BUSINESS UPDATES

An wall magazine of the COMMERCE FORUM

Department of Commerce

Tripura University

MESSAGE FROM THE VICE-CHANCELLOR

I am happy to note that the students of the Department of Commerce are putting up a wall magazine for developing their creative skills.

My blessing is always with them.

-Prof. Anjan Kumar Ghosh
Vice-Chancellor

Bird's Eye View at the Entrepreneurial Development Programs (EDP)

- SumanMajumder & PriyankaDebnath
Alumni

Introduction

The business climate in India is more informal in nature than other developing countries. Though culturally India had been rich for several hundred years with many intellectual capabilities, yet here the society is conservative and "Doing Business" had never been seen with a great value. Here people always preferred jobs over business, India is rapidly increasing as the neo youth power which needs lots of job opportunities. With this rapidly increasing youth population, the young India would need more jobs to feed this aspiring youth. In India the job opportunities are quiet lower than expected; so as to meet the unemployment situation in India the youth should indulge themselves into various entrepreneurial activities and should take advantage of all the schemes provided by the government. But there is a big section of population in India who are unaware about the various schemes and programmes provided by the Government of India. The various schemes and programmes provided by the government are listed below with the help of a table:

1. Scheme for providing establishment of new institutions (EDIs), strengthening the infrastructure for EDIs under Assistance to Training Institutions (ATI) scheme	
Nature of assistance	Maximum assistance for creation or strengthening of infrastructure will be Rs.150 lakhs on matching basis, not exceeding 50% of project cost. However, for the North Eastern region (including Sikkim), Andaman & Nicobar and Lakshadweep, maximum assistance on matching basis would be

	Rs.270 lakhs or 90% of project cost, whichever is less.
Who can apply?	Training institutions who wish to conduct training programmes under the scheme will have to enroll themselves with any of the three national level EDIs of the Ministry viz, NIESBUD, Noida; IIE Guwahati and ni-msme, Hyderabad.
How to apply?	Organisations who wish to apply for assistance for creation or strengthening of infrastructure may send their applications to the Director (EDI), Ministry of Micro, Small and Medium Enterprises, UdyogBhawan, Rafi Marg, New Delhi - 110 107,
2. Credit Guarantee Scheme	
Nature of assistance	For individuals: Collateral free loans up to a limit of Rs.50 lakhs - for individual MSEs.
Who can apply?	Both existing and new enterprises are eligible to be covered under the scheme.
How to apply?	Candidates meeting eligibility criteria may approach Banks/Financial Institutions, which are eligible under the scheme, are scheduled commercial banks and select Regional Rural Banks.
3. Micro Finance Programme	
Nature of assistance	Government of India provide funds for Micro Finance Programme to SIDBI, which is called 'Portfolio Risk Fund' (PRF). At present SIDBI takes fixed deposit equal to 10% of loan amount. The share of MFIs/NGOs is 2.5% of loan amount (i.e., 25% of security deposit) and balance 7.5% (i.e., 75% of security deposit) is adjusted from funds provided by the Government of India.
Who can apply?	MFIs/NGO
How to apply?	Submit the proposal in prescribed form to SIDBI
4. Support for Entrepreneurial and Managerial Development of SMEs	
Nature of assistan	Funding support for setting up of 'Business Incubators (BI)'. The cost may vary between Rs.4-8 lakh for each incubatee/idea, subject to overall ceiling of Rs. 62.5 lakh for each BI. Items @ per

