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NICCI e~Newsflash

Inside this issue:

First month's macroeconomic scenario of this FY

Inflation hit a three-year high of 11.9 percent in the first month of the current fiscal year, with the prices of both food and non-food items soaring. The figure was a little higher at 12 percent in June 2009. Although the inflation rate remained in single digit for the first 11 months of the last fiscal year, it jumped to double digits in the last month, reaching 11.5 percent. The figure has been continuously ascending since April, 2011.

A senior NRB official predicted that inflation would remain higher until December when new harvest begins. Inflation in both food and non food items stood in double digits—12.2 percent and 11.6 percent respectively—in the first month, according to a Nepal Rastra Bank (NRB) report on the country's macro economy released on Sunday. NRB Spokesperson Bhaskar Mani Gnawali said increased petroleum prices and transport fares and the strengthening of the US dollar fuelled the price rise. According to the central bank report, vegetable prices witnessed the highest rise of 30.4 percent in first month of this fiscal year, pushing up the overall food prices. Within the non-food group, prices of footwear items posted the highest rise of 15.1 percent.

Economist Bishwambhar Pyakuryal said the rise in Indian inflation, of late, is playing a crucial role in fuelling price rise in Nepal. "Although internal factors were more responsible for the price rise in the past, the rise in Indian inflation, which is close to double digits, is now equally responsible for the price rise here," he said.

In a bid to curb price hike, the government recently fixed maximum retail prices of 15 commodities, including rice and oil, among others. However, given the absence a proper monitoring mechanism, Pyakuryal says the provision would encourage hoarding.

Nepal's trade with India accounts for two-thirds of the country's total trade. According the central bank report, exports to India increased by 5.7 percent compared to a rise of 17.1 percent during the same period last year. The decline in the exports of threads, MS pipes and zinc sheets, among others, contributed to slow export growth. Imports from India, however, surged by 48.1 percent due to the increased import of petroleum products.

Exports to countries other than India increased by 42.1 percent, contributed by the rise in the export of pulse, tanned skin and readymade leather goods, among others. Imports from third countries (other than India) increased by 37.2 percent.

The overall balance of payments (BoP) recorded a surplus of Rs 3.85 billion in the first month of this fiscal year—down from Rs 8.1 billion during the same period last year.

Remittance surged by 43.8 percent to Rs 37.61 billion. Foreign exchange reserves reached the highest level of Rs 447.86 billion.

ICRA Nepal to operate as first rating agency

Rating agency of India ICRA is set to offer its services in Nepal following the grant of a license by the Securities Board of Nepal. The company had incorporated its subsidiary ICRA Nepal in November 2011, with the Indian promoter holding 51% and local institutional and individual shareholders holding the balance 49%.

ICRA Nepal will initially offer the services of Rating of Debt Instruments and Rating of Equity as envisaged under the country's Credit Rating Regulations, 2011. Rating of issuers including banks, financial institutions, insurance companies and others will follow subsequently.

Speaking on the occasion, PK Choudhury, Vice-Chairman and Group CEO, ICRA, said that the grant of licence from SEBON "comes at a time when financial sector reforms are being pursued in Nepal as part of a process that ICRA is quite familiar with, having been established in the watershed year of 1991—the time when the Indian economy was first being opened up and the drive towards globalisation began". "The entry into Nepal also reaffirms our confidence in the future growth of the economy," Mr. Choudhury added. Elaborating on the significance of having a CRA against the backdrop of Nepal's efforts at invigorating its financial sector, Mr. Naresh Takkar, Managing Director, ICRA, said, "A CRA is integral to the reforms process; it can contribute significantly to the growth and professionalization of the financial system. Globally, CRAs have been known to assist regulators promote transparency in the financial markets and also provide intermediaries with a tool to improve efficiency in the funds raising process."

"ICRA's venturing into Nepal and its increasing footprints beyond Indian shores underscore the growing international acceptance of an agency that is already a leading provider of credit rating, grading, and investment information services in India. Significantly, ICRA has helped in the establishment of Credit Rating Agencies Bangladesh, Kuwait and Bulgaria. Further, ICRA has been operating a Credit Rating Agency in Indonesia and one in Sri Lanka through its subsidiaries in those countries" a statement issued by the company said.

ICRA Nepal will benchmark its rating process and methodology to the international standards that ICRA follows. Towards this end, ICRA Nepal has entered into a Technical Support Services Agreement with ICRA, which envisages, among other things, ICRA helping it with the rating process and methodologies, analytical software, research base, and analyst training. According to Mr. Deepak Raj Kafle, Managing Director, ICRA Nepal, "Our objective is to provide information and guidance to institutional and individual investors and creditors. We will draw on ICRA's immense experience and strengths to build up both our product portfolio and research capabilities. And as we go along, we will add more products, say, rating of loans and lines of credit, of the claims paying ability of insurance companies, and so on." TNN-Mumbai

MoCS pushes for finalization of LoEs for operating five new transit routes

The Ministry of Commerce and Supplies (MoCS) has started consultations with the Ministry of Finance (MoF) to finalize the drafts of letter of exchange (LoEs) which it plans to forward to the southern neighbor soon for the early utilization of the five new transit routes.

