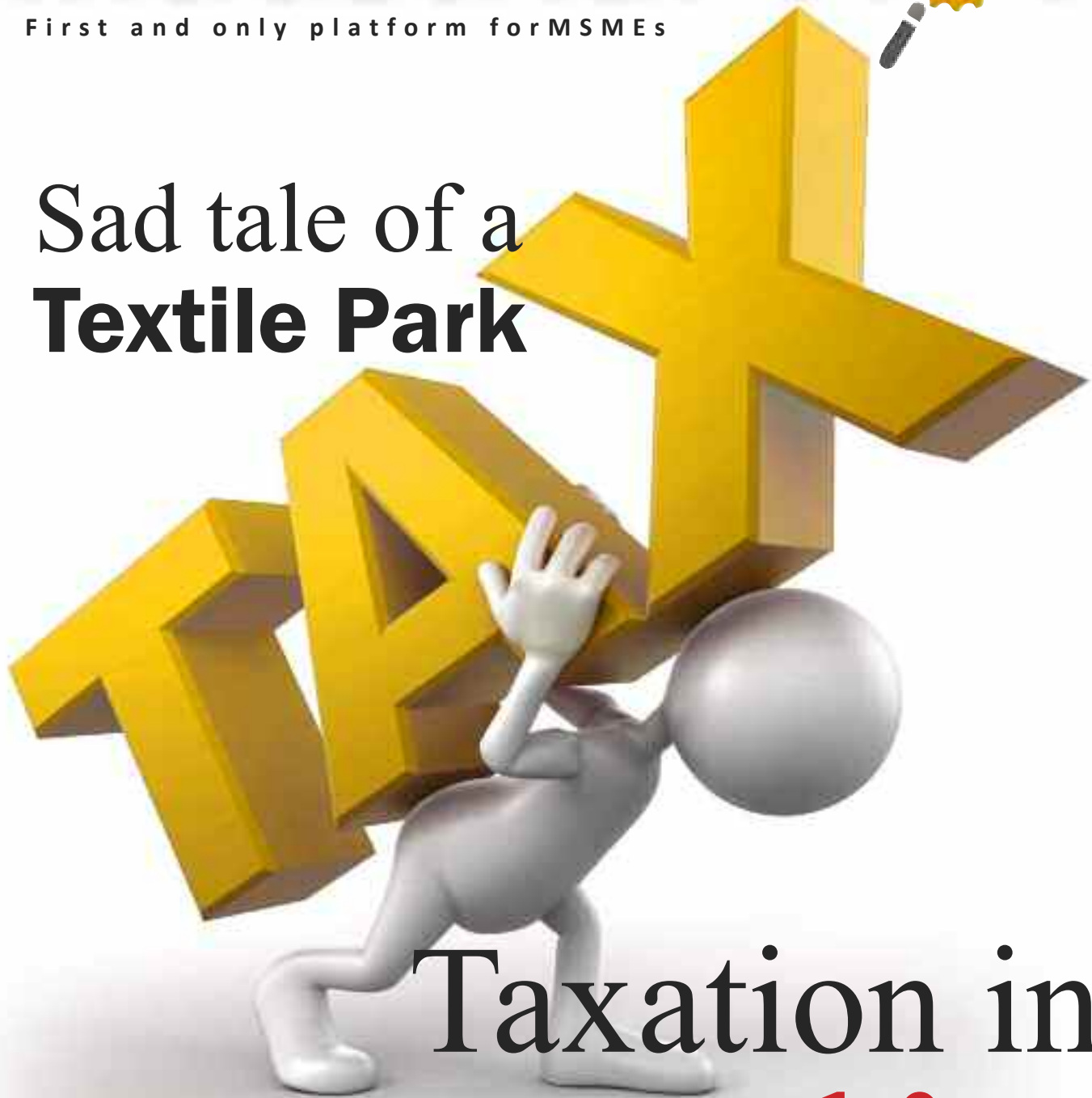


# Industrial **View**

First and only platform for MSMEs

## Sad tale of a **Textile Park**



# Taxation in **India**



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**Federation of Small & Medium Enterprises of India**



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SKILL DEVELOPMENT  
PROGRAMME  
ORGANISED BY THE  
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ASSOCIATION WITH  
NI-MSME, ON FASHION  
DESIGNING  
CREATING A SELF  
EMPLOYMENT  
PROGRAMME FOR  
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*The jurisdiction of court cases pertaining to the items published in Industrial View will only be Hyderabad (the place of its publication). Cases of other jurisdictions will not be entertained.*

*- Editor*

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**APK Reddy**

(Arani Prasanth Kumar Reddy)

# Partnering A hope

**A**ndhra Pradesh, a synonym for vibrancy, entrepreneurship and rich economic and human resources is once again put to test. The reorganisation of united Andhra Pradesh one year back has brought in new challenges to the leadership of Andhra Pradesh. Chandrababu Naidu the Chief Minister of Andhra Pradesh has many tasks to perform.

The scenario in industrial sector and particularly MSME sector is one of the tough challenges which not only bring prestige to the chief minister but also prosperity to people, if succeeded. The previous legacy of United Andhra Pradesh has many lessons to be learnt, among which concen-

tration on industrial growth in and around Hyderabad is a major one. Financial constraints, relocating priority areas, uplifting the morale of small and medium entrepreneurs are some of the issues which hinder the dream of 'Navyandhra Pradesh' (New Andhra Pradesh).