ce	BI (a) Upgradation of infrastructure Rs. 2.50 lakhs (b) Orientation/Training Rs. 1.28 lakhs (c) Administrative expenses Rs. 0.22 lakh Thus the total assistance per BI - Rs. 66.50 lakhs
Who can apply?	Any individual or MSME having innovative idea near commercialisation can apply to the host institution (e.g., IITs, NITs, Technical Colleges, Research institutes, etc.).
How to apply?	Any individual or MSME can apply directly to their nearest host institution, a list of host institution is given on the website http://www.dcmsme.gov.in/schemes/Institutions_Detail.pdf
5. Bank Credit Facilitation Scheme	
Nature of assistance	All documentations pertaining to completion and submission of a credit proposal to banks shall be undertaken by NSIC thereby saving cost and time to MSME.
Who can apply?	MSME Entrepreneurs
6. Raw Material Assistance Scheme	
Nature of assistance	➢ Financial assistance for procurement of raw material upto 90 days. ➢ MSEs helped to avail economics of purchases like bulk purchase; cash discount etc ➢ NSIC takes care of all the procedures, documentation & issue of letter of credit in case of imports.
Who can apply?	Entrepreneurs
How to apply?	Entrepreneurs can download and apply on prescribed application forms and along with application processing fee to submit to Regional & Branch Offices.
8. Special Economic Zone(SEZ) scheme	
Nature of assistance	Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units. 100% Income tax exemption on export profits available to SEZ units for 5 years, 50% for next 5 years and 50% of ploughed back profits for 5 years thereafter. Exemption from central sales tax. Exemption from service tax.

	Single window clearance for central and state level approval.
Who can apply?	Medium and large industries.
How to apply?	Prescribed proforma given by State governments
9. Scheme for development of industrial infrastructure for MSME sector	
Nature of assistance	Financial support for development of industrial infrastructure
Who can apply?	Any SME's
How to apply?	Scheme operated through SFCs/SIDCs/banks
10. Science & Technology Entrepreneurs/Entrepreneurship Park (STEP)	
Nature of assistance	It offers facilities such as nursery sheds, testing and calibration facilities, precision tool room/central workshop, prototype development, business facilitation, computing, data bank, library and documentation, communication, seminar hall/conference room, common facilities such as phone, telex, fax, photocopying.
Who can apply?	Academic and R&D institutions
How to apply?	Project proposal in prescribed proforma, may be submitted to the head, NSTEDB.

Aforesaid schemes and programmes introduced by the government of India to promote new entrepreneurial activities among the youth of India. These schemes and programmes will immensely help a new and aspiring entrepreneur to start up and continue with his or her project. Apart from these schemes there are many other schemes provided by the government which a new entrepreneur should learn about before starting his or her venture.

Companies Act 2013- An Expository Analysis

- *Rupa Debbarma, Research Scholar*

INTRODUCTION

Companies Act is an Act of the Parliament of India which regulates incorporation of a company, responsibilities of a company, its directors and dissolution of a company. The Companies Act, 2013, the newest companies act has replaced The Companies Act, 1956 (in a partial manner) after receiving the assent of the President of India on 29 August 2013. The Act came into force on 12 September 2013 with few changes.

BACKGROUND

India has got the independence from British control 1947 but the process of making & strengthening corporate laws had already begun before that. With the advent of various enactments in England various laws were getting enacted in India too that resulted in acts such as Joint Stock Companies Act, 1850 of India, Joint Stock Companies Act, 1857 of India, Companies Act, 1866 of India, Indian Companies Act, 1913 but the biggest of all procedural act of independent India came into being in 1956 to be called as Companies Act, 1956 which is now replaced by the Companies Act, 2013.

Companies Act, 2013 is based on the recommendations of J. J. Irani committee companies bill that came into existence in the year 2008 that went through critical evaluations & after due considerations took the shape of Companies Act, 2013 Which not only repealed the Companies Act 1956 but also provides for so many unheard concepts.

New concepts introduced in Companies Act, 2013:

1. **"One Person Company"** [Clause 2(62)] means a company which has only one person as a member. It's a Private Company having only one Member and at least One Director. No compulsion to hold Annual General Meeting.
2. **Woman Director**: Every Listed Company /Public Company with paid up capital of Rs 100 Crores or more / Public Company with turnover of Rs 300 Crores or more shall have at least one Woman Director.
3. **Corporate Social Responsibility** [Clause (135)] Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
4. **Dormant Company** - Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar for obtaining the status of a dormant company.
5. **Resident Director**: Every Company must have a director who stayed in India for a total period of 182 days or more in previous calendar year.
6. **Accounting Year**:
   Every company shall follow uniform accounting year i.e. 1st April -31st March.
7. **Loans to director** – The Company CANNOT advance any kind of loan / guarantee / security to any director, director of holding company, his partner, his relative, Firm in which he or his relative is partner, private limited in which he

A. 2.

is director or member or any bodies corporate whose 25% or more of total voting power or board of Directors is controlled by him.