"The Ministry of Law and Justice (MoLJ) last week gave its clearance on the draft LoEs. Now we are awaiting consent of the MoF. Once okayed, we will send them to India through the Ministry of Foreign Affairs (MoFA)," Lal Mani Joshi, secretary at the MoCS told Republica. If every thing went well, the MoCS officials said the government will send those drafts to India within a week.

"We will move on to sign those LoEs once the cabinet of both the countries endorse the contents enshrined on them," said Joshi. Though India and Nepal exchanged initial drafts of LoEs last year, the two sides have acted slowly in getting the deals signed, which is crucial for operationalization of the new transit routes.

India in February 2011 had given its nod to open land routes between Vishakapatnam sea port and four major customs, rail route between Birgunj dry port and Vishakapatnam and also Rohanpur (Bangladesh)-Singhabad (India)-Jogbani (India) and Phulbari-Banglabanda in order to facilitate Nepal´s foreign trade.

MoCS officials said the proposed extra system was already supported by experts and business community. "There is no need to fear the additional lock on container along the transit routes as even the traders and experts are positive toward it, stating that it will lessen the hassles to ship the goods along those routes," said a source at the MoCS. India has already introduced additional lock system on Kolkata-Nepal route from August 2011.

Sarad Bikram Rana, executive director of Nepal Intermodal Transport Development Committee, said the government shouldn´t delay for signing the LoEs with India as the agreed trade routes were crucial for boosting Nepal´s trade with India, Bangladesh and overseas countries.

"We will be relieved from the monopoly of Kolkata port if we operationalize Vishakapatnam port and operate through new routes. Traders will get more choice along with better facilities and transparent process of cargo handling on those routes," said Rana.

India had long been putting pressure on Nepali officials to agree on the additional lock system before the renewal of the transit treaty, which expires on 5 January 2013, citing security concerns and cases of transshipment of goods destined to Nepal in India.

Bid to curb revenue leakage: Govt to keep strict eye on imports

The government will keep a strict vigilance over imports for the Dashain festival in order to curb any possible revenue leakage. A meeting of the Central Revenue Leakage Control Committee headed by the Finance Minister on Sunday decided to direct district-level revenue leakage control committees headed by chief district officers to formulate necessary strategies to tackle revenue leakage. The country sees massive imports during the festive season.

The meeting also decided to control smuggling by increasing the patrol of mobile revenue leakage control teams represented by the Nepal Police, Armed Police Force, customs offices and other government officials. It also decided to increase checks on vehicles carrying goods and control the use of small customs clearance documents, according to a press release issued by the finance ministry.

As the Armed Police Force has also been assigned the job of industrial security, the meeting decided to prepare a Standard Operating Procedure within the next 15 days to bring the Industrial and Revenue Security Force into action. The committee directed the Department of Customs to keep customs offices closed for minimum possible days during the festival in a bid to make import smooth. The department was also directed to maintain uniformity in the price of imported goods at all customs offices based on the valuation rate fixed by the government.

The meeting asked Inland Revenue Department (IRD) to conduct market monitoring and extensive publicity to help develop the habit of bill exchange among buyers and sellers.

India 'ready to scrap' quota on Nepali metals

The India has said it is ready to scrap the quota system imposed on the metallic items exported from Nepal. It has also assured that the 4 percent additional custom duty, which continues to be levied on the Nepali metallic items despite the previous bilateral agreement to remove such an imposition, would also be scrapped, a visiting Nepali business delegation has said after a spate of meetings with Indian officials.

A 19-member business delegation led by President of Birgunj Chambers of Commerce Ashoka Kumar Temani is in New Delhi since Tuesday for a five- day trip. The delegation held separate discussions with Arvind Mehta — joint secretary (Saarc) at the Indian Ministry of Commerce, Akhilesh Mishra — head of Nepal desk at the Indian Ministry of External Affairs, officials and businessmen associated with the Federation of Indian Chamber of Commerce and Industry.

India has appropriated a quota with the ceiling of 10,000 tonnes for metallic items — copper and zinc oxide — exported from Nepal annually when the Nepal-India Trade Treaty was revised in 2002. However, metallic exports from Nepal have not even crossed 2,000 metric tonnes annually, according Ashok Kumar Baid — senior vice-president of Birgunj Chambers of Commerce.

The Nepali delegation also urged the Indian side to rethink on the 30 percent value addition on the exports from Nepal to third countries via India. Mehta reportedly expressed India's readiness to address this grievance of the Nepali business delegation. The issues of open cargo, prospective Amlekhgunj -Raxaul oil pipeline and establishment of laboratory of standards with India's assistance also featured during the discussions. In reply, Indian officials told the Nepali delegates that India has already spearheaded on these issues and the ball is now in the Nepal government's court.