Another issue which has become more political is the non-implementation of promise of 'Special Status'. It has to be kept in mind that short term measures like 'Special Status' may not provide comfort on a long run, as they are of a short term basis. We demand 'Special Status' to both new states of Andhra Pradesh and Telangana as both are new states and the lives of the people in both

the states are inseparable socially and economically. Neither the animosity with the other Telugu state 'Telangana' is going to benefit Andhra Pradesh nor the 'generous' attitude of Narendra Modi led NDA government is going to fetch the desired growth.

Now it is the time for action and vision. Recent exercise of the Andhra Pradesh government in formulating the New Industrial Policy is a welcome one. FSME-India first of all congratulates Chandrababu Naidu and his team of leaders and committed officers for this. We appreciate the dynamic and visionary efforts of Kartikeya Mishra, the Commissioner of Industries for involving all the industry associations including

# at policy level for MSMEs

FSME in formulating New Industrial Policy for Andhra Pradesh.

Though it is just one year, the direction in which the AP government is moving is laudable. Announcing Rs 100 crore by the Commissioner of Industries for the revival of sick units in Andhra Pradesh is definitely a morale booster for MSMEs. His timely order in favour of Biogreen, a sick unit of Srikakulam not only could save the entrepreneur but also unveiled the concern of the government for the welfare of the industry. His order to review the action on sick unit Biogreen coupled with the pro-entrepreneur actions by J Syamala Rao, Commissioner of Commercial Taxes of AP, who stalled the auction of Biogreen till the case is reviewed in SLIIC sub-committee definitely gives confidence to industry in AP.

Most important step by the AP government is involving the industry associations in the preparatory process of the New Industrial Policy of Andhra Pradesh. Many industry bodies including FSME-India were

invited for the brain-storming sessions held on 18-19 May. The consulting agency for the Government of Andhra Pradesh acknowledged the contribution of FSME-India, as we made many suggestions and provided inputs both at the concept level and data.

In essence, the entrepreneur-friendly bureaucracy in Andhra Pradesh state is gearing up themselves and involving all the stakeholders in resurrecting industry in the new state. FSME-India, which stood for the welfare of the small and medium industry, foresees a bright future for the MSME sector. There is no doubt that the motivated official machinery of Andhra Pradesh will leave no stone unturned in making the dream of 'Navyandhra' a reality under the able leadership of Chandrababu Naidu.

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# Vision & implementation

NELLORE COLLECTOR SHOWS THE WAY



*M Janaki*



**M**ain hurdle in the way of success of the government policies is the problem of implementation. Follow-up and determination is the difference between the government machinery and private sector. Wishes and policies of the governments depend upon the effectiveness of the officials who are the executors of the decisions.

Many a times the decisions and resolutions of district level meetings of various platforms for the industrial development remain on paper without proper follow-up. Even in the following meetings the reviews also made in a nominal way. This makes the policies ineffective.

Here is a shining example of determination for implementing the policies for industrial growth. The District Collector of Nellore M Janaki is an administrator whose leadership is making a change in the industrial scenario of the district. Firstly, her vision of Industry is creating a confidence and encouragement in the industry circles. Entrepreneurs, especially from micro, small and medium sectors are gaining confidence as the administration is standing behind them with a solid support.

Major step Janaki took in the direction of industrialising Nellore is, the decision to have a review meeting of the District Industries Promotion Council (DIPC) meetings. Review and follow-up is the missing aspect which could not be done without having meeting on a regular basis with short intervals. Now with these regular meetings the process of implementation is speeding-up the implementation.

Janaki's leadership is making the things to happen and turning the bureaucracy effective machinery shredding its callous and non-serious attitude. Industrial View and FSME wishes the Nellore District Collector a success in all her administrative measures and stand by her in making her vision a boon for the district.



- **Established Help Desk in the district to share the information on policies and land**
- **Organised a Brainstorming session in association with APIIC on June 12**
- **Took a decision to hold a meeting with the bankers after 15 days of every DIPC meeting to assess and implement the finances. Earlier the DIPC meetings were confined to incentives and land allotments.**
- **A Chasing cell is formed to track and speedup the application**

# Sad tale of a Textile Park

*Do not cancel the allotment, create infrastructure and rejuvenate the industrial park, demand the entrepreneurs of Nalgonda*



A drop of poison can spoil the pot of milk. A wrong precedence or a bureaucratic order can damage the good work initiated by the government of Telangana. Here is an example of such kind, which demotivates the entrepreneurs who invested their finances and energies in a textile park. This is a case of Textile Park at Malkapur village, Choutuppal Mandal, Nalgonda District, where the entrepreneurs are in despair with the cancellation of plots allocated to them.

This industrial park was established about 9 years back with a great hope and aspiration that many textile units will come and the entrepreneurs will prosper generating employment to locals.



Unfortunately, since the inception the department authorities have not bestowed their interest in the development of the Estate. Only proactive measure taken by the administration is issuing the cancellation letter to the allottees.

### *A story of neglect*

This industrial estate was developed about 9 years ago. The Industrial estate was proposed way back in 2006 and agreement of sale was entered into with the entrepreneurs of the industrial plots. As per the terms of the agreement of sale, the TSIIC (then APIIC) has to provide basic amenities like water, roads, power etc. to start construction of the units. Till date the department of textiles has failed to create any infrastructure, except the allocation of land.

Many of the entrepreneurs, who purchased industrial plots, requested the Department of Handlooms and Textiles to approve their plans to start construction work, and not even the demand notice for the payment of the approval fee against the demands of the allottees since 2008. But the Officials of the department have never responded till date. There are still 53 plots lying vacant in the park.