8. **Disqualification of director-** All existing directors must have Directors Identification Number (DIN) allotted by central government. Directors who already have DIN need not take any action. Directors not having DIN should initiate the process of getting DIN allotted to him and inform companies. The Company, in turn, has to inform registrar.

9. **Appointment of Statutory Auditors-** Every Listed Company can appoint an individual auditor for 5 years and a firm of auditors for 10 years. This period of 5 / 10 years commences from the date of their appointment. Therefore, those companies have reappointed their statutory auditors for more than 5 / 10 years, have to appoint another auditor in Annual General Meeting for year 2014.

Certain new areas of modification in companies act, 2013 compared to Companies Act,1956 are presented in Annexure I

Conclusion

As time passes and corporate sector becomes more & more integrated with the society there is need to incorporate necessary changes in corporate laws governing this sector & the companies. No doubt the introduction of a very comprehensive Companies Act, 2013 is a milestone but the concern is about its implementation. Companies Act, 2013 overcomes some of the major loopholes of Companies Act, 1956 but there might be some loopholes with companies Act 2013 as well specially when in the areas where it does not provide for punitive or penal actions like in the case of Section 135. So there is a need to have a re look at some of the parts of the newly introduced Act.

Annexure I

Sl. No.	Subject matter	Companies act, 1956	Companies act,2013
1	Definition of private company	Restricts the maximum number of members to 50.	To restrict the maximum number to 200.
2	Definition of public company	Consider a private company which is a subsidiary of a public company as a public company.	A private subsidiary of a public company deemed to be a public company even though the subsidiary continues to be a private in the article.
3	Definition of financial year	Financial year not defined in the section 2	Under the new Act, all companies have to follow a uniform Financial Year i.e. from 1st April to 31st March.
4	One Person Company(OPC)	Such a concept was absent hitherto.	OPC can be formed.
5	Types of company that can be formed	Public company or private company which can be limited by shares/limited by guarantee or unlimited company.	Besides public and private company, clause 3 also provides for one person company as private company.
6	Compulsory internal audit(IA) CLAUSE 138	No such provision existed.	Clause 138 prescribed companies to have internal auditors to conduct IA, who can be a CA or ICWA or such other professional so as decided by the board.
7	Maximum number of directors.	Section 259 provided for maximum 12 and beyond 12 required prior central govt. approval	Clause 149(1) provides for maximum 15 and beyond 15 by passing a resolution.
8	Woman Directors mandatory.	No such provision.	Every company shall have at least one woman director who has stayed in India for a total period of not les than 182 days in the previous calendar year.