Plan to let foreigners to buy apartments in Nepal

The government's plan to let foreigners to buy apartments in Nepal might take some more time to materialise, with government agencies, especially the Home Ministry, showing concerns about security and long-term implications of such a provision for the country.

The Ministry of Home Affairs has raised multiple questions, including whether foreigners could stay in the country forever on ground that they have purchased an apartment here.

The government had announced allowing foreigners — both individuals and companies — to purchase flats and apartments costing $200,000 and above as a measure to address the woes of the realty sector last year. The Ministry of Land Reform and Management, which is preparing a working procedure, had sought opinion from various ministries, including the Home Ministry.

A source at the Land Reform Ministry said the Home Ministry is particularly concerned about the demographic impact as Nepal is in between the two most populous countries of the world — China and India. "The Home Ministry has asked us to prepare the working procedures based on the existing legal framework," the source said.

Nepal has no Act on allowing foreigners to own land here and the Non-Resident Nepalese Act also has not opened the door for foreigners to purchase property here. "We have expressed the concerns due to the fact that we do not have any legal provisions," said Home Secretary Nabin Ghimire. Another concern the Home Ministry has raised is whether the children of foreigners purchasing apartment here could enjoy the citizenship rights if they are born on the Nepali soil.

The Home Ministry is also concerned about the validity period of Nepal stay of foreigners purchasing apartments here.

Contd on page 4

Plan to let foreigners to buy …………….

The ministry's other concerns include the possible involvement of foreigners in criminal activities here. "If the government forces such a person to leave the country, the confusion about the status of the property s/he has purchased here should also be clarified," a source at the Land Reform Ministry said, adding that the ministry is also concerned about the possibility of foreigners using the provision for money laundering.

Deepak Giri, joint spokesperson for the Land Reform Ministry, said there are issues like whether to allow a single foreign company to purchase the entire block of apartments or allow people from the same country to occupy the entire colony.

In the initial draft of the working procedure, the Land Reform Ministry has proposed that only the foreigners getting recommendation from the Foreign Ministry would be allowed to purchase apartments here. The draft has also provisioned that after purchasing the apartments foreigners could not resell or lease the property for the next five years.

Despite the uncertainty over the introduction of the working procedures for allowing foreigners to purchase apartments in Nepal, the realty sector is gradually reviving. Revenue collection from land and house registrations increased by 19.43 percent to reach Rs 4.14 billion in 2011-12 compared to Rs 3.47 billion in 2010-11, according to the Department of Land Reforms and Management.

PE Board moves to reopen 7 enterprises

The Public Enterprises (PE) Board is gearing up to bring seven public enterprises of the production sector back into operation. Under its new action plan, the board is preparing to propose the government to let the private sector or cooperatives to operate the enterprises that have remained closed for the last several years. The seven PEs are Nepal Drugs Limited, Janakpur Cigarette Factory, Nepal Orind Magnesite, Nepal Metal Company, Birgunj Sugar Mills, Hetauda Cement and Agricultural Tool Factory.

"With growing interest from the private and cooperative sectors, we are working to hand these seven enterprises over to them," said Bimal Wagle, chairman of the board. He added that the move was planned as per the government's opinion that production-based PEs should come to operation to contribute to the national economy. Wagle said the board was discussing the modality on how the private and cooperative sectors could invest in these PEs. "We will come up with a proposal within two months," he said.

Prime Minister Baburam Bhattarai last week directed government agencies to create conducive environment for the reopening of closed public enterprises in production sector. The Prime Minister's directives had come amid mounting pressure from locals, political parties and other stakeholders to reopen the Birgunj Sugar Factory that has remained closed for the last decade.

Following Bhattarai's instruction, the Finance Ministry had asked the board to take care of the matter, stating that the government was committed to find a suitable alternative to reopen the factory. PE Board officials said they have come to the conclusion that the government cannot run ailing PEs on its own. Finance Ministry officials said the ailing PEs have been incurring losses every year and that a clear policy is required to decide on their existence. The ministry last year provided over Rs 2 billion for the payment of salaries of PE employees.

Economist Bishwambher Pyakuryal said the government should first categorise the ailing PEs into two classes as per the resource availability, market size and profit making capacity and then hand over the viable projects to the private and cooperative sectors. "The government should conduct as study and inject money to bring other unviable PEs in proper shape," he said.

Private sector rue CPN-M move

Private sector bodies—the Nepal-India Chamber Commerce & Industry (NICCI), Federation of Nepalese Chambers of Commerce and Industry (FNCCI) Confederation of Nepalese Industries (CNI), and Nepal Chamber of Commerce (NCC)—last week said their serious attention has been drawn on reports that the CPN-Maoist has decided to prevent the movement of vehicles bearing Indian number plates in Nepal from Thursday.

Private sector warned that any such move could shortage of daily essential commodities and fuel price rise, it is unfortunate if the party's decision is institutional. Stating that Nepal and India hold strong economic, social and cultural ties, the private sector body said such an unlawful and irrational decision would put the Nepal-India relation in jeopardy.

