwani – Citco Group Services (India) LLP

Priyanka Chourey – Citco Group Services (India) LLP
Darshan Satishbhai Mandaliya – Citco Group Services (India) LLP
Niharika Anil Chavan – Citco Group Services (India) LLP
Silpa Agarwal – Citco Group Services (India) LLP
Ambati Kusuma Kumar – Citco Group Services (India) LLP
Ruchita Wadgeri – Citco Group Services (India) LLP

Nikita Raj – Citco Group Services (India) LLP
Shubham.S.Singhania – Citco Group Services (India) LLP
Prince Alexander – Citco Group Services (India) LLP
Chandrakant Tripathi – Citco Group Services (India) LLP
Nikita Gupta – Citco Group Services (India) LLP
Bimal Chahataray – Citco Group Services (India) LLP

Shalini Verma – Citco Group Services (India) LLP
Sanket Chichkhede – Citco Group Services (India) LLP
Hamza Kohari – Citco Group Services (India) LLP
Pratima Sanjay Jadhav – Citco Group Services (India) LLP
Kirti Maheshwari – Citco Group Services (India) LLP
Aayushi Laddha – Citco Group Services (India) LLP

To be Contd. in the next issue of the Journal

CMA CAMPUS PLACEMENT SCHEDULE - 2021 (PHASE - I)

CAMPUS PLACEMENT DRIVE FOR THE QUALIFIED CMAs OF DECEMBER 2020 BATCH

Campus Placement Participation Fee Rs. 25,000/- + Applicable GST for Recruiting Organizations

Kolkata - 4 - 5 May 2021 (Tuesday, Wednesday)
Mumbai - 7 - 8 May 2021 (Friday, Saturday)
Chennai - 10 - 11 May 2021 (Monday, Tuesday)
Delhi - 12 - 13 May 2021 (Wednesday, Thursday)

12-days Pre-Placement Orientation Programme (Online) - 13 - 24 April 2021

The Institute will conduct both Offline/Online Campus as per the preference of the Recruiting Organisation.

Down The Memory Lane

April 2011

SAFA Board Meeting held on 10th April at Karachi. Seen in the picture, (sitting from left) Mr. Suvod Karn, Past President, ICAN; Mr. Brijmohan Sharma, President, ICWAI; Prof. Lakshman Watawala, President, ICMASL; Mr. Muhammad Rafi, Vice President, SAFA; Ms. Parwin Mahmud, President, ICAB; Mr. G. Ramaswami, President, ICAI; Mr. T. Karthikeyan, Permanent Secretary, SAFA; Mr. Madraswala, ED, ICMAP.

Standing from left: Mr. Asim Khan, ICMAP; Mr. Sujeeva Mudalige, President, ICASL; Mr. Sunir Dhungel, President, ICAN; Mr. Md. Nasrat, ICAB; Mr. Kunal Banerjee, Past President, ICWAI; Mr. Md. Shahadat Hossain, ICAB; Mr. Syful Islam, ICAB; Mr. Sujeeva Rajapakse, ICASL; Mr. Amarjit Chopra, Past President, ICAI; Mr. Jayadeep Shah, VP,ICAI; Mr. A. R. Suriya, ICAP; Mr. Muzaffar Ahmad, Past President, ICMAB; Mr. G.N. Venkataraman, Immediate Past President, ICWAI; Mr. Anis, ICMAP; Mr. Sudhir Sharma, Executive Secretary, SAFA; Mr. Mudit Vasishtha, ICAI

April 2001

Mahesh Shah, Past President and CCM V.K.Chopra, Executive Director (Finance) and B.D. Narang, CMD, Oriental Bank of Commerce, D.C. Bajaj, President and Rakesh Singh after a meeting

Mike Jeans, President, Chartered Institute of Management Accountants (CIMA), UK is accepting a memento from D.C. Bajaj, President, ICWAI during his visit to new Delhi on 24 April 2001

Down The Memory Lane

April 1991

Inauguration of Baroda Chapter premises by Shri Nanubhai B.Amin, Chairman, Jyoti Ltd. Others seen on the dais are from left: S/shri P.M. Shah, H.V. Shah, Sankar Dutta, Kiran J. Mehta, S.B. Parikh, V. R. Kedia.

The inaugural function of the Palakkad chapter, Sitting from (L to R) Shri K. Gangadharan Nair, Chairman Palakkad Chapter, N.P. Sukumaran, Chairman SIRC, Sankar Dutta President ICWAI, T. N. Menon Chief Guest, P.D. Phadke, Vice President ICWAI

Shri Sankar Dutta, President, ICWAI, inaugurating the Lucknow Chapter building

April 1981

Shri V. Basavaraju, President, I.C.W.A.I. delivering the Key Note Address first in the series of Continuing Education Programmes envisaged by the Professional Development Committee of the I.C.W.A.I., organized and conducted by the SIRC of the I.C.W.A.I. at Hotel Taj Coromandal on Friday, the 24th April, 1981

April 1971

Address by Prof. H.R. Seshagiri Rao of Administrative Staff College of Hyderabad on "Role of Management Accountants in Public Sector Undertakings". From L to R: Shri T. K. Rao, Secretary; Prof. H.R. Seshagiri Rao, Guest Speaker and Shri T. Ranganathan, Chairman. The audience also can be seen on the right.

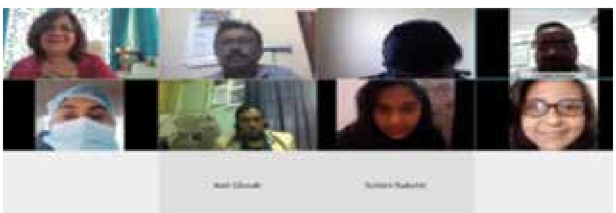
Source: Extracted from the various issues of The Management Accountant Journal