The department without complying their obligations, it is being heard that there is a proposal to cancel the plots, which is against natural law and justice. The department has failed in

its obligations and duties towards the Industrial park and Entrepreneurs. By misleading the district administration and the government, the department is trying to

- *No approvals for the building plans submitted to the Department of Handlooms and Textiles.*
- *Still 53 plots lying vacant in the park.*
- *About 10 units which started with a great difficulty but all were either closed or sold by Banks as they could not survive.*
- *Some entrepreneurs let their units for Godowns.*

keep a carpet on the misdeeds.

It is regretful that the department had no primary idea of the state of amenities to be created in the industrial estate. About 10 units were started with a great difficulty but all were either closed or sold by Banks as they could not survive. Others have let their units for Godowns.

It was with the active involvement of FSME- India, the then minister of Textiles in the UPA government at the centre, Kavuri Sambasiva Rao sanctioned Rs.5 cr. for the infrastructure and development of the park. Unfortunately, the funds were not availed and the funds have gone back. It happened twice. This Textile has



**FSME President APK Reddy representing the case of Malkapur Textile Park, with the then Union minister for Handloom and Textiles, K Sambasiva Rao, and Minister for Handlooms and Textiles Govt of Andhra Pradesh G Prasad Kumar**

a potential to provide employment to about 2500 and the units can achieve a business turnover of about Rs. 250 cr.

There are many reasons for not setting up of the units. They are-

- There is no compound wall even for the industrial park, making the park unsafe as the animals from the nearby forest

roam around the park freely. Thefts also took place in those units which came up in spite of hardship.

- 90% of the allottees are women entrepreneurs, who need extra support from the department.
- No infrastructure at the park
- Non-cooperation of the

department to the entrepreneur

- Non availability of skilled workers and absence of training facilities
- Lack of marketing support
- Banks unwillingness to provide loans on the basis of agreement of sale.

Further, FSME was instrumental in organising many meetings

of stake holders with the then minister of Textiles of the previous government and recommended many actions. Once again the department did not implement any one of them. This sad state of affairs will deter the new entrants into the industry and the very purpose of creating an exclusive industrial park gets defeated.

### ***Pleas and representations***

In this background the FSME met Jupally Krishna Rao, Minister of Industries, Government of Telangana on 13 August this year and requested convening of a joint meeting of all the stake holders with the department. Immediately after representing the case with the minister FSME delegation met K Manicka Raj, Commissioner of Industries, Telangana and made few suggestions for the success of the Industrial Park. They are

- Establishing a training institute for the skill development of the workers
  - Creation of infrastructure like quality and continuous power supply, water, roads etc. on war footing
1. Opening of Banks' branches and financial tie up with the units for the projects to be grounded
  2. Promotion of marketing arrangements by way of exhibitions etc.
  3. As banks are not financing on the agreement basis, steps

may be taken for the registration of the plot in the name of the entrepreneur by following necessary formalities

4. Development of residential colonies near the park for the stay of workers
5. All telecommunication facilities to be created to access the world of market easily
6. Ensuring procurement of goods under Public Procurement Act
7. To save time and regain the years lost, an exclusive in charge at a higher level of responsibility may be entrusted with the execution of the park

FSME delegation met the District Collector, Nalgonda on 10 September and discussed the matter with him. After all these attempts, the entrepreneurs and FSME were expecting a positive outcome from the authorities.

### ***How to save the Textile Park?***

The entrepreneurs have invested huge amounts of money to pay for the plots and only agreements were entered. The Banks have declined to sanction any loans on the basis of sale agreements. This matter has been brought to the knowledge of the Textile Park in-charge by our members but to no avail. Some of our members have represented to the Park in-charge to arrange for approval of plans and that was also could not be

done by the park in-charge. Even they have not informed about the building approval fee despite of many letters. The funds invested till could not earn any return and due to cancellation the members may have to forgo part of the amount paid for.

Instead of attending to the genuine problems of the enterprises, it is unfair to cancel the land allotments. Giving entrepreneurs a time of at least 6 months will do justice. This time can be utilised for the creation of infrastructure by the government, to make the Textile Park a reality.

FSME as a federation dedicated for the cause of industry and workers, is ready to impart training the workers. It is also ready use our good offices with the Government for the early start of the industry in the park and help the administration to improve image of the government, department. It is in the interests of the industry, the department of Hand looms should rethink and take back the notices of cancellation, if any.

The development of the Park should be monitored closely and be an agenda item of the DIPC till the Park becomes fully completed in the aspect of infrastructure and operational. The development of the Park should be monitored closely and be an agenda item of the DIPC till the Park becomes fully operational.

# Tata's launch solar dynamo for homes, SMEs

Tatas supporting to alternate sources of energy is well known. Now, Integrated solar company Tata Power Solar launched 'Tata Solar Dynamo' series of rooftop systems exclusively for the residential and SME rooftop markets in the last week of September. This latest offering will enable rooftop consumers to, both, generate clean and green power as well as save on electricity bills for up to 25 long years.

"We are excited to enter the urban residential and SME market with a specialised offering, bringing the promise of brand Tata to an evolving sector in India," said ED and CEO, Tata Power Solar, Ashish Khanna at the launching event.

Tata Power Solar, having installed 65MW of rooftop and distributed generation projects across India, is looking to create awareness and influence the uptake of solar power in urban India. Through awareness campaigns, we want to get consumers to recognise solar energy as a viable and cost effective electricity option thereby influencing solar and clean energy adoption, said Khanna.