Nepal's trade with India currently stands at 65 percent of the total trade. Besides, Nepal is totally dependent on India in some of the major commodities like petroleum and industrial raw materials. Around 400 cargo trucks enter Nepal through Birgunj daily. Keeping all that in view "We (the private sector) appeal to the party to be serious and responsible on the issue and rollback the decision immediately considering the historical bilateral relationship between the two countries," the statement read.

ADB to continue support to Melamchi and 'ready' to increase aid for quality project

The Asian Development Bank (ADB) has reiterated its commitment to continue support for the long-delayed Melamchi Water Supply Project and help it complete on time. Asian Development Bank (ADB) said on Thursday that it was ready to increase the aid amount to complete the Melamchi Drinking Water Project (MDWL). The promise was made by Juan Miranda, director-general of South Asia Department of the ADB, the major financier of the project on Thursday. 27th September. ADB is the major donor for the much-anticipated project.

The commitment comes two days after the Melamchi Water Supply Development Board (MWSDB) terminated its agreement with a Chinese contractor appointed to build the 26.3 km tunnel after it demanded more funds than mentioned in the bid document to complete the work.

"In principle, we are ready to put more money into this project," said Juan Miranda, director general of ADB's South Asia Department after concluding his two-day visit to Nepal on Thursday. ADB has provided loan investment worth $120 million for the project however, Miranda said ADB was committed to providing necessary to support to the government to ensure the completion of the project by early 2016.

"We were unlucky to have a contractor that could not make delivery on time. But we will bring another contractor within a short time and finish what has been begun," Miranda told journalists.

"We know Kathmandu residents expect the project to be complete. And we want to let you know the government, the MWSDB and the ADB are unequivocally committed to complete the project within the deadline of 2015 or early 2016," Miranda said. "We won´t let you down."

Miranda said the latest setback, which led to the ouster of the Chinese contractor, occurred as the bid amount demanded by the company was "not right". "Their price was $30 million lower than the second-lowest bidder," he informed. "But looking back is not going to help."

ADB plans tougher criteria in the technical proposal which will disqualify bidders weak in quality matters. Despite the underperformance of the Chinese contractor, Miranda refused to blame the contractor for the failure of the tunnel digging work. The Chinese contractor has so far completed digging only 6.5 km of the tunnel although it was supposed to complete 20 km. "It is not right to engage in blame game instead of looking forward," he said.

This time, Miranda said, ADB wants cost and quality to be embedded in proposals of contractors. "Cheapness is not necessarily the right thing, as they may later add cost. We want to pay for the quality this time." "We will blend the cost with quality adhering to the Public Procurement Act" he said.

He also informed that the ADB was willing to pump in more money into the project "if that is needed". "We are sure the cost of project will go up but we have to pay for the quality," he said.

With the government preparing to start a new bidding process to appoint a new contractor to complete the tunnel digging work, the project cost is expected to go up by 40-50 percent from current estimation of Rs 4.28 billion. The government on Tuesday terminated the tunnel contract awarded to Chinese contractor China Railway 15 Bureau Group. The Chinese company was assigned to construct the 26.5 km diversion tunnel and head works. MDWL officials say the cost may double while making payment in Nepali currency terms amid strengthening US dollar.

The project aims to bring 170 million litres of water every day to the Kathmandu valley to meet the ever rising demand for drinking water. The $400-million-plus project that was supposed to address chronic drinking water supply problem of Kathmandu Valley was set in motion in 1998 when MWSDB started looking for funds to build it. But the dream project soon turned into a pipe dream as factors ranging from Maoist insurgency, political wrangling to protests by locals and inefficiency of contractors presented roadblocks.

Following the termination of the contract with the Chinese company, the government has already started preparation for calling a new bid. "We will issue a bid notice by mid-November," said Krishna Prasad Acharya, executive director of Melamchi Water Supply Development Board. "A contract will be awarded to a new party within the next six months."

Indian Tourists welcomed notwithstanding anti-Indian vehicle move by CPM Maoist

Despite disturbance in entrance of Indian number plated vehicles from last Thursday 27th September 2012 by the CPN Maoist at the border area, the irritated Tourism Business community in western Nepal defused the move with hearty welcome to the Indian Tourists who entered Nepalese territory on Indian vehicles at Dhangadi on Sunday 30th September.

Members of tourist welcome society and other businessmen welcomed 16 Indian tourists arrived by motorbikes in Nepal for 11 days visit from Maharashtra, Karnataka, Gujrat, Madhyapradesh, New Delhi, Andhra Pradesh, Uttar Pradesh at Hotel Devotee.

Welcoming the tourists, Krishna Bahadur Mahara, President of society said "If somebody wants to collapse the national economy threatening tourist, still there are others to welcome tourists. I cordially advise you to travel in Nepal freely without fear."

Sanjay Bhojani, team member from Gujrat said "The rumor publicized in India that Maoist does not let entering the Indian citizens in Nepal was not true, nor the immigration at Indian border's suggestion not to go to Nepal was correct. He said "Such news of bandh and strike and ban on entrance of Indian vehicles may collapse the tourism business in Nepal".