NEWS
FROM THE INSTITUTE

EASTERN INDIA REGIONAL COUNCIL

Virtual Intermediate 199th Session Oral Coaching Student Meet was organized on 17th January 2021 by EIRC under the initiative of Student Facilities & Training Committee of ICAI-EIRC. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Student Facilities & Training Committee welcomed the students and addressed the students. Virtual final Student Meet for IOTP was organized on 29th January 2021 by EIRC under the initiative of Student Facilities & Training Committee of EIRC. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Student Facilities & Training Committee welcomed the students and addressed the students on the IOTP. Virtual Quiz Competition was organized on 30th January, 2021 by ICAI - EIRC under the initiative of Student Facilities & Training Committee of ICAI-EIRC. CMA Arundhati Basu, Vice Chairperson EIRC, and Chairperson, Student Facilities & Training Committee welcomed the students, CMA Pratap Kumar Chakravarty, Faculty- EIRC and CMA Umesh Kumar Pandey, Faculty-EIRC were the quiz master and conducted the quiz contest. EIRC had conducted E-Career Awareness Programme on 8th February, 2021 at Victoria College Institution, Kolkata by the initiative of Student Facilities & Training Committee of ICAI-EIRC. On the same occasion a Seminar on "Goods & Service Tax (GST) in India" was organized for the students of the college. Prof. (Dr.) Pranam Dhar, Associate Professor & Head, Department of Commerce & Management, West Bengal was the guest speaker for the Seminar and addressed on the topic. CMA Arundhati Basu, Vice Chairperson, ICAI-EIRC and Chairperson - Student Facilities & Training Committee welcomed the students of the college and also addressed the students on the CMA Course and its prospects when pursued along with a degree course. CMA Debosmita Sengupta, Sr Officer – PD gave an introduction about the Institute. Inaugural Ceremony of Mandatory Practical Skill Training Classes was held on 9th February, 2021 by EIRC under the initiative of Student Facilities & Training Committee of ICAI-EIRC. CMA Arundhati Basu, Vice Chairperson, ICAI-EIRC and Chairperson - Student Facilities & Training Committee welcomed the Students and dignitaries. CMA R N Pal, Former Sr Director (Studies), ICAI, CMA Chandana Bose, Former Sr Director (Research), ICAI, CMA Ranjit Ghosh, Practicing Cost Accountant, CMA Ranjan Chatterjee, Practicing Cost Accountant and Prof Madhu Agnihotri, Asst. Professor, HOD (Information Technology), Dept of Commerce (morning), St Xavier's College, Kolkata had graced the occasion and addressed the students. Virtual Inaugural Ceremony of 200th Session Oral Coaching was organized by the EIRC on 16th March, 2021 by the initiative of Student Facilities & Training Committee of ICAI-EIRC. CMA Arundhati Basu, Vice Chairperson, ICAI-EIRC and Chairperson – Student Facilities & Training Committee welcomed the participants and Guests. CMA Avijit Goswami, Former Central Council Member, ICAI, CMA C R Chattopadhyay, Central Council Member, ICAI, CMA Debasish Mitra, Central Council Member, ICAI, CMA H. Padmanabhan, Central Council Member, ICAI, CMA Ashis Banerjee, Chairman, ICAI-EIRC, were present and addressed the students. A Virtual CEP was organised by EIRC under the initiative of Seminar & Workshop Committee on "Companies (Amendment) Act 2020 - Highlights of Amendments" on 19th February, 2021. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Seminar & Workshop Committee delivered the welcome address. CMA Ashis Banerjee, Chairman, EIRC addressed the participants. CMA Biswarup Basu, President, ICAI, was Special Guest of Honour. CMA Chittaranjan Chattopadhyay, CCM-ICAI, was the Honoured Guest. CMA P.V.S Jagan Mohan Rao, Former President of SAFA, Former President of ICSI & Former CCM of ICAI was the Guest Speaker. Due to the technical issues, the programme could not be completed on 19th February 2021 and the remaining portion was continued on 24th February 2021 where CMA P.V.S Jagan Mohan Rao addressed the session. CMA Kavita Dubey, Practicing Cost Accountant conducted the Question & Answer Session. A Virtual CEP was organised by Eastern India Regional Council under the initiative of Seminar & Workshop Committee on "Discussions on the Exposure Draft of Standard Quality Control" on 22nd February, 2021. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Seminar & Workshop Committee delivered the welcome address. CMA Ashwin G Dalwadi, Central Council Member and Chairman, CAASB, ICAI, Guest of Honour was also present and discussed regarding Application Portion of the Exposure Draft of Standard Quality Control. All the participants had highly appreciated and actively participated during the discussion. EIRC under the initiative of Women Empowerment Committee, ICAI- EIRC had organised a Virtual CEP on "Performance Improvement for MSME – Post COVID" on 23rd February, 2021. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Women Empowerment Committee welcomed the members. CMA Chittaranjan Chattopadhyay, CCM-ICAI had also graced the occasion. CMA Poonam Shah, Practicing Cost Accountant & Partner - M/S ABK Associates was the Guest Speakers & CMA Meera Prasad Practicing Cost Accountant conducted the Question & Answer Session. All the participants had highly appreciated the programme. EIRC under the initiative of the Women Empowerment Committee is celebrating The International Women's Day 2021 on the theme "Women Leadership – Fostering Diversity for inclusive growth" during the month March 2021 i.e on 8th March 2021, 12th March 2021, 19th March 2021 and 26th March 2021. ICAI-EIRC had organized a virtual programme on 8th March 2021 where Galaxy of Woman Dignitaries from different walks of life had graced the occasion and shared their achievements. CMA Arundhati Basu, Vice Chairperson, EIRC and Chairperson, Women Empowerment Committee welcomed the members. CMA Ashis Banerjee, Chairman, EIRC addressed the participants. CMA

Chittaranjan Chattopadhyay, CCM-ICAI, was the Honoured Guest and addressed during the occasion. CMA H. K. Joshi, Chairman & Managing Director Shipping Corporation of India Ltd, Ms Keya Chanda, Kathak Dance Exponent & Choreographer, CMA Swapna Nair, Chief Financial Officer, Tata Steel Downstream Products Ltd, Dr. Debashri Banerjee Aparajita Awardee and Professor Department of Education, University of Calcutta, CMA Parvathy Venkatesh, Partner, Ramanth Iyer & Co Cost Accountant and CMA Poonam Shah, Partner - M/S ABK & Associates Cost Accountant had graced the occasion as the Honoured Guest and shared their experience and achievements as a Woman Achiever. The Technical Session on Overview of Cyber Security - Application Security, Network Security & GRC Government Regulations was addressed by the Guest Speakers Ms Sangita Pakala, Principle consultant, SecurEyes and Ms Nandita Ravindran Senior GRC Consultant, SecurEyes. The other Technical Session on Cyber Security - Legal Aspects & Mitigation Measurers was addressed by the Guest Speaker Mr. Neeraj Aarora Advocate on Record Supreme Court of India Cyber Lawyer & International Arbitrator. There was an overwhelming response and also all the participants highly appreciated the programme.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

Following various precautionary measures issued by the Government to contain spreading upsurge/spike of COVID-19, the Chapter organised a Practitioners Meet on 24.02.2021 at conference hall of CMA Bhawan to discuss various Professional Development issues for enhancement of Scopes, Avenues and Challenges for Practicing Members at Odisha. CMA Mukesh Chaubey, Chairman welcomed the Practicing Members participated in the discussion. CMA Saktidhar Singh, Chairman, Professional Development Committee highlighted about various activities/initiatives taken by the Managing Committee for updating members by conducting various programmes on contemporary topics through physical and virtual platform and other initiatives for enhancing Scopes and avenues of Practicing Members at Odisha . CMA Ajay Kumar Samal, secretary of the chapter extended formal vote of thanks. The Chapter organised an interaction meet among the Practicing Members on 06.03.2021 in reference to discussion held in the previous meeting held on 24.02.2021 at conference hall of CMA Bhawan. Discussion held on "Compliance for the COP holders, Cost Accountants Firms and Professional Avenues". CMA Mukesh Chaubey, Chairman welcomed the Practicing Members Participated in the discussion. CMA Saktidhar Singh, Chairman, Professional Development Committee moderated the meeting and appraised the members regarding formation of various committees. CMA Niranjan Mishra, Past Chairman, ICAI-Bhubaneswar Chapter, and Sr Partner M/s Niran and Co, Cost Accountants highlighted on "Compliance for the COP Holders, Cost Accountants Firms: Institute Prospective", CMA Chaitanya Kumar Ray, Managing Partner, M/s Ray Nayak and Associates highlighted "How to become an IBC Professional and its Avenues for CMAs" and CMA Prasanjit Mohanty, Partner, M/s BSS & Associates , Cost Accountants highlighted on Career opportunity as "Insurance Surveyor And Loss Assessor". The Chapter successfully celebrated "International Women's Day" on 8th March, 2021 at CMA Bhawan in a grand way. Discussion held on the theme "Women Empowerment". More than 150 numbers of Women

CMA Members and Students joined in the said celebration. Dr. Rajashree Mallick, Hon'ble MP, Jagatsinghpur Constituency graced and inaugurated the event as "Chief Guest" and addressed on "Women Empowerment" and highlighted on role of women in nation building, Shri Ananta Narayan Jena , Hon'ble MLA, Bhubaneswar (Central) Constituency graced as "Special Guest" and praised the contribution of women for transforming better society. Mrs. Sasmita Patra, President, NALCO Mahila Samiti, Bhubaneswar graced as "Special Guest of Honour" and encouraged girls to choose a noble profession. Amongst others Ms. Reena Ravichander , Secretary, Rotary Club of Bhubaneswar Friends and CMA Minati Mishra, DGM (Finance) , OPTCL were "Guest of Honour" and addressed on power of women . CMA Mukesh Chaubey, Chairman, ICAI-Bhubaneswar Chapter delivered welcomed and highlighted about the role of Women CMAs in the development of Global Economy. More than 150 participants consisting Members such as CMA Niranjan Mishra, CMA Saktidhar Singh, CMA Damodar Mishra, CMA Himoj Mishra, CMA Ajay Kumar Samal, CMA Santanu Kumar Rout, CMA Asutosh Debata, CMA Surya Narayan Tripathy , Other members and Girls Students of the Chapter actively participated. CMA Mukesh Chaubey, Chairman of the Chapter and CMA Niranjan Mishra, Past Chairman of the Chapter met Shri Mohan M, Hon'ble Chairman, Odisha Gramya Bank and appraised about the role and scope of CMAs for nation building specifically role of CMAs on Banking Sectors. On behalf of the Chapter, CMA M Chaubey and CMA N Mishra felicitated to Shri Mohan M, Chairman, Odisha Gramya Bank. As a part of Career Counseling and enhancing further visibility, this Chapter has organized an Online "All Odisha Quiz Competition" separately for +2 Commerce and +3 Commerce Students at Odisha on 14.03.2021.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SOUTH ODISHA CHAPTER