CORPORATE SOCIAL RESPONSIBILITY

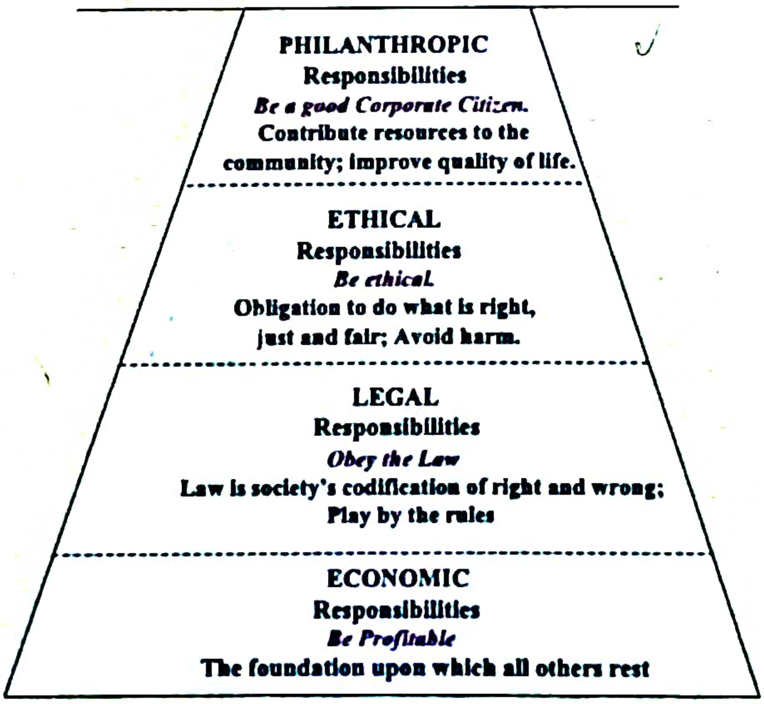
-- *Abhijit Sarkar, Research Scholar*

Introduction

Business doesn't happen in a vacuum, for it to survive it has to rely on the society like for raw materials it has to rely on suppliers, for finance on creditors and financiers, to sell the products it has to rely on customers etc., so the company has also to do some social responsibility apart from selling products and services. CSR defined as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time." (Carrol & Buchholtz, 2000:35). A fundamental model, which could be argued to reflect the outcome of the discussion in Carroll's (1991) four-part model in figure – 1.

Carroll's Four *Components of CSR*

The Pyramid of Social Responsibility



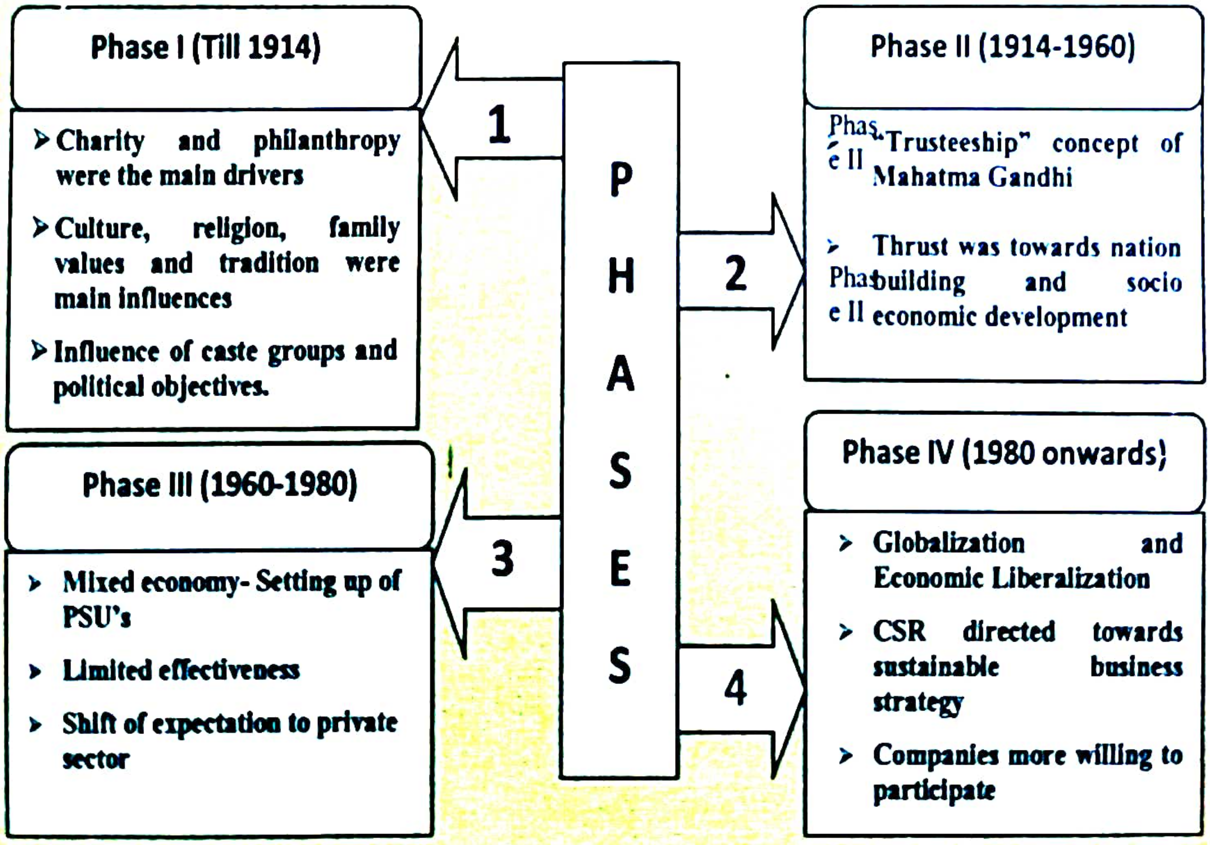
Source Carroll (1991)