The Indian team was dropped at Bardia National Park with escorting by different units of Police. "Nature has given beautiful gift to Nepal; at the down side there is Terai, then small chure hills, then other high hills, and at the extreme, the high land where there are beautiful Himalayas, including Mount Everest, roof of the world. There is no other country having such diversity in ecology, altitude and climate" said Santosh Bijay Kuamar, the Indian Team Leader from Banglore.

Royal Enfield Motorcycle Company has been organizing a Tourism Tour every year for the promotion of their bikes. Santosh, also the Team Leader of the 33rd International Tourism Team said they were going to travel from Bardia National Park to Lumbini, Chitwan, Kathmandu, Pokhara and upto Jomsom.

Santosh, who have been fourth time on Royal Enfield Tourism Tour, said "there is no other interesting country that can be compared to Nepal. Nepali people are really very helpful, where ever we go, we find warm welcome and above that we can have natural beauties to see. We can find luxury things everywhere but for natural beauty, there are very few countries and amongst them Nepal is the best" said Santosh.

Private sector finally gets industrial security force

The decade-old demand of the private sector for an industrial security force has been fulfilled with the Cabinet deciding to establish the Industrial and Revenue Security Force (IRSF). A Cabinet meeting on Thursday agreed to form the IRSF with personnel from the Armed Police Force. The IRSF will provide industrial security and check tax evasion at border points. An additional 2,200 vacancies will be created in the APF to recruit personnel for the IRSF.

The creation of the IRSF is expected to give relief to the private sector which has been suffering from a deteriorating industrial environment marked by militant trade unionism and ransom demands. The private sector has welcomed the move saying that it could also boost the government's grand plan of Nepal Investment Year 2012-13 if implemented effectively.

Though the government has been providing security personnel to a number of industrial units, the private sector has been asking for an institutional setup that could address the problem on a long-term basis.

The manufacturing units that have been provided industrial security through the Home Ministry are Triveni Spinning Mills, Triveni Synthetic Yarn, Eastern Sugar Mills and Ram Sugar Mills. They have been paying a monthly fee and providing food and lodging to the personnel of the Armed Police Force for their services.

"The IRSF will make industrial security more effective and organized," said former FNCCI president Ravi Bhakta Shrestha.

However, the private sector has said that the number of personnel planned for the IRSF is inadequate. "It is a welcome start, but the strength of the force will need to be increased in the future to bring the entire industrial sector within the security net," said Pashupati Murarka, vice-president of the FNCCI. Murarka added that industrialists were ready to collaborate with the government by providing logistical support if the security force can prevent threats to industry and industrialists.

Initially planned for industrial security, the government has included revenue leakage control under the IRSF's purview. It will now be deployed at customs offices too. The APF has already been deployed at major customs points.

The budget announcement for fiscal 2010-11 had mentioned that a security force would be set up for big factories. It had directed the Industry Ministry to establish police posts with five police personnel each at factories employing more than 500 workers.

Indian firm Sutlej lands Arun III contract, Upper Karnali´s EIA okayed

The government has finally decided to award the 900 MW Arun III Hydropower Project to the Sutlej Jal Vidyut Nigam Ltd (SJVN), India´s state-owned power producer, after the company demonstrated financial capability to bring in Rs 82.5 billion for the development of the project.

A meeting of the Investment Board (IB) on Friday took the decision, approving the investment of the SJVN, a senior official of the board informed. The board chaired by the prime minister has been empowered to implement mega infrastructure projects and hydropower projects such as Arun III and 750 MW West Seti.

Arun III is a run-of-the-river project based in Sankhuwasava district and SJVN was selected to prepare its detailed project report (DPR) and develop the project through a global bidding in 2008. "The final approval means it can now start the necessary construction works," the source added.

SJVN has demonstrated how it would invest Rs 81 billion as fixed capital and Rs 1.5 billion for variable cost. It has also outlined its plan for laying transmission lines to connect the project with the national grid.

The board meeting also approved the environment impact assessment (EIA) report of the 900 MW Upper Karnali Hydropower Project submitted by GMR, another Indian power developer.

"The board has decided to ask the Ministry of Environment, Science and Technology (MoEST) to speed up the process of approving EIA report of GMR," the source revealed.

During the meeting, Prime Minister Baburam Bhattarai expressed his concern over concrete plan to kickstart the Nepal Investment Year 2012/13 campaign announced by the government to bring in US$ 1 billion in foreign investment. The prime minister also directed the Ministry of Finance to arrange budget necessary for the board to launch the campaign. Though constrained by the one-third budget, Finance Minister Barsha Man Pun, who was also present at the meeting committed that he would try his best to manage the budget for the board.

Nepal to get Chinese assistance in five key agri sectors

China has agreed to support Nepal in five major sectors of agriculture, including fisheries, crops and livestock, to speed up farm commercialization in the country. The northern neighbor pledged the support during the secretary-level Nepal-China Agriculture Assistance Meeting on Monday. The Chinese side has also agreed to enhance capacity of Nepal in seed production, horticulture and hill livestock such as sheep farming.