The Chapter organised an evening seminar on 03.03.2021 at Hotel Jyoti Residency, Berhampur, on the topic "Tax Proposals in Union Budget 2021". CMA Niranjan Swain, Tax Consultant, graced and delivered in detail on the topic as Resource Person. CMA Swain elaborated over the important issues of Union Budget 2021 and important direct and indirect tax provisions in Budget 2021. Sri Bijay Kumar Mohanty, CFO, TPSODL, Berhampur graced the occasion as Chief Guest and highlighted over various aspects of Budget-2021. CMA Mukesh Chaubey, Chairman, Bhubaneswar Chapter also graced the occasion as Guest of Honour and delivered on Professional Development programmes of the Institute and Chapters. CMA Jatindra Kumar Sahoo, Chairman, South Odisha Chapter welcomed all the Guests and invitees and addressed over basic points of Union Budget 2021 and significant changes of direct and indirect tax provisions in Budget 2021. CMA Binod Bihari Nayak, Chairman, Professional Development Committee, welcomed and introduced the guests and CMA N. C. Kar, Chairman, Oral Coaching Committee extended formal vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PATNA SAHEB CHAPTER

Inauguration and Seminar on "Enterprise Governance through Cost Management" of Patna Saheb Chapter on 07.03.2021 attended by the President of ICAI, CMA Biswarup Basu, along with CMA Balwinder Singh, Past President, CMA Amal Kumar Das Past president, CMA Chittaranjan Chattopadhyay CCM, CMA (Dr) K Ch AVSN Murthy, CCM, CMA Kunal Banerjee Past president, CMA Chittaranjan Chattopadhyay CCM, CA Mukesh Singh Kushwah, Government Nominee.

Volunteers and students of Patna Saheb Chapter of ICAI facilitating seminar on Enterprise Governance through Cost Management on dated 07.03.2021.

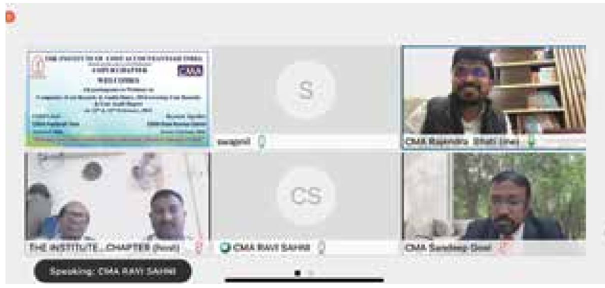
NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA KOTA CHAPTER

The Chapter celebrated 72nd Republic Day on 26.01.2021. Celebration and Felicitation for Foundation passed students passed in CMA examination Dec. 2020 held on 27th Jan,2021. CMA Akash Agarwal(Chairman), CMA S.N.Mittal (Chairman- P.D.Committee), CMA A.K.Jethalia (Secretary), CMA Tapesh Mathur (vice- Chairman), CMA S.P.Gupta (Treasurer), CMA M.B.Sonkhiya (Chairman-Students Committee),CMA Poorva Agarwal (Office Incharge),CMA Titiksha Jain (Executice Member), Ajay Kabra (Student Member) other members and passed students participated the program. (Clipping and Media coverage attached). A seminar on Companies (Cost Records and Audit) Rules, 2014 (as amended) on 07th March, 2021 at CMA Bhawan, Kota. Key Speaker was CMA S. N. Mittal, Practicing Cost Accountant and Chairman-P.D.Committee) Kota Chapter. CS Rahul Jain (Company Secretary- Multimatels Group, Kota), CMA Tapesh Mathur (Vice- Chairman), CMA A.K.Jethalis (Secretary), CMA S.P.Gupta (Treasurer), CMA Satyawan Sharma, CMA Jai Bansal, CMA Titiksha Jain(Executive members) other Members and Students participated in the programme. On 15th March, 2021, Meeting with Shri K.K.Jindal ji(General Manager F & A) CFCJ, Kota,by CMA S.N. Mittal Chairman- P.D.Committee, Kota Chapter and CMA Rajendra Natani(Former Secretary- Kota Chapter) Discussed about various professional issues regarding placement and training to CMA Students and members in CFCL . On 16th March, 2021, Meeting with CMA Lalit Maheshwari ji (CFO, Allen, Kota) by CMA S.N. Mittal (Chairman- P.D.Committee, Kota Chapter and CMA Tapesh Mathur (Vice- Chairman- Kota Chapter) discussed about various professional issues regarding placement and training to CMA Students and members in Allen Career Institute. The Chapter had organized inaugural function of oral coaching classes of June 2021 batch on 20.02.2021. All faculties CMA Members and students has participated in this programme. The Chapter organised a seminar on “Corporate Laws (COMPANIES ACT 2013-Role of Independent Directors/Women Directors.”) on 21.02.2021. Key Speaker- CMA R.P. Vyas (Practicing Cost Accountants). Vice Chairman of Kota Chapter CMA Tapesh Mathur gave welcome speech. CMA AK Jethaliya(Secretary) CMA SP Gupta (Treasurer) CMA SN Mittal, CMA Jai Bansal, CMA Titiksha Jain, CMA Poorva Agarwal,CMA JP Sarda and other CMA members and students participated in this seminar.

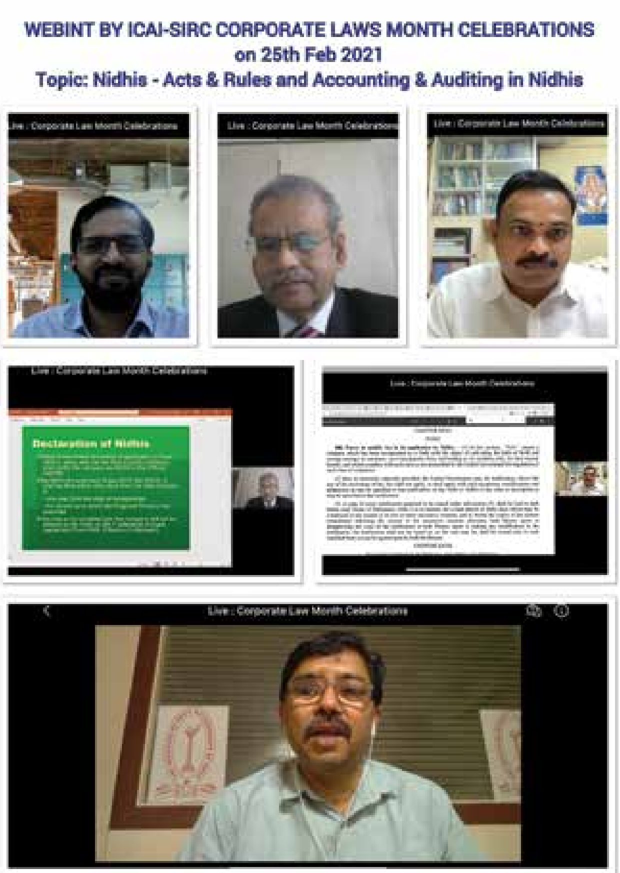
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

