

CHAPTER 5

ORGANISATIONS FACILITATING BUSINESS

Business Facilitators constitute a category of Facilitators, who operate to ease the doing of business.

Three Layers of Business Facilitators

<u>Layer 1: Point of Contact</u>	<u>Layer 2: Auxiliaries or Aids to Trade</u>	<u>Layer 3: Funding and Non-Funding Institutions</u>
The persons who are in immediate day-to-day touch with routine business activities	The persons who provide the necessary support to trade	GOI facilitates business by creating an institutional apparatus for the implementation of those policies.
1. Freight Forwarder- who organizes shipments for the business firms to get goods from the manufacturer or producer to a market 2. Business Incubator- Who helps create and grow young businesses by providing them with necessary support and financial and technical services 3. Business Accelerator- Who helps a budding business quickly launch a product 4. Financial Consultant- who advises the business on the various sources, modes and methods of finance 5. Merchandiser- who helps the business in its procurement and sales like Retail Store	1. Transport- plays a very important role in marketing and distribution of goods both within a country as well as outside. 2. Warehousing- A Warehouse is an establishment for the storage of goods. 3. Banking and Finance- Banking means acceptance of deposits from the public and giving credit or loans. 4. Insurance- A contract whereby the Insurer agrees to protect the Insured, against risks of loss on payment Premium.	Non-Funding Institutions 1. Reserve Bank of India (RBI), 2. Securities and Exchange Board of India (SEBI), 3. Competition Commission of India (CCI), 4. Insurance Regulatory and Development Authority of India (IRDAI), Funding Institutions 5. NABARD 6. IFCI 7. SIDBI 8. EXIM Not In Syllabus

1. RESERVE BANK OF INDIA (RBI)

- Established on April 1, 1935
- **ACT:-** Reserve Bank of India Act, 1934
- Originally privately owned, Nationalised in 1949. After Nationalisation fully owned by Government.
- Central Office in Mumbai since 1937.
- Affairs of RBI Governed by Central Board of Directors and Board appointed by Government of India in accordance with RBI Act.
- **Roles of RBI:-**
 - It is the Central Bank of India and occupies pivotal position in Economy.
 - Apex monetary institution of highest authority in India.
 - Responsible for maintenance of economic stability and assisting growth of economy.
 - Advisor to government, friend, philosopher and guide to commercial banks.
 - Protects market from government securities.
 - Keep inflationary trend under check.
 - represents the country in the International Economic Forums
 - responsible for the development of sound banking system
- **Functions of RBI:-**
 - **Issuer of Currency:** RBI is the sole authority for the issue of currency in India other than 1 Rupee Coins and Notes and Subsidiary Coins
 - **Banker to the Government:** (i) It maintains and operates government deposits. (ii) It collects and makes payments on behalf of the government. (iii) It helps the government to float new loans and manages the public debt. (iv) It sells treasury bills. (v) It makes advances to CG/SG repayable within 90 days. (vi) Advisor to government on economic issues.
 - **Banker to Banks:** RBI – (a) keeps the cash reserves of all the scheduled banks, (b) supervises the functioning of Commercial Banks, (c) provides financial assistance to Scheduled Banks, (d) conducts inspection of Commercial Banks and calls for Returns from Banks.
 - **Custodian of Foreign Exchange Reserve:** RBI enforces the provisions of FEMA Act, 1999. It promotes Foreign Exchange Market in India. RBI borrows from the IMF in case of inadequate balance of payments.
 - **Controller of Credit:** RBI possesses power to use almost all qualitative and quantitative methods of credit controls.
 - **Regulatory and Supervisory Functions:** RBI prescribes parameters of Banking operations.
 - **Promotional or Development Function:** RBI performs a wide range of promotional and developmental functions to support national objectives, e.g. promoting banking habits among people
 - **Collection and Publication of Data:** RBI has also been entrusted with the task of collection and compilation of statistical information relating to banking.
 - **Monetary Authority:** RBI implements Monetary Policy with the objective of maintaining Price Stability.