The two-way Tata Solar Dynamo system serves as a comple-



mentary source of energy, supported by a net meter, allowing users to both generate power to meet their needs and route excess power back to the grid. This easily installable modular structure, ranging from 1KW to 100KW, is compatible with various types of rooftop constructions and materials.

Through a data-logger customers can remotely monitor the system output and overall performance. The Tata Solar Dynamo system comes with long-lasting module mounting

structures and high efficiency inverters, ensuring the solar generation is maximised at any given point in time.

As part of this launch, Tata Power Solar has initiated a solar awareness van project in Bengaluru and Hyderabad to encourage people to 'Go Green'. These solar awareness vans come fitted with a customised system to showcase and engage with consumers at the city's pulse points, educating them on the benefits of rooftop solar.

# Trade fairs promote SME business



Showcasing the product is crucial for any producer to get noticed. Expos and trade fairs are important platforms where producers and buyers meet each other. analytica Anacon India and India Lab Expo 2015, was one such trade fair held in Hyderabad between 8-10 October at HITEX grounds, organised by MMI India Pvt. Ltd.

Industrial View interviewed Bhupinder Singh, CMO & Member of the Management Board, MMI India Pvt. Ltd, on various aspects of trade fairs, business models and how best MSME sector can utilise these platforms.

***What has led global players visiting India for trade?***

Businesses have already realised the importance of exhibitions and are actively participating in shows pertaining to their domain. Companies are now looking beyond their own countries, they want to sell products where there is a readiness for consumption, our trade fairs have participation from various international companies and we also have country pavilions. However, it has to be noted that companies do not just participate for a short-term selling, exhibitions is a platform where you meet like minded people from the industry and network with new clients. Exhibitions help you to stay connected to the industry and create your brand in the long-term.



*Bhupinder Singh*

***How successful is your B2B concept in expanding the business of the clients?***

When it comes to business, exhibitions are the only platform that provides companies to witness multiple products and solutions under one roof. They can discuss, network and talk to their suppliers to face-to-face and close business deals or generate leads. As MMI India, we just do not provide the platform, but we go miles to make

their presence a success. For instance, at this year's analytical Anacon India and India Lab Expo, we had special buyer-seller forum where we invited and setup meetings of buyers with our exhibitors of the trade fair. This way as participants, our Exhibitors are sure of spending fruitful three business days at the trade fair. We had setup more than 300 meetings in three days. Thus we are ensuring that our exhibitors are busy not



only during the trade fair, but even after that.

*Do you have any new innovative platforms apart from B2B, to deal with the governments, which are pro-active in business than before?*

Government departments today are helping many businesses drive and come up with policies for their trade. Most of our trade fairs receive support from the Government and we also have their presence at the trade fair in terms of Business to Government. This year, as you witnessed we had the pleasure of welcoming Dr. Akun Sabharwal, Controller of Drugs, Telangana State as our chief guest. Next year, we plan to engage participation from the Government departments, which will benefit both, exhibitors and the industry.

About analytica Anacon India and India Lab Expo analytica Anacon India with the analytica Anacon India conference addresses the rapidly growing Indian market with exhibition sectors for analysis, laboratory technology, biotechnology and diagnostics. Starting in 2015, it is being held in conjunction with India Lab Expo, one of India's leading trade fairs for analysis, laboratory technology and biotechnology. Together they are the largest industry platform for the Indian subcontinent.

*Small and medium entrepreneurs are the people who badly need marketing support. How does the MMI India accommodate them?*

Small business is big business in India. There are numerous SME companies in India than large

companies. Irrespective of the size of the company, we ensure that the participation of both exhibitors and visitors are fruitful. To start with, for small companies that want to participate at our trade fairs get support from the Ministry of Micro Small and Medium En-

## Highlights of analytica Anacon India and India Lab Expo 2015

- Hyderabad expo witnessed India's largest trade fairs for the laboratory and analytical industry
- Showcased high-end technology and innovations that are used in the field of analysis, chemical, pharmaceutical and biotechnology sectors.
- An outstanding increase of 80% in visitors compared to Mumbai edition
- Covered extensive value chain for industrial and research laboratories.
- Policy and decision makers as key participants
- More than 225 exhibitors and 7,003 visitors found their way to the Hitex Exhibition Centre in Hyderabad.
- Over 300 buyer-seller meetings opened new business opportunities
- Workshop on "How to setup a Laboratory" and "Lab Safety" that informed about the needs to start one's own laboratory business in India.
- This trade fairs will come back next year at HitexExhibiton Centre, Hyderabad from October 20 to 22, 2016

terprises (MSME). Taking advantage of this they can participate in the trade fairs and a part of their participation fee is sponsored by the MSME. Besides this, we also provide them with marketing collaterals support and promote them online and offline in our advertisements and other promotional materials. We also connect them with interested buyers looking out for specific products that they are dealing in.

***In the present condition prevailing worldwide what suggestions you make for the SMEs to showcase and market their products?***

Trade fairs provide an immense opportunity for SMEs who cannot meet global players and visitors by visiting different countries. By participating in the trade fair, they do not incur any travel expense to meet different companies; rather they meet the entire industry at a one common platform wherein everyone is in the business mode. This makes it easy to crack a deal and also network and gain insights from industry leaders. They can also use trade fairs as a launch platform to display their unique product or solution.

***With the widespread use of Internet and online marketing do you feel the concept of trade fairs can cater as it used to before?***

There is no doubt that Internet

and online marketing are important aspects for everyone to promote themselves. However, these technologies can be used to the advantage of trade fairs. The biggest advantage of a trade fair is that it allows people to meet people face-to-face, feel the product, witness demonstrations and network. Unlike online, where one can just see the product and not use or feel them. Besides this, a meeting also lends a trust factor to both the buyer and the seller making it long lasting relation.