Methodology of Corporate Social Responsibility: CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business:

- Customers
- Suppliers
- Environment
- Communities
- Employees

<u>Phases of CSR Practices in India:</u>

The CSR phases as its development can be divided into four phases are as follows:



CSR Rule under New Companies Act, 2013

Clause 135 of New Companies Act, 2013 includes following criteria for Corporate Social Responsibility.

- **Net worth** – INR 500 Crores or more or
- **Turnover** -INR. 1000 Crores or more or
- **Net Profit** – INR 5 Crores or more.

If any company during any of the financial year fulfils, any of above conditions then it should –

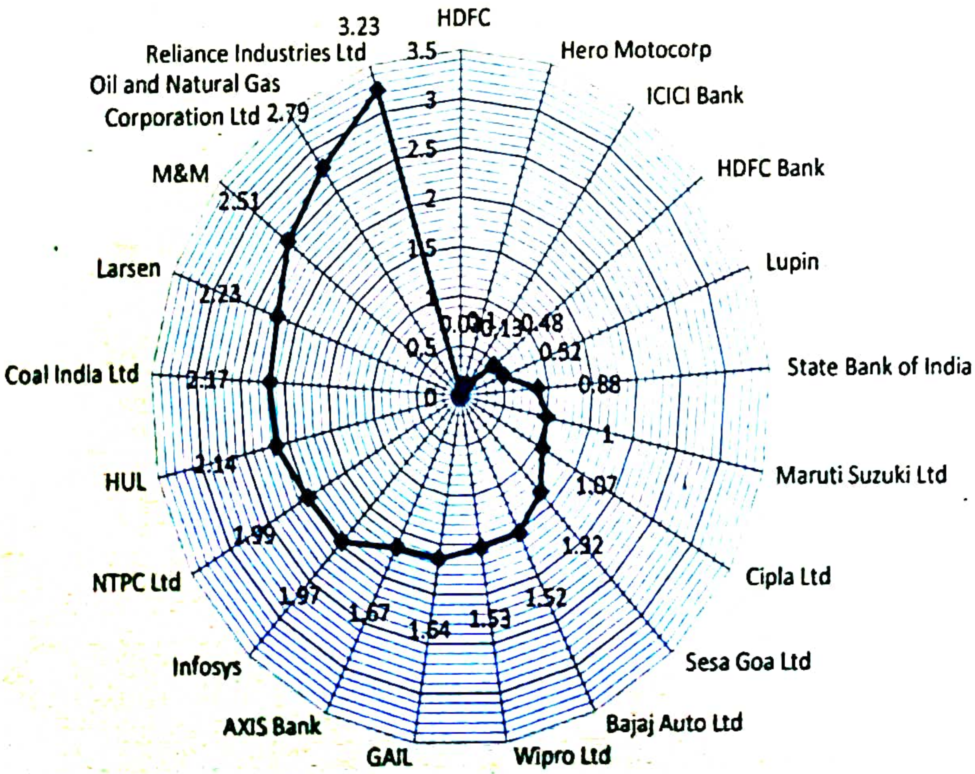
- Constitute a CSR committee of Board **{Sec 135 (3)}** which shall consist of minimum three directors, out of which one shall be independent director.
- The committee shall formulate and recommend CSR Policy that indicates company's activity as specified in Schedule VII and also amount recommend for the same.
- At least 2 percent of the average net profit of the immediately preceding three financial years of the company shall be used for spending in accordance with the CSR Policy.
- According to the approach "Comply or Explain", Board should explain the reason for not spending such amount if it fails to do so.