The chapter celebrated the 72nd Republic Day Function on 26th January 2021 at its premises. CMA Swapnil Bhandari, chairman of the chapter hoisted the National Flag along with senior members. After Flag hoisting, CMA Swapnil Bhandari welcomed all the Members, Faculties and students. The program was conducted by CMA Sudarshan Nahar, secretary of the chapter. The chapter organised Webinar on "Budget Talk – Direct Taxes" on 3rd February 2021. In the beginning of the seminar CMA Swapnil Bhandari, Chairman of the Chapter welcomed Key Speaker and all the participants. Key Speaker of the Webinar CA Anoop Bhatia explained in detail various changes in the Direct Tax provisions. The program was conducted by CMA Harendra Kumar Pareek, Treasurer of the Chapter. At the end of the program, immediate past Chairman of the Chapter CMA S.L. Swami thanked the Speaker and all the participants. The chapter organised webinar on 6th February 2021 on the Topic "Budget Talk – Indirect Taxes". In the beginning of the webinar, CMA Swapnil Bhandari, chairman of the chapter welcomed the key speaker and participants. Key Speaker of the webinar was CMA Vivek Laddha, Leading Tax practitioner. He explained in detail various changes related to Indirect Taxes in the Union Budget 2021. The program was conducted by CMA Harendra Kumar Pareek, Treasurer of the chapter. Two days webinar was organized by the chapter on 12th and 13th February 2021 on the Topic "Companies (Cost Records & Audit) Rules 2014". In the beginning, chairman of the chapter, CMA Swapnil Bhandari welcomed the Key Speaker and participants. Key Speaker of the Webinar was CMA Ravi Kumar Sahni, Former Chairman, NIRC. On the first day i.e. 12th February 2021, he explained in detail on the topic "Cost Audit Overview, Cost Accounting System and Records". On the second day i.e. on 13th February, he explained in detail on the Topic "Cost Audit Preparation and Analysis". On the second day of the Webinar i.e. 13th February, Chief Guest of the program was CMA Harkesh Tara, Chairman, NIRC. Moderator of the Webinar was CMA R.S. Bhati, Executive Member, NIRC. At the end of the program Secretary of the Chapter CMA Sudarshan Nahar thanked the Key Speaker and all the participants. The Chapter organised interview session on 13th February, 2021 for selecting students for practical training in Genus Power, JCB India, Jain Sanjay Kumar and Co. and Harendra Kumar Pareek & Co. Interview was conducted by CMA Sanjay Jain, Ex Chairman, Jaipur Chapter and CMA Harendra Kumar Pareek, Treasurer of the Chapter. The program was coordinated by CMA P.D. Agarwal, Director Coaching. The Chapter celebrated International Women's Day on 7th March 2021. Chief Guest of the program was CMA Vinita Baraya, Ex Vice-Chairman of the Chapter. In the beginning of the program Chairman CMA Swapnil Bhandari welcomed Chief Guest and all the participating ladies. Thereafter Chief Guest CMA Vinita Baraya addressed the Participants. On this occasion CMA Harendra Kumar Pareek, Treasurer of the Chapter also addressed the participants. The program was coordinated and conducted by CMA Purnima Goyal, Executive Members of the Chapter.



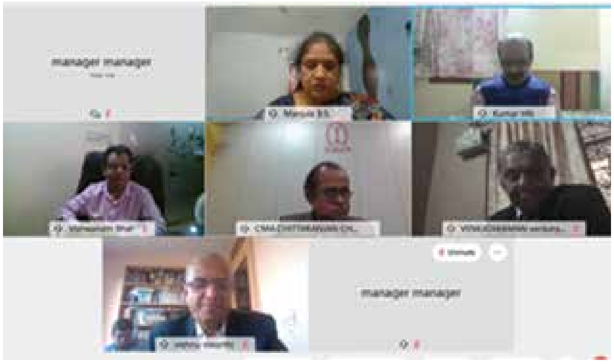
SOUTHERN INDIA REGIONAL COUNCIL

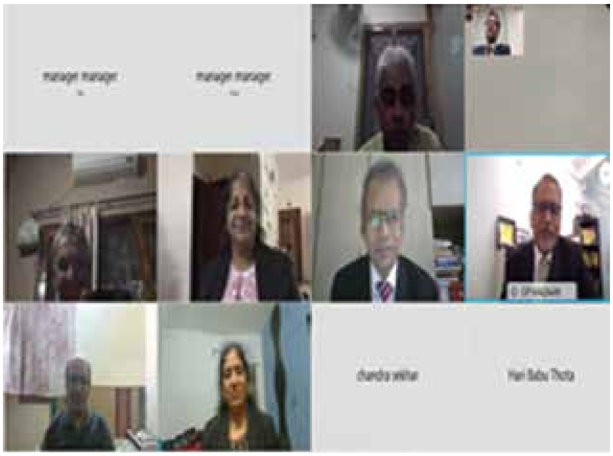
SIRC organized 15th S. Ganapathisubramanian Memorial Lecture: Webinar on 'Cost or Value – What should be the Focus for Governments?' Thiru S. Krishnan, IAS, Addl. Chief Secretary to Govt., Finance Dept., Govt. of Tamil Nadu attended the lecture on January 6, 2021. A PD Webinar on 'Discussion on Union Budget 2021' on the Topic ' Budget Impact on Taxes' CMA Gopal Krishna Raju, Tax Expert, Chennai, Shri V. Nagappan, Economist & Capital Market Expert, Chennai on the Topic 'Budget Impact on Economy'. A PD Webinar on the occasion of National Corporate Laws Month on the Topic 'Role of Independent Directors, Women Directors & Corporate Governance' (HQ Directive Programme) and CS Divya Abhishek, Chennai attended the programme on February 13, 2021. WEBINT on the eve of Corporate Law Month Celebrations on the Topic: Nidhis – Acts & Rules Accounting & Auditing in Nidhis and CMA Dr. P.V.S. Jagan Mohan Rao, Former President – SAFA, CMA Gopal Krishna Raju, Tax Expert, Chennai attended the programme. The Institute organised its Campus Placement Programme for December 2019 Final passed candidates at Chennai on 13th January, 2021 in which M/s REC Limited physically participated. SIRC – ICAI organised its Online Oral Coaching Inaugural Event on 18th February, 2021. CMA K. Rajagopal, Treasurer – SIRC rendered welcome address. CMAs H. Padmanabhan and Dr. V. Murali, Council Members in their address appreciated the students for having chosen the CMA Course and advised them to complete it well within the given time frame by following the guidelines given by the Faculty Members which in turn will help to fetch jobs with a reasonable salary in Public Sector and Multi-National Companies in India and the opportunities available in the field of 'Practicing', 'Consulting' 'Advisory Services' 'Insolvency Professionals' etc. were also explained during their motivational speech. CMA H. Padmanabhan, Council Member – ICAI proposed vote of thanks and concluded the event.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BENGALURU CHAPTER

On January 20 and 21, 2021 Department of Public Enterprises Programme – "GST & Khajanea 2" at Bengaluru Chapter was organised through online Webinar. Mr. Sadiq ulla, Asst Director Forest Dept., CMA Manjula B.S.- Chairperson BCCA, CMA Satish R- Secretary & Chairman Coaching BCCA, CMA Venkanna – Past Chairman BCCA , CMA Kamalakar – Practicing Cost Accountant, CMA Vishwanath Bhat – Secretary SIRC attended the webinar. Department of Public Enterprises Programme - "Cost Reduction & Cost Control" at Bengaluru Chapter, through online Webinar on February 8 and 9, 2021 and CMA Prabhakar B R – Past Chairman SIRC, CMA Ramaskanda N – Practicing Cost Accountant, CMA Manjula B.S.- Chairperson BCCA, CMA Satish R – Secretary & Chairman Coaching BCCA attended the programme. "Member's Meet" at the Chapter, through online Webinar on 09.02.2021. CMA Manjula B.S.- Chairperson BCCA, CMA Satish R – Secretary & Chairman Coaching BCCA, CMA Jayaram A V – Treasurer BCCA, CMA Vishwanath Bhat - Past Chairman - BCCA, Secretary – SIRC, Practicing Cost Accountant, CMA Sreepada H R – Chairman PD BCCA attended the Meet. "Proposed Pre-packaged Insolvency Resolution Process" Moderator" at the Chapter, through online Webinar on 18.01.2021. CMA Dr. P.V.S. Jagan Mohan Rao, - Past President - SAFA and Past President – ICSI, CMA G.N. Venkataraman, Insolvency Professional, Past President – ICAI., CS G.P. Madaan, Founder Madaan Law Offices and M&A Task Force Co-Chair, ASSOCHAM, CMA, CS K. Chandra Sekhar, - Insolvency Professional, CS Hari Babu Thota, Insolvency Professional., CMA, CS Bhuvaneshwari R., Insolvency Professional, IBBI Registered Valuer, CMA Manjula B.S.- Chairperson BCCA, CMA Satish R – Secretary & Chairman Coaching BCCA, CMA Sreepada H R – Chairman PD BCCA attended the programme. "Direct Taxation – Post Budget Analysis" at the Chapter, through online Webinar on 02.02.2021. CMA Chittaranjan Chattopadhyay - Council Member & Member – Finance Committee – ICAI, CA Vishnu Moorthy - Practicing Chartered Accountant, Partner - Vishnu Daya & Co. LLP, Chairman- FKCCI – Indirect Taxation Committee, CMA Vishwanath R. Bhat – Past Chairman - BCCA, Secretary – SIRC, Practicing