***What are your plans for Telan-***

***gana and Andhra Pradesh?***

MMI India organized their first trade fairs at Hyderabad. We thank the support extended by Dr.Sabharwal and his office. Hyderabad being a Pharmaceutical hub is one of the perfect location to host analytica Anacon India and India Lab Expo trade fairs. We also thank you, our supporters and exhibitors for having faith in us. We plan to engage the state and central government departments to drive policies for this industry and help companies participate and network at our trade fairs.

## More about MMI India

Founded in 2007 in India, MMI India Pvt. Ltd is one of the leading organizers of trade fairs in India. A wholly-owned subsidiary of Messe München, Germany, MMI India organizes B2B trade fairs across various industrial verticals.

Messe München is one of the world's leading trade-show companies. It organizes some 40 trade shows for capital and consumer goods and key high-tech industries in Munich alone. 14 of those events are number 1 in the world in their respective industries. Messe München organizes trade shows in China, India, Turkey and South Africa. It has a global business presence with affiliates in Europe, Asia and Africa and more than 60 foreign representatives serving more than 100 countries.

The events organized by MMI India are electronica India, productronica India, drink technology India, LASER World of PHOTONICS India, Intersolar India, India Lab Expo, analytica Anacon India, IFAT India and Indian Ceramics. In the coming years MMI India Pvt. Ltd. will include more verticals keeping in mind its international expansion strategy.

# Fifty lakh jobs lost during years of high growth

Overemphasis on service sector, neglect of the manufacturing sector responsible

**G**rowth has many dimensions. Numbers and statistics don't show the people, it merely represent growth in abstract. The manufacturing sector and many renowned economists cried foul about the way the country is planning its industry and trade. Now, a study proves that the neglect of manufacturing cost the country heavily in terms of employment.

As many as five million jobs were lost between 2004-05 and 2009-10, paradoxically during the time when India's economy grew at a fast clip, according to a study conducted by the Associated Chambers of Commerce of India (Assocham). This has put a question mark on whether economic expansion should be linked to job creation, the study says.

Moreover, it has observed that overemphasis on services and neglect of the manufacturing sector is mainly responsible for this "jobless growth" phenomenon. Even as about 13 million youth are entering the labour force every year, the gap between employment and growth widened during the period, the study notes.

"The Indian economy went through a period of jobless growth when five million jobs were lost between 2004-05 and 2009-10 while the economy was growing at an impressive rate," Assocham says. Quoting Census data, it says the number of people seeking jobs grew annually at 2.23 per cent between 2001 and 2011, but growth



***The number of people seeking jobs grew annually at 2.23 per cent between 2001 and 2011, but growth in actual employment during the same period was only 1.4 per cent.***

in actual employment during the same period was only 1.4 per cent.

"This large workforce needs to be productively engaged to avoid socio-economic conflicts," says D.S. Rawat, secretary general, Assocham. The changing demographic patterns, he says, suggest that today's youth is better-educated, probably more skilled than the previous generation and highly aspirational.

"In a service-driven economy, which contributed 67.3 per cent (at constant price) to GDP but employed only 27 per cent of the total workforce in 2013-14, enough jobs will not be created to absorb the burgeoning workforce," Assocham adds. Experts argue that the growth of manufacturing will be key for growth in income and employment for multiple reasons.

For every job created in the manufacturing sector, three additional jobs are created in related activities. In 2013-14, manufacturing contributed 15 per cent to GDP and employed about the same percentage of total workforce, a sign that the sector has a better labour absorption compared with services.

# Kudos to TSPSC



**W**hat does anyone expect from a newly formed state? Projects, budgets, new schemes etc. are always on the wish list. But sensitising the officials and bureaucracy on major issues concerning to people is not so common. Newly formed Telangana State Public Service Commission (TSPSC) did a wonderful job by including the issues of MSMEs in the syllabus prescribed for the aspirants of Group I posts.

Paper IV for main exam deals with the economy, which includes, Telangana economy. Under Telan-

gana economy one of the topics is an on Industry and Service sectors. The topics under this are-

“Industry and Service sectors: Industrial development; Structure and growth of industrial sector, Micro Small and Medium Enterprises (MSME) sector, Revival of sick industries; Industrial infrastructure- Power; Industrial Policy of Telangana; Structure and growth of service sector; employment trends in Industry and Service sectors; Information and Communication Technology (ICT) Policy of Telangana.”

FSME and Industrial View congratulate the spirit of the Expert Committee who devised the syllabus. Studying the problems of MSMEs shall be a first step to sensitise the future officials. Hats off to the Telangana State Public Service Commission for acknowledging the issues of MSMEs and preparing the would be state government officials. In times, where only the talk of major projects are in air, understanding and preparing the officials with a clear perspective on industry is an effort which is laudable.

# MCCI launches ecosystem for startups

**T**he Madras Chamber of Commerce and Industry (MCCI) has launched a new platform 'Start-up Entrepreneurial Ecosystem (SEE)' to provide an ecosystem for startup companies. The chamber planned to support non-IT start-ups and the ecosystem will focus more on manufacturing and service sectors.