Ganesh Raj Joshi, secretary at the Ministry of Agriculture Development (MoAD) and Niu Dun, Chinese Vice Minister for Agriculture had led their respective delegations at the bilateral meeting.

"China has agreed to support us in five sectors that are crucial for our country´s agriculture development," Dr Prabhakar Pathak, spokesperson of the MoAD said. Pathak said the northern neighbor agreed to help Nepal in the development of hybrid rice and maize seeds, commercialization of fisheries and sheep farming as well as pasture development under the proposed crop and livestock development program. China has also agreed to assist joint programs aimed at conducting research for germplasm required for the production of hybrid seeds of paddy and maize, horticulture development, pig farming and poultry.

The Chinese delegation has also expressed commitment to support consolidation and expansion of livestock and food quarantine programs to promote production and trade facilitation of plants, livestock and other agriculture products produced in Nepal. China has also pledged to support Nepal for the prevention and control of trans-boundary diseases and pests that have been inflicting livestock and crops in both the countries. It has also agreed to help Nepal in development of human resources by increasing training quota for Nepali farm technicians, agriculture officials and farmers.

In an effort to ensure timely initiation of implementation of agreed programs, the two sides have agreed to form a five-member taskforce to be led by a joint secretary at the MoAD. "The team will finalize detail work plan before June 2013 to execute the programs to be implemented under Chinese assistance .We are hopeful the proposed support from will make significant contribution to enhance Nepal´s capacity in farm production," Pathak told Republica.

He also said that both the sides have also agreed to support frequent exchange of exposure visits and interaction among entrepreneurs of both countries so as to encourage them to invest in agriculture sector.

The 4th bi-lateral meeting is scheduled to be held in Beijing in 2014.

Standard Operating Procedure to cut red tape for migrant workers

The Ministry of Labour and Employment (MoLE) is getting ready to issue a Standard Operating Procedure (SOP) to regulate the foreign employment sector in a bid to end exploitation of migrant workers and ease the terrible conditions they have to endure abroad. The SOP, which is planned to be enforced in one month, will free migrant workers from the hassle of dealing with multiple stakeholders in the foreign employment sector. The SOP has assigned specific responsibilities to different entities.

According to MoLE spokesperson Buddhi Bahadur Khadka, the SOP aims to set up a standard work operation. He said that the new procedure would cover the purview of all the stakeholders including the Department of Foreign Employment (DoFE), the Ministry of Foreign Affairs (MoFA), Nepali missions in the destination countries, the Department of Immigration (DoI), the Labour Desk at Tribhuvan International Airport and recruiting agencies.

“We have realised that workers are facing problems as they are required to submit unnecessary documents and visit many offices to complete a single requirement,” said Khadka. “The SOP will remove needless paperwork by assigning particular functions to the concerned bodies. It will enhance the speed, quality and volume of service we provide to aspiring migrant workers,” said Khadka.

Due to the involvement of various ministries in foreign employment, most workers have to wait for many days for a single procedure to be completed. A large number of workers are exploited by government officials at the DoFE and the DoI and by their employment companies and agents. Ambiguous and conflicting regulations have resulted in overlapping authority of diverse stakeholders and burdened workers with superfluous paperwork.

MoLE officials said that discussions were still continuing with the concerned stakeholders to make the new mechanism more effective. DoFE director general Purna Chandra Bhattarai said that their main objective was to ensure freedom from exploitation for workers. “Service seekers are suffering due to too many stakeholders and requirements. Our main objective is to specify procedures for workers and the concerned offices,” said Bhattarai.

The procedures, he said, would particularly specify the requirements for pre-approval and final approval and the responsibilities of other offices like the labour desk, the DoI and the Nepali embassies.

Bank loans to farm sector jump 65pc

Commercial banks have been responding heartily to Nepal Rastra Bank’s (NRB) call to increase lending to the agriculture sector. Loans to the farm sector jumped 64.9 percent in fiscal 2011-12 compared to the previous year.

According to the central bank’s statistics, lending increased to Rs 23.4 billion in 2011-12 from Rs 14.19 billion in 2010-11. Credit went to farming service, tea, animal farming, forestry, fishery and other agricultural activities and services.

The current fiscal year’s monetary policy has directed commercial banks to increase their lending to the agriculture and energy sectors to 10 percent of their total lending. They are required to reach this figure by mid-July 2014, according to the NRB directive.

Central bank officials are elated by the change in lending trends. “Before the directive was issued, lending to agriculture and agriculture based industries accounted for less than 3 percent of the total lending portfolio,” said Min Bahadur Shrestha, executive director at NRB. “Currently, the lending is well above 4 percent.” He added that the increase may not be large considering the small base of agro lending, but it is a significant rise. More encouraging has been the changed approach of banks towards financing agro-based businesses. Everest Bank has even opened a separate branch to concentrate on such lending. It recently launched a branch in Rajbiraj named Krishi Udhyam Bikas Sakha with a special mandate to concentrate on lending to the farm sector.