BSE Companies contributed in CSR Activities: CSR expenditures as percentage of PAT of selected companies listed in Bombay Stock Exchange during 2014-2015 are given below (Please See Figure 1).

Conclusion:

The perspective of Corporate Social Responsibility by initiating social and community initiatives is to benefit the society and nation at large which sought to be achieved through the participation of its employees. The concept of CSR has failed to some extent to take deep root in India because of lack of coordination between the companies, government, and non-government organizational efforts. The Financial Institutions should realize that running an efficient and profitable business organization means ensuring that the surrounding communities and environment grew and prospered along with the institutions. In a nutshell, it can be said that the state of mind of the Indian entrepreneurs towards CSR is changing due to tough competition in an international level. Conclusively, there are three suggestive measures which are advisable for a better CSR in these companies. **First** is to enhance and accelerate government's involvement in CSR activities, **Second** can be noted as development of a broad sector of the consulting in the era of CSR, and **lastly** media should increase its interest and play a vital role in the era of CSR.

Figure 1: CSR Expenditure as Percentage of PAT of Selected BSE Listed Companies



Source: Author's Calculation based on S&P BSE Sensex data, 2015

Goods and Service Tax (GST): The Way Forward

Introduction :

- Shatabdi Sarkar, 3rd Semester

Goods and service tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/service provider's point up to the retailer's level where only the final consumer should bear the tax.

Justification of GST :

Despite the success of VAT, there are still certain shortcomings in the structure of VAT, both at the Centre and at the State level.

A. Justification at the Central Level

i. At present excise duty paid on the raw material consumed is being allowed as input credit only. For other taxes and duties paid for post-manufacturing expenses, there is no mechanism for input credit under the Central Excise Duty Act.

ii. Credit for service tax paid is being allowed manufacturer/ service provider to a limited extent. In order to give the credit of service tax paid in respect of services consumed, it is necessary that there should be a comprehensive system under which both the goods and services are covered.

B. Justification at the State Level

i. A major defect under the State VAT is that the State is charging VAT on the excise duty paid to the Central Government, which goes against the principle of not levying tax on taxes.

ii. In the present State level VAT scheme, Cenvat allowed on the goods remains included in the value of goods to be taxed which is a cascading effect on account of Cenvat element.

iii. Many of the States are still continuing with various types of indirect taxes, such as luxury tax, entertainment tax, etc.

iv. As tax is being levied on inter-state transfer of goods, there is no provision for taking input credit on CST leading to additional burden on the dealers.

Expected GST Model

As per recommendations by Joint Working Group appointed by Empowered Committee in 2007 , the GST in India may have four components in its tax structure as – (a) Central tax on goods upto retail level, (b) central service tax , (c) State VAT on services. As far as tax rate structure is concerned each of the above four component may have four – rate categories. ? How 4

- The Central GST will be administered by the Central Government and the State GST will be administered by the state governments. The different taxes will be subsumed as under :

Subsumed in Central Tax	Subsumed in State Tax
Central Excise Duty (CENVAT)	Value Added Tax
Additional duties of excise	Purchase Tax
Additional customs duties in the nature of excise duties (countervailing duties)	State Excise Duties (except liquor)
Cessess levied by the Union	Entertainment tax (unless it is levied by the local bodies)
Service Tax	Luxury Tax
Central Sales Tax	Octroi and Entry Taxes
Surcharges levied by the Union	Taxes on lottery, betting & gambling

- Proposed GST will have two components Central GST & State GST.
- Taxable event will shift to sale rather than manufacture.
- Exports will be zero rated and will be freed from all duties and taxes.
- Certain products or components will be kept out of the GST structure so as taxes by local bodies.