At the launch of the SEE in Chennai on 29 September, President of MCCI, SG Prabhakaran said the chamber will provide the support and guidance for these sectors. Tamil Nadu has over 8.44 lakh MSME units registered and nearly 6.4 million people employed in them. More than 80 per cent of startups are from the manufacturing and the service sectors, but the focus is more on IT startups, he said. Tamil Nadu has around to 600 new start-ups coming out each year in Chennai alone.





# New Policy for MSMEs

**T**he Rajasthan Government has given its nod to the new MSME Policy 2015, along with the new policies for biotechnology, last month. The Vasundhara Raje Cabinet also gave approval to set up 50 incubation centers for promotion of startups in the state. The MSME Policy 2015 is a revision of the MSME 2008, which was introduced by the Vasundhara Raje government during its first tenure.

The cabinet held on 29 September also approved a scheme for the

revival of sick micro and small units. Distressed units will be given benefits for their revival and rehabilitation, Social Justice Minister Arun Chaturvedi said.

"The policy would also focus on revival of sick units, promoting new ones, quality improvement, environment conservation along with providing low-interest loans and development of khadi, handloom and handicrafts sectors," said Arun Chaturvedi, Minister for Social Justice.

The new Rajasthan Startup Pol-

icy 2015, is prepared to promote students and institutional incubation centres, which have innovative ideas. "A target has been set to establish 50 incubator organisations in the next five years, to incubate 500 new startups, raising fund of Rs 500 crore through angel and venture capital. The government plans on development of one lakh square feet incubation space and to develop innovation based culture in the state," the minister said.

# Banks always charge higher interest rates from MSMEs

Charging of high interest rates by the Banks from the MSMEs is not sporadic but systematic. Analysis of the RBI data on the interest charged by the Banks on borrower groups of different credit limits, bring out very interesting facts. During the period April – December, 2014, 53% of the borrowers within the credit limit of Rs. 10 to 25 Cr. In which most of the small manufacturer may fall, paid interest at rates varying between 9&13%, considered to be a reasonable rate, while 39% of the borrowers in the same group paid higher interest rates upto 17%.

When we compare the above figures with the interest paid by big borrowers with credit limit of more than Rs 100 crore, 76% of the borrowers in the group were charged interest between 9-13% and only 20% paid higher interest upto 17%.

The situation is no different for the borrowers in the 'Medium' category. While 63% of the borrowers within the credit limit of Rs. 25 to 100 Cr. Paid interest at rates between 9-13% to the Banks during the period, 31 % of the group paid interest upto 17%. Comparison with the respective figures of 76% and 20% for the large borrowers shows, how the scale tilts and in whose favour.

*-Debashis Bandopadhyay,  
Posted in KNN*



*(Industrial View invites opinions, letters from readers, entrepreneurs and researchers. Please send your mail along with your photo, designation and address to [indviewinput@gmail.com](mailto:indviewinput@gmail.com) ..... Editor)*



# Skilling beggars and prisoners get recognition

**W**oman MSME entrepreneur from Belgaum gets an international honor for skilling underprivileged in an innovative way. US based Woodbury Chamber of Commerce honoured Priya Puranik, an MSME entrepreneur from Belgaum in Karnataka for skilling beggars and prisoners in Belgaum. The trade body also expressed keenness in building business ties with India. Puranik, owner of Kuteera Herbal Products, was honoured for her contribution towards the skill development trainings to the under privileged, beggars and the prisoners.

“I am feeling very honoured as the chamber appreciated my NGOs work and my contribution

towards the social causes,” Priya Puranik said. “The women entrepreneurs here are doing excellent work in their businesses as well as in the community services,” said Puranik, who is currently in Minnesota for exploring more options to collaborate with the entrepreneurs. The US entrepreneurs want to invest in the sectors like artificial jewellery, handicraft and more.

“The Woodbury Chamber of Commerce invited me know more about the business environment in India and also about the women entrepreneurs in our country,” she said. There are lots of small business houses in the state which are mainly dependent on the two big businesses here. The 3M Compa-

ny is an American multinational conglomerate, with USD 30 billion in sales, employing 88,000 people worldwide, produces more than 55,000 products.

Priya Puranik has also been given a life time membership by the Chamber President Barbara Tuccitto. “The chamber is also planning to invite young people from India to train them on life skill development. Karnataka based Visvesvaraya Technological University (VTU) will help me conduct the programme,” she said. Puranik informed that her NGO has already signed a Memorandum of Understanding with VTU to provide skill development training to the young students.



# Tourism sector gets 'Industry' status

**N**ew tourism policy for 2015-2020 for Gujarat was announced with an objective to make the state one amongst the top five tourist states of India in terms of local, national and international tourist footfalls by 2025. On the occasion of World Tourism Day, state tourism minister Saurabh Patel announced the government's decision to grant 'industry' status to the tourism sector for the first time.

In order to boost entrepreneurship in tourism sector and make it attractive for investments, a series of tax relaxations were also announced. These include 100 per cent reimbursement on stamp duty, and exemption for luxury tax, entertainment tax and electricity duty, including several capital subsidies for new infrastructure and expansion of built up tourism units in the policy. An investment of over Rs 50 crores for tourism units will get a subsidy of 15 per cent with an upper limit of Rs 10 crores.

According to the Economic Impact, 2015 data of the World Travel and Tourism Council, the total estimated investment that will flow into the state by 2025 will be USD 4 billion USD (Rs 26,000 crores), with an employment generation of 3 million people and 5 per cent contribution to GDP.

The government also aimed to attract the MICE segment, by creating convention/exhibition facility and support infrastructure and leverage innovative forms of tourism such as adventure, cruise, event-based, inland waterways, medical and others.