- **Subsidiary-** Deposit Insurance and Credit Guarantee Corporation of India(DICGC), Bharatiya Reserve Bank Note Mudran Private Limited(BRBNMPL), National Housing Finance Corporation(NHFC)
- **RBI's Role in Business Facilitation**
 - RBI is responsible for the monetisation or demonetisation of the economy (**Currency Policy**)
 - RBI's Policies have a major impact on channelisation of the Banking Resources for business, generally as well as specifically for Priority Sectors (**Credit Policy**)
 - RBI determines of Exchange Rates→the rates at which the domestic currency is exchanged (**Forex Policy**)
 - Financial system comprises Financial Institutions, Financial Instruments and Financial Markets (**Financial System**)
 - RBI monitors the Funds Transfer and Payments Mechanism (**Funds Transfer and Payments Mechanism**)
- **Bank Rate/Discount Rate, Repo Rate, SLR,CRR:-**
 - **Cash Reserve Ratio (CRR)** means the portion of total deposits (i.e. Net Demand & Time Liabilities (NDTL)) of a commercial bank which it has to keep with the RBI in the form of cash reserves. As on 01.03.2018, **CRR is 4%**
 - **Statutory Liquidity Ratio (SLR)** means that portion of total deposits (i.e. Total / Net DTL) of a commercial bank which it has to keep with itself in the form of Cash or Gold, or prescribed Investments. As on 01.03.2018, **SLR is 19.50%**
 - **Repo Rate** is the rate at which banks borrow money from the RBI against pledging of government securities & Reserve Repo Rate is the rate of interest offered by RBI, when Banks deposit their Surplus Funds with the RBI for short periods
 - **Bank Rate/Discount Rate** is the rate of interest at which the RBI lends to Banks. The standard rate at which the RBI is prepared to discount bills of exchange or extends advances to the commercial banks is known as the bank rate. It is a long term measure. If current Bank Rate is 9% and RBI decreases it by 10 basis points, the New Rate will be 8.9% or Bank Rate at 1% = 100 basis points.

2. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

- SEBI is an authority to regulate and develop the Indian capital market and protect the interests of investors in the capital market.
- Established on 12th April 1988 and given statutory powers in 1992
- SEBI Act came into force with effect from **30th January, 1992**.
- Controller of Capital Issues (CCI) under the Capital Issues (Control) Act, 1947 was earlier Regulatory Authority before SEBI.
- Headquarters- Bandra Kurla Complex, Mumbai. Regional Offices→ Northern- New Delhi, Eastern- Kolkata, Southern- Chennai, Western- Ahmedabad.
- **SEBI BOARD:-** Managed by a board, which consists of following:-
 - A Chairman-appointed by CG-person of ability integrity and standing in field of securities market, law, finance, economics, administration etc.

- Two Members (Nominated by CG)- From amongst officials of Ministry of Central Govt. **dealing with Finance and Administration of Companies Act, 2013.**
- 1 Member (Nominated by RBI):- From among **official of RBI.**
- 5 Other Members:- Out of which 3 members(whole time members) who shall be appointed by CG. Persons of abilities, Integrity and standing in the field of securities market, law, finance, administration, etc.
- **Functions:-**
 - Quasi – Legislative – Drafts Regulations
 - Quasi – Judicial – Passes rulings and orders
 - Quasi – Executive – Conducts Investigation and enforcement actions.
- **Appeal against order of SEBI**
 - First Appeal to Securities Appellate Tribunal (SAT) -3 members Tribunal
 - Second Appeal- **Directly to Supreme Court**
- **Power of SEBI:-**
 - Approve by laws of stock exchanges
 - Require the Stock exchanges to amend their by laws.
 - Inspect books of accounts and call for periodical returns from STX.
 - Inspect books Accounts of Financial Intermediary.
 - Compel certain companies to list their shares in one or more STX.
- **SEBI's Role in Business Facilitation:-**
 - It facilitation of Public Offering of Capital by Companies
 - It supervises the subsequent trading of their Shares on the floor of the Stock Exchanges.
 - It facilitates overseas Entities desirous of participating in Indian Capital Markets.
 - It facilitates domestic Entities desirous of participation in Foreign Capital Markets.
 - It coordinates with the market developers and regulators abroad.

3. COMPETITION COMMISSION OF INDIA (CCI)

- **Benefit of Competition:** (a) Innovation, (b) Efficiency, (c) Quality, (d) Cost Savings, (e) availability of goods in abundance, (f) price stability, (g) freedom of trade
- **Type of Competition:-**
 - **Direct Completion-** Businesses are selling products or services that are essentially the same. E.g. Mother Dairy and Amul Dairy, Haldiram and Bikanerwala
 - **Indirect Competition-** The conflict between vendors whose products or services are **not** the same, but that could satisfy the same consumer need. E.g. A Dining Restaurant has competition with other Local Restaurants.
- **The Competition Act, 2002**
 - Competition Commission was set up to create and sustain fair competition in the economy
 - Competition Law is a tool to implement and enforce competition policy and to prevent and punish anticompetitive business practices by Firms.
 - The Act prohibits Anti-Competitive Agreements, Abuse of Dominant Position by Enterprises and regulates Combinations.