“We have identified agriculture as one of the very important lending avenues, and we are coming up with better ways to extend loans to the sector,” said PK Mohapatra, CEO of Everest Bank. “We have already given lending targets to our branches, mostly in the Tarai region.” He added that agro sector lending accounts for 3.2 percent of Everest Bank’s total lending portfolio of Rs 36 billion.

The bank has directed its branch in Janakpur to lend to fisheries while the office in Chitwan is specialising in lending to the poultry industry. Likewise, the Rajbiraj branch will concentrate on lending to paddy and wheat farming and the Birgunj branch will finance sugarcane farming. Mohapatra said that they had calculated the cost of various factors of production in order to make appropriate lending based on the project. “Currently, we are financing up to 75 percent of the project,” he said.

Likewise, Himalayan Bank, whose agro lending amounts to 4 percent of its total lending, is seeking help from International Finance Corporation (IFC) to increase focus on the sector. “We have proposed to IFC to guarantee 50 percent of our total lending which will double our lending capacity by improving our capital adequacy ratio,” said CEO Ashoke Rana. NRB has placed agro loans in the 100 percent risk weight category.

Contd on page 9

Bank loans to farm sector .....

Similarly, Kist Bank is a front runner in extending agro lending. It is more inclined towards micro agro projects operated by women, according to BN Gharti, CEO of Kist Bank. “Currently, agro lending accounts for 5 percent of our portfolio,” said Gharti.

Meanwhile, the country’s largest bank Rastriya Banijya Bank has also planned to increase lending to agriculture and energy by Rs 5 billion this year.

Although there is new enthusiasm among banks to increase lending to the farm sector, the central bank is not content with the steps they have taken so far. Speaking at a function organised by the Nepal Finance Companies Association on Sunday, NRB governor Yubaraj Khatiwada said that banks were still reluctant to invest in the agriculture sector although they ask the central bank for advice on where to lend.

Rana, who is also the president of the Nepal Bankers Association, said that most of the banks would meet the target set by the central bank by mid-July 2014.

'Russia ready to invest in Nepal'

Nepal has failed to tap Russian investors, according to former president of Non-Resident Nepali Association (NRNA) Upendra Mahato.

Nepal can benefit more as Russian investors could bring in huge investments, Mahato said, while addressing Russian and Nepali business people in Kathmandu today

“Russians have no political interest in the country, except for the security of their investments and profits, which any investor seeks while doing business,” said Mahato, adding that if the government here can assure security to their investments, then that will definitely help attract Russian investment in the country.

If Nepal can propose bigger projects, then Russian investors will be interested to bring their investment to the country, the former president of Non-Resident Nepali Association opined. “Though there have been talks with Russian investors in the past, they are looking for more concrete projects to invest in.”

Addressing the visiting Russian business delegation led by deputy director of the International Cooperation Department of the Russian Federation’s Chamber of Commerce and Industry Tatiana V Legchilina, industry minister Anil Jha assured them of security to their investment.

“Despite political instability, investment is a primary concern that is key to peace and prosperity,” he said, assuring the business fraternity of investment facilitation.

Similarly, vice president of Nepal-Russia Chambers of Commerce Naresh Shrestha said that Nepal still provides scope for investment though there are challenges. “After Russian airlines, Aeroflot, stopped its flights to Kathmandu, the flow of Russian tourists has slowed down,” he said, urging it to start flights again.

Russian ambassador to Nepal Sergey V Velichkin was of the view that Russian investment in India and China has been increasing and Nepal — that is placed between the two big markets — should also take advantage and attract more Russian investment.

“International trade is all about shaping destinies of the world,” Mahato said, adding that trade between the two countries must be attached with value and moral.

“Nepal and Russia both believe in trade with value, but the understanding of the opportunities that Russia can offer is very poor in Nepal despite many commonalities.”

AEC starts bamboo material production

The Agro Enterprise Centre (AEC), a division of the Federation of Nepalese Chambers of Commerce and Industry, has started production of building materials made of bamboo. It has invested Rs 40 million in the venture which is based in the Terai districts of Jhapa, Sunsari, Rautahat and Rupandehi.

The AEC has launched a project named Development and Commoditization of Pre-fabricated Modular Bamboo Housing in Nepal which has installed pre-processing plants for bamboo in Jhapa, Sunsari and Rautahat, and a processing plant in Butwal, Rupandehi. The products are made by small and medium enterprises.

According to the AEC, the program aims to benefit the poor by building their capacity and developing a production chain. The organization said that similar community based program are being successfully run in many Asian and African countries. AEC project manager Keshab Nath Adhikari said they would start pilot production from December and construct 18 model houses using the material by next year.

The AEC has received financial support from Combined Force Command, a United Nations agency, and technical support from the International Network for Bamboo and Rattan, China and the Interdisciplinary Centre for Biotechnology Research, US. Adhikari said that production of pre-fabricated bamboo would be started after two months. Bamboo, which can be harvested after four-five years of planting, can help minimize use of wooden construction materials, according to the AEC.