# Trading licence done away for beach sand minerals



**T**o promote ease of doing business at the ground level, the Odisha Government has done away with the trading licence for the purchase, trade and transportation of five beach sand minerals up to the quantity of 16 tonnes per month. The process of trade licence was also encouraging corrupt practices. The Odisha based

entrepreneurs have hailed the decision.

In a notification issued earlier this month, the Steel & Mines Department of the state said, "... no trading licence shall be required for purchase, trading and transportation by any person for his use or consumption of Garnet, Ilmenite, Sillimanite, Rutile and Zircon up to the quantity of 16

tonnes per month."

Industry body FISME has been taking up the issue with the concerned departments to do away with the process of trade licence which gives encouragement to the corrupt practices as well. The MSME entrepreneurs, through the social media sites, have also been raising their concerns with the government.



Bhogavalli Mallikarjuna Gupta,  
Associate member of Institute of  
Cost Accountants of India



# Taxation in India

**P**enalty is levied for doing wrong but tax is imposed for doing right”, is a popular saying. Taxation is a tough subject for all- whether an entrepreneur, trader or a salaried person. To make the readers acquaint with the system of Taxation, we are presenting a two-part series ‘Taxation in India’ written by Bhogavalli Mallikarjuna Gupta, an associate member of Institute of Cost Accountants of India.

Gupta has a Master’s Degree in Financial Management, and worked in the areas of Central Excise, Service Tax, Value Added Tax, Import Duties, and Tax Col-

lected at Source & Tax Deducted at Source using multiple ERP’s.

Tax is a Latin word and derived from the word “Taxo” means rate. Tax is a financial charge levied by the government (central / state / local body) for meeting the public expenditure like road, dams, army for safe guarding the borders etc. the dictionary meaning of tax “A compulsory contribution to state revenue, levied by the government on workers’ income and business profits, or added to the cost of some goods, services, and transactions: higher taxes will dampen consumer spending”.

In day to day life every individual or business man / woman pays

various types of taxes. These taxes are direct tax in nature like Tax Deducted at Source i.e levied when income we earn and we receive the net amount like salaries where in the employer deducts the tax and the pays / deposits the net amount. In case of business when an individual or body of persons or company earns money on supply of services, the service receiver deducts tax and pays the net amount. In direct tax, the individual pays the tax directly to the tax authorities. Indirect taxes are taxes which are paid indirectly by the individual like when one goes to super market and buys groceries or any electronic goods

Value Added Tax (VAT) is charged. Tax is collected by the super market or store keeper from us and deposits the tax on behalf us to the tax authorities, which is an indirect tax.

Taxation is not a new to the modern society. In India, taxes were collected even in ancient and medieval periods. In olden days the taxes were collected by the kings or their representatives for upkeep of army, palaces, for construction of water bodies etc. The taxes collected during the ancient period are direct taxes in nature and computed directly on the total income. There we no exemptions or exceptions and these taxes were paid in money or in kind, like agricultural produce / cattle or any other form.

### ***Taxation during the ancient period***

In the scriptures and ancient history of India there is lot of discussion on the subject of taxation, treasury, and reasons for collection of taxes. There was also reference related to method of taxation and the rate of taxation. The first reference to Indirect Taxes in India is found in 'Arthashastra' written by Kautilya. The buyers were aware of the age of goods as the date of manufacturing was mentioned on the goods. Kautilyabelieved that lower tax rates would not prompt tax evasion and taxes were levied on manufacturing. The book also talks about the 'Kosha Moolodanda' which is today's term for treasury. To quote from the 'Arthashastra', "Ideally, govern-

ment should collect taxes like honeybee, which sucks just the right amount of honey from the flower so that both can survive."1 Another important observation is that, Kautilya preferred goods to be manufactured locally rather than being imported.

Ancient sage and law-giver Manu laid down that traders and artisans should pay one-fifth of their profits in silver and gold, while agriculturists, depending upon their circumstances, were to pay one-sixth, one-eighth or one-tenth of their produce. Kalidasa in the 'Raghuvansha' says thus of King Dileepa: "It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold." From these words it is clear



that service tax is not something introduced recently, but it has been there for ages. Even agriculture income was taxed in olden days but now-a-days the income from agriculture is totally exempt.

Historian K. B. Sarkar in his book 'Public Finance in Ancient India', comments about the taxation system in ancient India and says, "Most of the taxes of Ancient India were highly productive. The admixture of direct taxes with indirect taxes secured elasticity in the tax system, direct tax was more emphasized. The tax structure was a broad-based one and covered most people within its fold. The taxes were varied and the large variety of taxes reflected the life of a composite population."

### ***Taxation during the medieval period***

During the medieval period or the Delhi Sultanate period, from 1300-1526 AD, the taxation system underwent lot of changes and became structured. The number of taxes increased due to the huge armies raised by the rulers, for the upkeep of their palaces, etc.

The taxes were collected directly by the rulers but through the mansabdars. The Mansabdars were supposed to supply soldiers for the Mughal emperors initially and then latter they were also entrusted to collect taxes. A separate department was created by the Mughal ruler, Ala-ud-din Khalji for collection of taxes. Tax exemptions were a phenomenon



during this period; for instance, Muslims were exempted from certain taxes. There were five types of major taxes during this period and they were:

1. Ushr: It was a tax on land which was collected from Muslim peasants. It is taxed 10% of the produce on the land watered by natural resources and 5% on the land which enjoyed facilities provided by irrigation works.
2. Kharaj: This was a land tax charged from non-Muslims and ranged from one third to half of the produce.
3. Khams: It was one-fifth of the booty captured during war. Four-fifth of it went to the army which fought war.
4. Jizya: It was a religious tax on non-Muslims. According to Islam, a Zimmi (non-Muslim) had no right to live in the king-

dom of a Muslim Sultan. But this concession was permitted after payment of the tax called Jizya. Women, children, beggars, priests, Brahmins, etc. and all those who had no source of income were exempted from this tax. However, Firoz Tughlaq levied this tax on Brahmins as well.