- **Features of The Competition Act, 2002**
 - CCI established on 14th October 2003 under the competition act, 2002
 - Repealed MRTP Act, 1969 and thus MRTP commission dissolved.
 - CCI is a body corporate having perpetual succession and common seal.
 - Central Office- in New Delhi
 - CCI consists of a Chairperson and 6 Members appointed by the CG.
- **Objectives of CCI**
 - To prevent practices having adverse effect on competition,
 - To promote and sustain competition in markets,
 - To protect the interests of consumers,
 - To ensure freedom of trade carried on by other participants in markets, in India.
- **Role of CCI**
 - Making the markets for the benefit of Consumers,
 - Ensuring fair and healthy competition
 - Implementing Competition Policies
 - Ensuring smooth alignment of Sectoral Regulatory Laws with Competition Law
 - Spreading the information on benefits of competition among all Stakeholders.
- **CCI's Role in Business Facilitation**
 - Protecting from Unfair Practices and penalising the erring entities,
 - Promoting competition by preventing abuse of dominance
 - Ensuring the co- existence of large and small Enterprises,

4. INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (IRDAI)

- It is an apex statutory body which regulates and develops the insurance industry in India.
- **Established-** on 14th October 2003 under the IRDA Act, 1999
- It comprises of - (a) Chairperson, (b) Not more than 5 Whole-Time Members, and (c) Not more than 4 Part-Time Members - all are appointed by the Government of India.
- Presently, FDI Limit in Insurance Sector is **49%**.
- **IRDA Act - Objectives**
 - To protect the interests of holders of insurance policies
 - To regulate, promote and ensure orderly growth of insurance industry
 - To ensure **speedy settlement of genuine claims**
 - To bring transparency and orderly conduct of financial markets dealing with insurance.
 - To take **action where standards are inadequate**
 - To **bring about optimum amount of self-regulation**
- **Powers of IRDAI:**
 - Issue to the Applicant a Certificate of Registration and modify of it.
 - protection of the interests of the Policyholders
 - specifying qualifications for Intermediary and Agents
 - specifying the code of conduct for Surveyors and Loss Assessors
 - levying fees and other charges under this Act

- calling for information from Insurers, Intermediaries.
 - control and regulation of the rates, terms and in respect of General Insurance.
 - specifying the manner in which books of account shall be maintained
 - regulating investment of funds
 - regulating maintenance of margin of solvency
 - adjudication of disputes
 - supervising the functioning of the Tariff Advisory Committee
 - specifying the %age of Life Insurance business and General Insurance for rural or social sector.
- **IRDAI's Role in Business Facilitation**
 - It takes steps to regulate and develop the Insurance Industry in the Country.
 - It creates confidence among policyholder by protecting their interest
 - It educates the general public about the advantages of getting insurance policies.

5. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

- NABARD is an apex development bank in India
- Principal financial institution for matters concerning operations in the field of credit for agriculture and other economic activities in rural areas.
- **Established on** 12th July 1982 under NABARD Act, 1981
- **Headquarter-** Mumbai
- **Main Initiatives**
 - SHG-Bank Linkage programme
 - Tree-based tribal communities' livelihoods initiative,
 - Watershed approach in soil and water conservation
 - Increasing crop productivity initiatives
 - Natural Resource Management Programmes
- **Role of NABARD**
 - Most important institution which looks after the development of the cottage industry, small industry and village industry
 - Reaches out to allied economies and supports and promotes **integrated development**
 - Discharge its duty by undertaking the **following roles-**
 - Provides investment and production credit for promoting the various developmental activities in rural areas.
 - Takes **measures** towards institution building for improving absorptive capacity of the credit delivery system.
 - **Co-ordinates the rural financing activities of all institutions** engaged in developmental work.
 - Undertakes monitoring and evaluation of projects refinanced by it.
 - Refinances the financial institutions which finances the rural sector.
 - Partakes in development of institutions which help the rural economy.
 - Keeps a check on its client institutes.