- Cross utilization between State GST and Central GST is not expected to be allowed.

PRESENT TAXATION Vs EXPECTED GST :

PARTICULARS	PRESENT TAXATION	EXPECTED GST
Structure		
Structure	Tax on goods is levied at 2 levels, Centre (CENVAT) and State (VAT), and tax paid under one (input tax credit) is not available as set-off against the other. Tax on services is levied by Centre under separate legislation. No comprehensive taxation of services at State level except that few services are taxed under separate enactments.	A dual tax with both Central GST (CGST) and State GST (SGST) would be levied on the same. There would be no distinction between goods and services for the purpose of GST with a common legislation applicable to both. GST would allow seamless tax credit at all levels till the goods or services reaches the consumer.
Tax Base	Narrower	Will be comparatively Wider
Place of Taxation	Taxable at the place of sale of goods or provisioning of services	Consumption (Destination) based tax
Duties / Taxes		
Excise Duty	Imposed by Centre under separate Act Taxable Event: Manufacture of Goods Taxed up to Manufacturing Point	To be subsumed in GST and subjected to CGST " SGST (Local Supply) / IGST (Inter-State Supply) Taxable Event: Supply of Goods To be taxed Retail Level
Service Tax	Imposed by Centre under separate Act Taxable Event: Provision of Service	To be subsumed in GST and subjected to CGST " SGST (Local Supply) / IGST (Inter-State Supply) Taxable Event: Supply of Services
Central Sales Tax	Imposed by Centre under separate Act but Collection assigned to States Taxable Event: Sale of Goods from one State to	To be subsumed in GST and subjected to IGST (Centre) Taxable Event: Supply of Goods from one State to another State

	another State	CST may continue initially and it will be phased out gradually with time (Additional Tax up to 1% in form of CST may be there along with IGST)
Tax on Special Transactions		
Tax on Export of Goods and Services	Exempt / Zero-rated	- No Change -
Tax on Inter-State Sale of Goods / Provision of Services	Imposed by Centre (CST on Inter-State Sale of Goods and Service Tax on Inter-State Provision of Services)	To be subsumed in GST and subjected to IGST (Centre)
Tax on Inter-State Transfer of Goods to Branch or Agent	Exempt against Form F	To be taxable
Tax on Transfer of Goods to Branch or Agent within the State	Generally Exempt	Might be taxable, unless BIN (Business Identification No.) of transferor and transferee is same
Credit / Set-off		
Cross-Levy set-off	Excise Duty and Service Tax: Cross set-off is allowed Excise Duty and VAT: Cross set-off is not allowed Service Tax and VAT: Cross set-off is not allowed	IGST and CGST: Cross set-off is allowed IGST and SGST: Cross set-off is allowed CGST and SGST: Cross set-off is not allowed
Cascading Effect	Allows tax credit between Excise Duty and Service Tax, but no credit for VAT	Will have seamless tax credit

Conclusion

Though, most of the goods and services would be subsumed in GST, a few goods such as alcoholic liquor and petroleum products (till it is notified by GST Council) will be kept outside the purview of GST. Clarity is required with respect to taxation of goods like alcoholic liquor, petroleum products and tobacco in different scenarios. Clarity is also required when the goods are stock transferred and when services are provided by HO to BO or vice versa.

Payment Banks- The newest member of Indian banking system.

Introduction:-

- Sourav Chakraborty, 3rd Semester

Financial inclusion has been one of the most important areas being identified by RBI and Government of India to bring down the problem of regional backwardness and social inequality. The objective of financial inclusion is to bring all the people specially the weaker section into the banking arena. To bring acceleration in the financial inclusion process RBI has brought the concept of Payment Banking.Unlike conventional banks, payment banks will not be in the business of lending. Essentially, these banks are targeted towards financially excluded customers like migrant workers, low-income households and small businesses.