5. Zakat: This was a religious tax which was imposed only on rich Muslims and it was 2 ½ per cent of their income.

Apart from these taxes, there were taxes on sale of horses, house tax, mining tax, grazing tax, inheritance tax, property tax or legal heir tax and buried tax, i.e. tax imposed on the buried treasure found.

### ***Taxation during pre-independence***

In the Battle of Baxur, the East India Company won against

Mughal Emperor Shah Alam II along with allies Mir Qasim, the Nawab of Bengal and the Nawab of Awadh which resulted in 'Allahabad Treaty'. This gave rise to many changes in taxation system. The Mughal Emperor Shah Alam II granted the East India Company Diwani rights, or the right to collect taxes on behalf of the Emperor from the eastern province for collection of revenues of almost 100,000,000 acres (400,000 km<sup>2</sup>) of real estate, which forms parts of the modern States of West Bengal, Odisha, Bihar, Jharkhand, and Uttar Pradesh. Thus the East India Company was appointed as the imperial tax collector for the Eastern province (Bengal-Bihar-Odisha).

The British started collecting taxes under their areas and were the first to implement Central Excise and Customs in India, based on similar laws in England. In all the colonies of British, tax rules, regulations and collection were introduced which were called excise and customs taxes. Because of this, we hear the term 'excise tax' not only in India but also in British occupied countries like Malaysia, Philippines, Canada, Germany, etc.

During the latter half of the nineteenth century, public administration in India saw large shifts and overhauls in its structures and processes. In July 1860, James Wilson, the first Finance Member of the Governor-General-in-Council, quoted thus from the authority of Manu while introducing the act

for levying income tax in the country, "As the leech, the calf and the bee take their food little by little, even so must the King draw from his realm, moderate annual taxes."

As we proceeded through this century, the financial obligations of the Raj increased, and the need to revamp the tax system was felt. In 1919, with the introduction of the federal structure through 'Diararchy', taxes on income and some other taxes were made a Central subject. In 1922, a paradigm shift occurred with the enactment of a new Income Tax Act that led to the setting up of a comprehensive taxation system with its own administrative machinery. In 1924, a Central Board of Revenue was created to administer Central taxes.

Under the British, commodity taxation and its administration grew on a piecemeal basis. During the period 1930-40, the consolidation of various acts and laws took place. Around 10 separate acts on excise and five acts on salt were merged and formed into a single act. Salt is one of oldest commodity that was taxed. The Central Excises and Salt Act was enacted on 24th February, 1944 consolidating and amending the laws relating to Central duties of Excise and Salt, having special provisions relating to salt. This involved repealing all Acts relating to the production/transport of salt namely Bombay Salt Act, 1890, Madras Salt Act, 1884 and Indian

Salt Act, 1882, Indian Salt Duties Act, 1908 and transport of Salt Act 1879, besides other Acts relating to other essential commodities. The Salt Department was a part of the Central Board of Revenue under the Ministry of Finance.

Central Excise: This is an indirect and inland tax on the sale, or production for sale of specific goods, or a tax on a good produced for sale, or sold, within a country or licenses for specific activities. The two basic principles for tax to be levied:

- 1 The article should be good
- 2 It should have come into existence on account of manufacturing.

The definition for 'goods' is: an article that can be brought into the market for being sold or to be purchased.

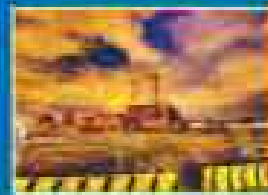
The actual sale of the article is not important but it must be capable of being bought and sold. Various articles at the intermediate stage in the course of manufacture of final products, which are elementary or unfinished or which are crude, impure or unrefined or which have a very short shelf life are not acceptable to the customer or being incapable of coming to the market to be bought and sold are not 'goods'. Immovable property or articles embedded to earth, structures, erections and installations are also not 'goods' because they cannot ordinarily come to the market to be bought and sold.

*(To be continued...concluding part )*

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# Corrective R&R plan for sick units on anvil

**T**he government has taken several steps like rehabilitation and revival of sick units, said Union MSME Minister Kalraj Mishra. “The ministry is making the corrective action plan for the revival and rehabilitation for the sick units”, he said. Easy loans through CGTFMSE scheme and Udyog Aadhaar Card are also introduced for the benefit of the micro, small and medium enterprises (MSMEs) the minister said.

Mishra was addressing the SME awards organized by Business Today and Reliance Commercial Finance on 24 September said that the social security schemes introduced by Narendra Modi has increased the level of confidence amongst the poor people. Initially, more than 78 per cent Jan Dhan accounts had zero balance in them, but now it has come down to less than 50 per cent, the minister said.



The minister also mentioned about the employment exchange for the industry to help them get skilled manpower.

Through CGTFMSE scheme, MSMEs will get access to easy loan, he said adding that MSME Ministry is also coming up with

the Udyog Aadhaar Card which would also help them access the loans and get benefits of schemes easily. Products from the enterprises set up by the entrepreneurs trained by the tool room has been used in developing Mangalayan, he highlighted.



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