Cost Accountant, CMA Manjula B.S.- Chairperson BCCA, CMA Satish R – Secretary & Chairman Coaching BCCA attended the webinar. “Negotiating and Influencing Skill for Finance Professionals” at the Chapter, through online Webinar on 10.02.2021. CMA Mr.Yathiraj Agarwal , India’s First Sales & Profit Engineer, CMA Vishwanath R. Bhat – Past Chairman - BCCA, Secretary – SIRC, Practicing Cost Accountant, CMA Manjula B.S - Chairperson BCCA , CMA Satish R – Secretary & Chairman Coaching of the chapter. “Overview of Proposed Privacy Bill of India - Implications for Professionals”. Sri. M.G. Kodandaram, IRS. - Asst. Director (Retd.), Advocate & Consultant, CMA Vishwanath R. Bhat – Past Chairman - BCCA, Secretary – SIRC, Practicing Cost Accountant, CMA Manjula B.S - Chairperson BCCA, CMA Satish R – Secretary & Chairman Coaching BCCA participated in the programme. “Demystifying Amendments in Corporate Social Responsibility - implementation” at the chapter through online webinar. CMA (Dr.) Ashish P. Thatte - Council Member & Chairman, Corporate Laws Committee, CMA Dr. P.V.S. Jagan Mohan Rao, CSR. Venkata Ramana Insolvency Professional, PG in Law (Intellectual Property Laws), Qualified ISO – Lead Auditor, Regd. Trade Mark Agent, Practicing Company Secretary. CMA Vishwanath R. Bhat – Past Chairman - BCCA, Secretary – SIRC, Practicing Cost Accountant. CMA Manjula B.S - Chairperson BCCA at Bengaluru Chapter, through online Webinar. Career counselling programmes on February 2021.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA VISAKHAPATNAM CHAPTER

The Chapter organized Professional Development Meet on “Union Budget 2021 Overview”. Speaker was CMA Chandra Sekhar Akula.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA KOZHIKODE MALAPPURAM CHAPTER

The Chapter organized a start-up workshop for New Entrepreneurs and for members on 1st March 2021 at Town Hall Kozhikode. The Kozhikode District Collector Shri. Seeram Samba Siva Rao IAS inaugurated the session. The Chairman of Kozhikode Malappuram Chapter CMA Askarali.P.C, welcomed the audience and Vice Chairman CMA Anas K presided over the function. Treasurer of the Chapter, CMA Vijith. P, started the session about Start-up and their benefits. The session was continued by Mr. Vasudevan, Manager, Kerala Financial Corporation (Kozhikode Branch), he introduced various schemes for entrepreneurs. Shri Girish, Manager of District Industrial Center Kozhikode, Govt.of Kerala presented the topic on various Government schemes

& subsidised loans. The workshop session ended with the vote of thanks by CMA Adarsh K.P. Secretary of Kozhikode Malappuram Chapter. The Chapter also conducted a felicitation programme and awarded to those students who passed the Foundation examination of December 2020 Term.

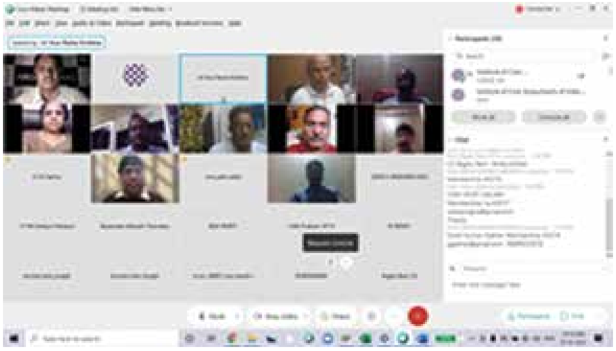
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

As advised by the Chairman, Corporate Laws Committee to celebrate February 2021 as National Corporate Law Month, Coimbatore Chapter had organised a meeting of our members on 27th February 2021 at the Chapter. The Chairman of the Chapter CMA V.Mathanagopal welcoming the members for the physical meeting after more than a year (complying with all covid-19 safety regulations) emphasised the need for active participation of our members to develop the profession. The Chief Guest CMA CS K. Vidhya Shankar, Company Secretary, Bimetal Bearings Ltd., Coimbatore presented the various opportunities Companies Act, 2013 had offered for CMA professionals. He insisted that our members should focus on adding value to the stakeholders and not just compliance. The meeting was concluded with the vote of thanks by Past-Chairman of Chapter CMA CS A.R.Subramania Raja. Upon the initiatives taken by the Chapter Chairman with Bharathiar University, Coimbatore, now the Bharathiar University has recognized CMA Qualification for Pursuing Ph.D. Henceforth our Members can directly get admitted to Ph.D programs at Bharathiar University, Coimbatore. Upon the initiatives taken by the Chapter Chairman with Bharathiar University, Coimbatore, now the Bharathiar University has recognized CMA Qualification for Pursuing Ph.D. Henceforth our Members can directly get admitted to Ph.D programs at Bharathiar University, Coimbatore.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

07.01.2021- EXCEL-PIVOT TABLE- Pivot tables are one of the most powerful features in MS Excel. We can use a Pivot table to create reports for large data. CMA M. Venkateshwarlu, Chairman of the Chapter explained the benefits of the Pivot tables with examples. 21.01.2021 – EXCEL – SPARKLINES- CMA M. Venkateshwarlu, Chairman of the Chapter explained the benefits of sparklines. 23.01.2021- ANALYSIS ON COMPOSITION SUPPLY AND MIXED SUPPLY IN GST- CMA Kedarnath explained it in a very simplified manner with various illustrations. He detailed the topics Composite supply under GST, Mixed Supply under GST, Determination of tax liability of Composite and Mixed Supplies, Circulars

issued by CBIC, Composition Levy Scheme etc in excellent manner. CMA Khaja Jalal Uddin, Vice-Chairman unfurled national flag with utmost respect on the occasion of 72nd Republic Day on January 26, 2021. The Chapter hosted this joint programme in association with ICSI. CMA CS CA D. Vineet Suman on 02.02.2021 and CMA CA Ravi Bharadwaj have given detailed analysis of Budget -2021. CMA CA Ravi Bharadwaj detailed about key direct tax proposals like tax rates, rationalization of key litigations like delayed deposit of EPF, goodwill, clarification on equalization levy for E-Commerce supply of goods/services, tax deducted at source related points, rationalization of litigation process, Individuals direct tax proposals and other direct tax proposals etc. In the second session CMA CS CA D. Vineet Suman gave presentation on economic survey 2021 and Expectations from union budget 2021, Fiscal position, 6 pillars of union budget and key announcement, indirect tax proposals- GST, Customs etc. On 03.02.2021 CMA M. Venkateshwarlu explained conditional formatting feature with step-by-step examples. Dr. CA Abhishek Murali had taken the session on "Direct Taxes" and CMA K. Vaitheeswaran has taken the session on "Indirect Taxes" on 05.02.2021. The Chapter celebrated Chapter's 76th Formation day at Bhaskara Auditorium, Birla planetarium. CMA M. Venkateshwarlu, Chairman of the chapter extended a warm welcome to all the dignitaries present. Sri Devulapalli Prabhakar Rao, Chairman & Managing Director, TSTRANSCO graced this occasion as Chief guest. The chapter distributed mementoes to the participants from the hands of chief guest Sri D. Prabhakar garu. President CMA Biswarup Basu inaugurated the Hyderabad Chapter renovated buildings – CMA Bhavans of The Institute of Cost Accountants of India, Hyderabad Chapter, at Himayatnagar and Sanathnagar, on 14th February, 2021. Also present on the occasion were Guest of Honour CMA S. Papa Rao, Chairman-SIRC & CCM-ICAI; Special Invitees CMA Dr. K.Ch. A.V.S.N. Murthy, CCM-ICAI; CMA D. Munisekhar, Vice-Chairman, SIRC-ICAI; CMA M. Venkateshwarlu, Chairman, ICAI-Hyderabad Chapter and around 60 members participated in the members meet with the President. On this occasion the President CMA Biswarup Basu addressed the media and said that The Institute has vast infrastructure with four Regional Councils, Southern India, Eastern India, Western India and Northern India Regional councils. CMA M. Venkateshwarlu clearly explained basics of SAP and how various business processes running in an organization and how they were integrated on 24.02.2021. CMA P. Chandra Sekhara Reddy, Practising Cost Accountant elaborated how to striking off company's name from Register of Companies on 26.02.2021.



WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAVI MUMBAI CHAPTER

The Chapter organized a full day Webinar/Seminar on the Theme "ATMANIRBHAR BHARAT" on 13th Feb 2021 which was solely sponsored by BSE Investor Protection Fund. The theme was in tune with the clarion call given by our revered Prime Minister, Shri Narendra Modi to make India not merely self-contained, but to make it a bigger and more important part of the global economy. In furtherance of the above objective, the Seminar delved on three areas, Revival strategy post Covid-19- which was deliberated by CMA Robin Banerjee Managing Director – Caprihans India Limited, Incentives announced by Govt. to promote manufacturing in India – which was taken up by CA Bhavesh Thakkar - Partner – Ernst & Young India, E-commerce covering AI-to give the cutting edge in our revival plans which was dealt by Mr. Parag Joshi - Head – Automation, Tata Consultancy Limited. The seminar was blessed by the gracious presence of CMA Biswarup Basu, President ICAI, CMA P Raju Iyer, Vice President, ICAI, CMA Harshad Deshpande, WIRC Chairman, Chief Guest Shri .Adhir Mane, CHRO- Business Lifestyle Raymond Ltd., Past Presidents CMA Balwinder Singh and CMA Amit Apte, Past WIRC Chairman CMA Neeraj Joshi, CCM's Dr CMA Ashish Thatte and CMA Debasish Mitra. The dignitaries were felicitated virtually by the Managing Committee members by offering them online bouquets. 'PD Chairman Vivek Bhalerao & CMA Vaidyanathan Iyer, Vice Chairman of Navi Mumbai Chapter welcomed the dignitaries and the audience virtually. Chief Guest Mr Adhir Mane CHRO Business Lifestyle Raymond Ltd acknowledged the role of Cost Accountants in the decision-making process of the industry. The programme commenced with the lighting of the virtual lamp by playing the Institute Anthem. This was followed by the Chairman speech by CMA Sirish Mohite who welcomed the dignitaries and informed the audience that in the current situation, the Government has brought out incentives for manufacturing sector which will be covered in the session of "Incentives brought in by Govt to promote manufacturing in India" and also deliberate on E-commerce covering Artificial Intelligence & Revival Strategy Post COVID-19 to fully utilize the stimulus provided by the Government. CMA Ajay Mohan, Secretary of Navi Mumbai Chapter extended warm greetings and welcomed the audience virtually to the Seminar on Atmanirbhar Bharat. On this occasion, a Digital Souvenir was released by the dignitaries on behalf of the Chapter. The vote of thanks for the inaugural session was proposed by CMA Narayanaswamy. Immediate Past Chairman CMA L Prakash concluded the seminar with his thanks giving address and proposed the vote of thanks. The Chapter conducted a webinar CEP programme on "Reinventing Corporate Social Responsibility" on 21st March, 2021 via Google Meet app. The speaker for this event was Mr G.M. Kanase COE (Human Resource – (Compliance & CSR). CMA Vivek Bhalerao PD Chairman of the Chapter welcomed the audience and Treasurer CMA Sushant Ghadge introduced the speaker. The presentation & the interactive workshop came to an end with the Chairman of the Chapter, CMA Sirish Vasant Mohite providing the concluding remarks along with the Vote of Thanks. The Chapter conducted a Webinar CEP programme on "Annual Filings – Compliance under Companies Act" on 27th Feb, 2021 via Google Meet app to celebrate Corporate Law Month. The speaker for this event was CS, CMA Deepak Gupta Practising Company Secretary. CMA Sirish Vasant Mohite Chairman of the Chapter welcomed the audience & speaker and Secretary CMA Ajay Mohan introduced the speaker to the audience. The presentation & the interactive workshop came to an end with the Vice Chairman of the Chapter CMA Vaidyanahan Iyer providing the concluding remarks along with the Vote of Thanks. The Chapter conducted a Webinar CEP programme on "Insight on Union Budget" on 7th Feb, 2021 via Google Meet app. The speaker for this event was CMA KM Riyazuddin Retired DGM (Finance) Bharat Petroleum Corporation Ltd. CMA Sirish Vasant Mohite Chairman of the Chapter welcomed the audience & Speaker while PD Chairman CMA Vivek Bhalerao introduced the speaker. The presentation & the interactive workshop came to an end with the Vice - Chairman of the Chapter CMA Vaidyanathan Iyer providing the concluding remarks along with the Vote of Thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PIMPRI CHINCHWAD AKURDI CHAPTER

The Chapter conducted a seminar on ‘Coffee with Live Telecast on Union Budget 2021 and Discussion’ on 1st February, 2021 at CMA Bhawan, Pimpri, Pune. CMA Jayant Hampiholi, Chairman, CMA Dhananjay Kumar Vatsyayan, Vice-Chairman and other committee members along with members in practice, members from industries, professionals and students have attended the live telecast on the projector screen. The Chapter conducted a webinar on ‘Union Budget 2021’ on 6th February, 2021 at CMA Bhawan, Pimpri, Pune. CMA Pradeep Deshpande, secretary of the Chapter welcomed and introduced the speaker CA CMA Manoj Behede, Director – Bizsolindia Services Pvt. Ltd. CMA Manoj Behede in his speech focused on the Overview of Budget 2021-22. He briefed on Income Tax Act Analysis, GST Audit & Customs Act. The seminar was attended by members in practice, members from industries, professionals and students in large numbers. The program ended with vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SURAT SOUTH GUJARAT CHAPTER

The Chapter organized a Webinar on “Emerging Threats in Digital Era- Issues & Challenges” on 6th Feb. 2021 through the Google meet. The Speaker of the Program was Dr. Chintan Pathak- Techlawyer, Attorney, Privacy Lead Assessor, Educator, Cyber Security Consultant & Ethical Hacker having over 18 years of experience. The Chairman, CMA Bharat Savani presented a welcome address and Vice Chairman, CMA Nanty Shah gave introduction of the Speaker to the members. The Speaker commenced the session and spoke about how the digital security has been affected when everything has gone from physical to digital during and after the COVID19 pandemic. CMA Kishor Waghela, managing committee member presented formal vote of thanks to the speaker and participants. By taking all necessary safety precautions & following the Government & HQ guidelines, the Chapter organized the INAUGURATION OF THE ORAL COACHING for the session Jan-June 2021 at the its office on 12th February 2021. Dr. Gautam Dua- Principal of Agarwal Vidya Vihar English Medium College was the Chief Guest of the Inauguration Ceremony. CMA Bharat Savani- Chairman, CMA Pankaj Kannaujiya – Secretay, CMA Keval Shah- Treasurer along with CMA Brijesh Mali, Immediate Past Chairman, CMA Kishor Waghela and CMA Mahesh Bhalala Members of Managing Committee of the Chapter were present at the ceremony. CMA Bharat Savani, Chairman of the Chapter welcomed the Chief Guest, all the students and members, CMA Kishor Vaghela- managing committee member of the Chapter introduced the Chief Guest to the gathering. Dr. Gautam Dua graced the occasion by congratulating, motivating the students and wished them best luck for future. CMA Brijesh Mali- Immediate Past Chairman gave formal vote of thanks. The Chapter took an initiative for the benefit of their members, Chapter undergone an MOU with DeskEra the accounting software to be provided to the members of the Chapter. Initiative coordinated by CMA Keval Shah- treasurer of the chapter in presence of CMA Bharat Savani- Chaiman, CMA Nanty Shah- Vice Chairman, CMA Pankaj Kannaujiya- Secretary, CMA Keval Shah- Treasurer, CMA Brijesh Mali- Immediate Past Chairman, CMA Kishor Vaghela & CMA Mahesh Bhalala – Managing Committee members on 12th February 2021 along with the inauguration ceremony.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NASIK OJHAR CHAPTER

The Chapter organized the felicitation of Foundation pass students on 6th Feb. 2021. CMA Dhananjay Jadhav (General Manager – Finance, Sula Vineyards) was the Chief guest. He congratulated all the students for taking the right decision at the right time for choosing a professional career over traditional graduation courses. He also explained about the changing business environment in recent times. Minimum government and maximum governance approach of government has enabled industry to focus more on efficiency improvement in its processes. He also encouraged students from weaker financial backgrounds not to be disappointed with the current financial situation and continue putting efforts sincerely. WIRC Chairman CMA Harshad Deshpande congratulated & guided students through video, also CMA Padmanabhan H. gave best wishes to students. The program was very nicely moderated by CMA Nikhil Pawar, Managing Committee member of Nashik Chapter and Secretary CMA Mayur Nikam has taken efforts to make this program successful. Chairman CMA Kailas Shinde, Vice-Chairman CMA Swapnil Kharade, CMA Arpita Fegde-Vice Chairperson, Ex-Vice Chairman CMA Bhushan Pagere and Faculty member CMA Maithili Malpure shared their experiences with students. Nasik Chapter student representative Mr. Amit Jadhav conveyed vote of thanks to the audience.