The conventional players in the banking sector of India are commercial banks, scheduled banks, non-scheduled banks, co-operative banks, and regional rural banks. The newly licensed payment banks will be able to join India's vast banking system, which has several layers of banks, performing different roles and objectives, once they fulfillthe various criteria laid down by RBI in 18 months.

What are Payment banks!!!!!!

A payments bank is a type of non-full service niche bank in India. Abank licensed as a payments bank can only receive deposits and provide the facility of remittances. It cannot carry out lending activities like other commercial banks. This type of bank is created to help India reach its financial inclusion targets.

Objective:-

1. Setting up of Payment Bank is to further increase the rate of Financial Inclusion by providing -----

- small savings accounts, and

bills with maturity up to one year and hold maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management

Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40 per cent for the first five years from the commencement of its business.

Foreign shareholding: The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Benefits of Payment Banks:-

Some of the important benefits that payment bank offers are

1. With the setting up of payment banks customers will be able to pay electricity bills at the local supermarket while buying groceries.
2. Since there is no restriction on the income levels of those who wish to open accounts in payment banks, those who have salary accounts in regular bank accounts can also open an account in a payment bank.
3. Customers can use the payment bank account to make daily or monthly cash transactions, either through debit card or through mobile. This can also help guard against debit card fraud, since the customers can keep a smaller balance in these accounts.
4. Students living away from home would also be able to use facilities of payment banks to pay their fees.
5. Small businesses — that have five or six employees — can operate salary accounts in payment banks, instead of paying out cash.
6. In a payment bank, KYC norms will be simplified and charges will also be lower.

SENSEX: The Barometer of the Indian Stock Market

- Pritam Ghosh, 3rd Semester

Introduction

For the premier Bombay Stock Exchange that pioneered the stock broking activity in India, 128 years of experience seems to be a proud milestone. A lot has changed since 1875 when 318 persons became members of what today is called The Stock Exchange, Mumbai by paying a princely amount of Re 1.

Since then, the country's capital markets have passed through both good and bad periods. The journey in the 20th century has not been an easy one. Till the decade of eighties, there was no scale to measure the ups and downs in the Indian stock market. The Stock Exchange, Mumbai in 1986 came out with a stock index that subsequently became the barometer of the Indian stock market and named it as SENSEX.

What Index means?

An index is basically an indicator. It gives a general idea about whether most of the stocks have gone up or most of the stocks have gone down.

Definition of 'Sensex'

Sensitive Index (Sensex) is the benchmark index of the Bombay Stock Exchange (BSE) which measures the ups and downs in the stock market. Sensex is not only scientifically designed but also based on globally accepted construction and review methodology. First compiled in 1986, Sensex is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The index is widely reported in both domestic and international markets through print as well as electronic media.

Index Specification

Base Year	1978-79
Base Index Value	100
Publication Since	01-01-1986
Scripts	30
Index calculation frequency	Real Time

the company that are readily available for trading in the market. It generally excludes, government holding, strategic holding and that will not come to the market for trading in the normal course.

Difference between Nifty & Sensex

Sl. No.	Nifty	Sensex
1	Nifty is the stock market index for the National Stock Exchange. (NSE)	Sensex is the index of Bombay Share Market.
2	NSE came into existence in 1991 by Government of India on the recommendation of the Pherwani Committee.	BSE was established in 1875.
3	BSE is the base of 30 major shares. Even if the price of most of the shares of the market falls down but the price of these 30 shares is high, then the index will rise.	NSE is made up of 50 major shares. They are the representative of 24 different sectors.
4	The base year is taken as 1995.	Base Year is taken as 1978-79
5	The base value is 1000	Base Index value is100
6	There include Bharat Heavy Electricals, State Bank of India, Tata Steel, DLF etc.	There include Financial Institution, Banks, Insurance Companies etc.