- Regulates the institutions which provide financial help to the rural economy.
 - Provides **training facilities** to the institutions working in the field of rural upliftment.
 - Regulates the cooperative banks and the RRB's, and **manages talent acquisition** through IBPS CWE.
- Provides Refinance Facilities to state co-operative agriculture and rural development banks (SCARDBs), state co-operative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) and other financial institutions approved by RBI

NOT IN SYLLABUS

Industrial Finance Corporation of India (IFCI) [Also see www.ifcilttd.com]

1. IFCI was established on 1st July 1948, as the first Development Financial Institution in the country to cater to the long-term finance needs of the industrial sector.
2. IFCI was first established a **Statutory Corporation** (under a Special Act of Parliament), but later on was converted into a Public Limited Company under the Companies Act in July 1993. Presently, it is a **Government Company**, under the name IFCI Limited (w.e.f October 1999).
3. **Functions-** (i) It provides Loans and Advances to Industrial Concerns and subscription to the Debentures floated by them. (ii) It guarantees loans raised by the industrial concerns, (iii) It underwrites shares and debentures of the industrial concerns, (iv) it Guarantee of Deferred Payments in respect of import of Machinery
4. **Subsidiary-** IFCI Factors Limited, IFCI Financial Services Limited, IFCI Infrastructure Development Limited, IFCI Venture Capital Limited, MPCON Limited, Stock Holding Corporation of India Limited (SHCIL)
5. **Sectors that have directly benefited from IFCI include** - Agro-based industry, Service industry, Capital & intermediate goods industry, Infrastructure is a direct beneficiary of IFCI
6. **Economic Contribution-** Govt of India has recently designated IFCI as a Nodal Agency for "Scheme of Credit Enhancement Guarantee for Scheduled Caste (SC) Entrepreneurs" in March, 2015 with an objective to encourage entrepreneurship in **lower strata** of the societies. Under the Scheme IFCI would provide guarantee to banks against loans to young and start-up entrepreneurs belonging to Scheduled Castes.

Small Industries Development Bank of India (SIDBI) [Also see www.ifditd.com]

1. SIDBI was established on 2nd April 1990, under the Small Industries Development Bank of India Act, as a wholly owned subsidiary of IDBI.
2. SIDBI caters to the needs of Micro, Small and Medium Enterprises (MSMEs)

3. **Function-** (i) Leasing and Factoring Services to MSMEs. (ii) Assistance to the Service Sector including Transport, Health Care, Tourism, etc. (iii) Re-Financing of Loans and Advances given by the Primary Lending Institutions (iv) Discounting and Re-discounting of Bills resulting from Sale of Machinery to or manufactured by MSMEs. (v) Seed Capital and Soft Loan Assistance to special schemes such as National Equity Fund, Mahila Udyam Nidhi, etc. (vi) Financial Help to National Small Industries Corporation for **providing leasing, hire-purchase** and marketing support to Small Units. (vii) Financial Support to State Small Industries Development Corporations in its efforts **to provide scarce raw materials** and marketing facilities to Small Units
4. **Subsidiary-** SMERA Ratings Limited - for credit rating of MSMEs, Receivables Exchange of India Ltd (RXIL) - to enable faster realisation of receivables by MSMEs, India SME Technology Services Ltd - for technology advisory and consultancy services, India SME Asset Reconstruction Company Ltd (ISARC) - for speedier resolution of Non-Performing Assets (NPA) in the MSME Sector, MUDRA - Micro Units Development & Refinance Agency Ltd, SIDBI Venture Capital Limited (SVCL) - for Venture Capital Assistance.

Export and Import Bank of India (EXIM Bank) [Also see www.eximbankindia.in]

1. EXIM Bank was established by the Government of India, under the Export-Import Bank of India Act, 1981 and commenced operations in 1982.
2. It acts as an apex Banking Institution in Foreign Trade. It took over the operations of the international finance wing of IDBI, and became the principal financial institution in the field of international trade in India
3. It has the responsibility for controlling the country's EXIM Policy
4. **Role-** EXIM Bank serves as a growth engine for industries and SMEs through a wide range of products and services. This includes import of technology and export product development, export production, export marketing, pre-shipment and post-shipment and overseas investment.
5. **Function-**(i) It finances exports and imports of goods and services of India (ii) It finances exports and imports of goods and services of third world countries. (iii) It finances exports and imports of machinery on lease basis. (iv) Financing the Joint Ventures abroad (v) It provides counselling services to companies engaged in exports and imports.