DIRECT & INDIRECT TAX UPDATES - MARCH 2021

DIRECT TAXES

- **Notification No. 11 dated 5th March 2021**: In the Income-tax Rules, 1962, after the rule 3A, the following rule shall be inserted, namely:

"3B. Annual accretion referred to in the sub-clause (viia) of clause (2) of section 17 of the Act.

For the purposes of sub-clause (viia) of clause (2) of section 17 of the Act, annual accretion by way of interest, dividend or any other amount of similar nature during the previous year (hereinafter in this rule referred to as the current previous year) to balance to the credit of the fund or scheme referred to in sub-clause (vii) of clause (2) of section 17 of the Act shall be the amount or aggregate of amounts computed in accordance with the following formula, namely:— TP= (PC/2)*R + (PC1+ TP1)*R

Where, TP= Taxable perquisite under sub-clause (viia) of clause (2) of section 17 of the Act for the current previous year;

TP1 = Aggregate of taxable perquisite under sub-clause (viia) of clause (2) of section 17 of the Act for the previous year or years commencing on or after 1st day April, 2020 other than the current previous year (See Note);

PC= Amount or aggregate of amounts of principal contribution made by the employer in excess of Rs. 7.5 lakh to the specified fund or scheme during the previous year;

PC1 = Amount or aggregate of amounts of principal contribution made by the employer in excess of Rs. 7.5 lakh to the specified fund or scheme for the previous year or years commencing on or after 1st day April, 2020 other than the current previous year;

R= I/ Favg ;

I=Amount or aggregate of amounts of income accrued during the current previous year in the specified fund or scheme account;

Favg = (Amount or aggregate of amounts of balance to the credit of the specified fund or scheme on the first day of the current previous Year + Amount or aggregate of amounts of balance to the credit of the specified fund or scheme on the last day of the current previous year)/2.

- **Notification No. 12 dated 9th March 2021**: In exercise of the powers conferred by clauses (ii) and (iii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (43 of 1961) read with rules 5C and 5E of the Income-tax Rules, 1962, the Central Government hereby approves M/s Bennett University, Greater Noida, Uttar Pradesh (PAN: AAAJB1388A) under the category of 'University, College or other institution' for Scientific Research and Research in Social Science and Statistical Research for the purposes of clauses (ii) and (iii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (43 of 1961) read with rules 5C and 5E of the Income-tax Rules, 1962.

This Notification shall be deemed to have been applied for the assessment year 2020-2021 and shall apply with respect to the assessment years 2021-2022, 2022-2023, 2023-2024, 2024-2025.

- **Notification No. 13 dated 9th March 2021:** In the Income-tax Rules, 1962, in rule 10V, in sub-rule (12), after the second proviso and before the Explanation, the following provisos shall be inserted, namely:

"Provided also that the provisions of sub-rules (3) to (12) of rule 10VA shall, mutatis mutandis, apply to the application made under the second proviso as they apply to application made under subrule (2) of the said rule: Provided also that the provisions of sub-rule (3) of rule 10VA shall not apply to an application made under the second proviso, if it is for the previous year beginning on the 1st day of April, 2021, and made on or before the 1st day of February, 2021."

- **Notification No. 14 dated 11th March 2021:** In exercise of the powers conferred by sub-sections (1) and (2) of Section 120 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the amendment in the notification. In the said notification, in Schedule – I, against Serial number 9, after the entry (xiv), the following entries, shall respectively, be inserted, in column (4) and column (5)

Sl No	Director General of Income-tax (Investigation)	Head Quarters	Principal Commissioner / Commissioner of Incometax (Central)	Head Quarters
			(xv) Principal Commissioner / Commissioner of Income-tax (Central), Guwahati	Guwahati

- **Notification No. 15 dated 11th March 2021:** In exercise of powers conferred by sections 200 and 203 read with section 295 of the Income- tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962, in Appendix II, for Form No. 12BA, the few items shall be substituted.

- **Notification No 16 dated 12th March 2021:** In the Income-tax Rules, 1962, in rule 114E,

(a) in sub-rule (2), in the TABLE, in serial number 3, in column (3), in item (iv), for the brackets, figures and word "(6 of 1934", the brackets, figures and word "(2 of 1934)" shall be substituted;

(b) after sub-rule (5), the following sub-rule shall be inserted:

(5A) For the purposes of pre-filling the return of income, a statement of financial transaction under subsection (1) of section 285BA of the Act containing information relating to capital gains on transfer of listed securities or units of Mutual Funds, dividend income, and interest income mentioned in column (2) of Table below shall be furnished by the persons mentioned in column (3) of the said Table in such form, at such frequency, and in such manner, as may be specified by the Principal Director General of Income Tax (Systems) or the Director General of Income Tax (Systems), as the case may be, with the approval of the Board,

Sl No	Nature of transaction	Class of person (reporting person)
1	Capital gains on transfer of listed securities or units of Mutual Funds	(i) Recognised Stock Exchange; (ii) depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996); (iii) Recognised Clearing Corporation; (iv) Registrar to an issue and share transfer agent registered under subsection (1) section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).
2	Dividend income	A company
3	Interest income	(i) A banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898 (6 of 1898). (iii) Non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934), to hold or accept deposit from public

- **Notification No 17 dated 16th March 2021:** In exercise of the powers conferred by sub-section (I) and sub-section (2) of section 120 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following amendment in the notification. In the said notification, in the Schedule, for serial number 10 and the entries relating thereto, the following serial number and entries shall be substituted:

Sl No	Designation	Head quarters	Income-tax Authorities
"10	Principal Chief Commissioner of Income-tax, North East Region	Guwahati	Commissioner of Income-tax (Appeal) (Central), North East Region, Guwahati."

- **Notification No 18 dated 16th March 2021:** In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), after rule 29B, the following rule shall be inserted, namely, "29BA. Application for grant of certificate for determination of appropriate proportion of sum (other than Salary), payable to non-resident, chargeable in case of the recipients.

- **Notification No 19 dated 26th March 2021:** In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), for rule 2C, the following rule shall be substituted, namely:

"2C. Application for the purpose of grant of approval of a fund or trust or institution or university or any hospital or other medical institution under clause (i) or clause (ii) or clause (iii) or clause (iv) of first proviso to clause (23C) of Section 10. (1)An application under clause (i) or clause (ii) or clause (iii) or clause (iv) of first proviso to clause (23C) of section 10 for the grant of approval of a fund or trust or institution, or university or other educational institution or any hospital or other medical institution (hereinafter referred to as 'the applicant') shall be made in the following Form, namely:

(i) Form No. 10A in case of application under clause (i) or clause (iv) of first proviso to clause (23C) of section 10 to the Principal Commissioner or Commissioner authorised by the Board

(ii) Form No. 10AB in case of application under clause (ii) or clause

(iii) of first proviso to clause (23C) of section 10 to the Principal Commissioner or Commissioner under the said proviso.

- **Circular No 2 dated 3rd March 2021: Residential status of certain individuals under Income-tax Act, 1961:** Relaxation for Previous Year 2019-20, Residential Status for Previous year 2020-21, Relief by other countries. As explained, the possibility of double taxation does not exist as per the provisions of the Income-tax Act, 1961 read with the DTAAs. However, in order to understand the possible situations in which a particular taxpayer is facing double taxation due to the forced stay in India, it would be in the fitness of things to obtain relevant information from such individuals. Therefore, if any individual is facing double taxation even after taking into consideration the relief provided by the respective DTAAs, he may furnish the information in Form –NR by 31st March, 2021.

- **Circular No 3 dated 4th March 2021:** Circular under section 10 of the Direct Tax Vivad se Vishwas Act, 2020: In exercise of the powers conferred on the Board under section 10 of Vivad se Vishwas, it is hereby clarified that where the Designated Authority has passed orders under sub-sections (I) and (2) of section 5 of Vivad se Vishwas, the Assessing Officer shall pass consequential order under the Act.

- **Circular No 4 dated 23rd March 2021:** Clarifications on provisions of the Direct Tax Vivad se Vishwas Act, 2020: In exercise of powers under section 10 and 11 of Vivad se Vishwas, it is hereby clarified that a 'search case' means an assessment or reassessment made under sections 143(3)/ 144/ 147/ 153A/ 153C/ 158BC of the Income-tax Act in the case of a person referred to in section 153A or section 153C or section 158BC or section 158BD of the Income-tax Act on the basis of search initiated under section 132, or requisition made under section 132A of the Income-tax Act.

- **Circular No 5 dated 25th March 2021:** Order under section 119 of the Income-tax Act, 1961: Section 44AB of the Income-tax Act, 1961 ('the Act') read with rule 6G of the Income-tax Rules, 1962 ('the Rules') requires specified persons to furnish the Tax Audit Report along with the prescribed particulars in Form No. 3CD. The existing Form No. 3CD was amended vide notification no. GSR 666(E) dated 20th July, 2018 with effect from 20th August, 2018. However, the reporting under clause 30C and clause 44 of the Tax Audit Report was kept in abeyance till 31st March, 2019 vide Circular No. 6/2018 dated 17.08.2018, which was subsequently extended to 31st March, 2020 vide Circular No. 912019. Vide circular no. 10/2020 dated 24.04.2020, it was further extended to 31st March, 2021. In view of the prevailing situation due to COVID-19 pandemic across the country, it has been decided by the Board that the reporting under clause 30C and clause 44 of the Tax Audit Report shall be kept in abeyance till 31st March, 2022.

INDIRECT TAXES

GST

- **Notification No 05/2021 – Central Tax dated 8th March 2021:** In exercise of the powers conferred by sub-rule (4) of rule 48 of the Central Goods and Services Tax Rules, 2017, the Government, on the recommendations of the Council, hereby makes the following further amendment: In the said notification, in the first paragraph, with effect from the 1st day of April, 2021, for the words "one hundred crore rupees", the words "fifty crore rupees" shall be substituted.

- **Notification No. 06/2021 – Central Tax dated 30th March 2021**: In exercise of the powers conferred by section 128 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Government, on the recommendations of the Council, hereby makes the following amendments: (i) in the first paragraph, for the figures, letters and words, "31st day of March", the figures, letters and words "30th day of June", shall be substituted; (ii) in the first paragraph, for the figures, letters and words, "1st day of April", the figures, letters and words "1st day of July", shall be substituted.

- **Circular No. 147/03//2021-GST dated 12th March 2021:** seeks to clarify certain refund related issues.

CUSTOMS

- **Notification No. 19/2021-Customs dated 30th March 2021:** Amendment to Notification No.52/2003-Customs dated 31.03.2003 for extending exemption from IGST and compensation cess to EOUs on imports till 31.03.2022

- **Notification No. 20/2021 – Customs dated 30th March 2021:** Amend notification No. 69/2011-Customs dated 29.07.2011 to extend deeper tariff concessions to imports of specified goods from Japan under India-Japan CEPA (IJCEPA) with effect from 1st April, 2021.

- **Circular No.08 /2021-Customs dated 29th March 2021:** Clarifications on the legislative changes in Section 46 of Customs Act, 1962.

Sources:

1. incometaxindia.gov.in

2. cbic.gov.in

Advisory for Renewal of Certificate of Practice For 2021-22

The members of the Institute holding Certificate of Practice (CoP) having validity up to 31st March, 2021 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:
    a. The validity of a Certificate of Practice (CoP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.
    b. The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 (duly filled in) and payment of renewal fee* and annual membership fee*.
    c. From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.
    Link: https://eicmai.in/MMS/Login.aspx?mode=EU
2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, **both the Annual Membership Fee* and Fee for Renewal of Certificate of Practice*** falls due on 1st April each year.
3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate of Practice within **31st March** every year.
4. **If the Certificate of Practice of a member is not renewed within 31st March, 2021, his/her status of CoP from 1st April 2021 till the date of renewal would be "Not Active**".
5. Subject to what has been mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2021-22 renewed within **30th June, 2021**. If application for renewal of Certificate of Practice is made after 30th June, 2021, the member's Certificate of Practice for 2021-22 will not be renewed but will be considered as a case of fresh issuance with effective date being the date of the application or receipt of the prescribed fee * for Certificate of Practice, whichever is later.
6. It may please be noted that mere payment of fees * alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is **mandatory**. The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.

    Link: https://eicmai.in/external/PublicPages/WebsiteDisplay/PractitionersForms.aspx
7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with provison to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training. The detailed guidelines in this connection are available on Institute's website www.icmai.in.

Link:
https://eicmai.in/external/PublicPages/WebsiteDisplay/docs/CEP_Guidelines_280520.pdf

8. For renewal and application of new CoP issued on and from 1st February, 2019, please refer to Notification **F. No. CWA/21/2019 dated 1st February, 2019 and subsequent corrigendum dated 8th March, 2019.**
   Link: https://icmai.in/icmai/news/5435.php)**.** Accordingly new CoP holders on and from 1st February, 2019 are required to comply with Mandatory Capacity Building Training (MCBT) requirement for renewal of CoP for the FY 2021-22.

9. **Other relevant issues for Renewal of Certificate of Practice are as follows:**

   a. Application for renewal of Certificate of Practice upto 31st March, 2022 has to be made in prescribed Form M-3 which may be filed online or through hard Copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee of Rs.2,000/-* and all other dues to the Institute on account of annual membership fees * and entrance fees *.

   b. The annual membership fee for Associate and Fellow members are Rs.1,000/-* and Rs.1,500/-* respectively. The entrance fee * for Associate and Fellow members is Rs. 1,000/-* each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.

   c. The fees * may be paid online or by Demand Draft/at par cheque payable at Kolkata if remitted by post to the Headquarters of the Institute.

   d. Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees * along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours**. Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2021-22 along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata well in advance to enable the Institute to issue the renewal of Certificate by 31st March, 2021.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

   "Shri/Smt ……………………………………………….. is employed as designation)…………………….. and (name of Organisation)…………………. …………………he/she is permitted, notwithstanding anything contained in the terms of his/her employment, to engage himself/herself in the practice of profession of Cost Accountancy in his/her spare time in addition to his/her regular salaried employment with us.

   Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (CoP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, etc.

**GST is applicable against payment*

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

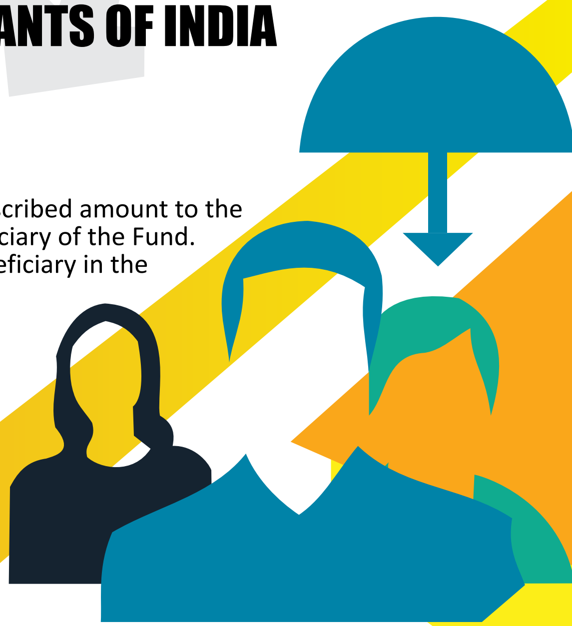
CMA Bhawan, 12 Sudder Street, Kolkata - 700016

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-



BENEFITS

- ***Income Tax Benefit under section 80G***
- ***Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.***
- ***Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.***

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
- Any other disease that may be considered by the Board of Trustees to be critical in nature.

To apply for life membership or for further details please visit
https://eicmai.in/External/Home.aspx#

RNI NO. 12032/1966

Postal Registration No.: KOL RMS /139 /2019 – 2021
'D' Number MH/MR/TECH/47/10/2020-21
License to post without prepayment, WPP License No.: MR/TECH/WPP/KOL RMS/354/2019-21
Posted at Mumbai Patrika Channel Sorting Office, Mumbai - 400 001
Posting Dates: 10th, 11th & 12th day of each English month only
Date of Publication: 10th of every month