NEA to add solar power to national grid

For the first time in the country, Nepal Electricity Authority (NEA) has signed a power purchase agreement (PPA) to buy solar energy. The deal with the Kathmandu Valley Drinking Water Management Board on Friday follows a decision of the government to tackle the existing power crisis.

According to the PPA, solar power generated from Sundarighat in Lalitpur will be purchased by the NEA. As per the PPA, the NEA will pay Rs 5.10 for one unit of energy. The board has set up a solar energy plant under a Japan International Cooperation Agency (JICA) grant of Rs 1 billion. The plant started generating energy two months ago. The head of the power trade division at the NEA, Sher Singh Bhat, and member of the board Gautam Prasad Shrestha signed the agreement amid a programme here.

"This is the first time that the NEA will be installing solar energy in the national grid line," Bhat said. He added that preparations to link the solar energy to the national grid are in the final stages. "The solar power will be added to the national grid within around 20 days."

The plant with the capacity of 680KW will add 6,18,000 units per year to the national grid through its 3,250 panels. The plant sprawls across 12 ropanis of land.

Set up with Japanese aid, the plant aims to ensure uninterrupted power to various water plants. Surplus power will be sold to the NEA.

Banks expand credit portfolio with home loans

With the financial system enjoying a healthy liquidity position, a growing number of commercial banks are considering housing loan once again as a way to expand their lending portfolio. Some of the commercial banks have already rolled out different schemes to sell their housing loan products, while others others are in the process of following suit.

Taking advantage of the festive season, banks have lowered interest rate in the range of 10-12 percent. Considered as one of the safest products, home loan is extended to individuals based on their regular incomes, and some have offered 25-year home loan plan payable in 300 equal monthly installments (EMI).

Similarly, some bank has launched 'Pre-approved Home Loan' recently. According to the bank, the products were designed to increase the outreach of the general public to financing on housing. In the pre-approved system of lending, banks decide the loan amount and interest rate for customers based on their income. This allows customers to choose the house and automobile without any hassle or doubt about their ability to get finance.

The EMI always plays a greater role in enabling consumers with limited purchasing power to purchase big things. The lengthy payback period of the bank enables even the buyer with lower monthly income to qualify for such loan.

Happy Deals Trade Fair in early October

In a season of expos and fairs, one more expo, The Kathmandu Post Happy Deals Trade Fair 2012, Jointly organised by Happy Deals in coordination with Expo and Event Management Services is all set to kick off from the first week of October. The fair is expected to be a one-stop shopping destination for festive shoppers through October 4-8 at the Exhibition Hall in Bhrikuti Mandap in Kathmandu.

According to Khagendra Kadel, MD of Happy Deals, more than 70 stalls will display a variety of items ranging from ICT products to automobiles, home appliances, fashion wears, garments, handicrafts, furniture and leather products. Other attractions of the fair include cosmetics, herbal products, paints, books and stationeries, travel and tour companies and food and beverage manufacturers.

According to Kadel, the expo will offer quality products at an affordable price. "People will get quality products and services at an affordable price, as the organising committee itself will keep a close watch on the products and services," he said.

The fair will enable manufacturers to deal directly with the end customers. "From the buyers' perspective, it will be beneficial as they can get products and services at nominal price and from the perspective of manufacturers or service providers, they have an opportunity to collect feedback from the customers," said Kadel.

Raise import duty on raw sugar, Industry requests government

The sugar industry is requesting the government to increase the import duty on raw sugar from 10% to 25% for safeguarding the domestic market from price distortion.

The retail price of sugar is around Rs 40 a kg and the industry fears that if imports are not restricted, prices may fall below Rs 32, which is lower than the production cost, leading to a situation which may be beneficial for consumers but not for the local sugar industry grappling with lower price realisation and higher cane arrears.

"International sugar prices have fallen significantly in the last couple of months due to improved sugar production in Brazil and better production in countries like India, Thailand, China and Russia. Cheaper import of raw sugar will depress domestic sugar prices to unviable levels, putting pressure on the sugar industry," said an industry official who didn't wish to be named.

The prices of Brazilian raw sugar are ruling around $500 (Rs 26,425) a tonne while domestic white sugar prices have climbed by around 25% in the past three months to $680 (Rs 35,938) a tonne, making imports a profitable proposition. Indian mills are reported to have signed deals with Brazilian companies for imports which may lead a fall in prices in the ensuing festive season.

The strengthening of the rupee against the dollar in the last couple of days has also prompted companies to go for imports. The rupee on Saturday was at a five-month high of 52.85 against the American currency. TheFinance Ministry hopes that the rupee may strengthen to Rs 50 against dollar in a few months, which may make things tougher for domestic sugar industry.

"There is a big gap between global and domestic prices. Even if we add a processing cost of $60, an import duty of $50 and other expenses of $30 to per tonne for raw imports, importers will still earn handsome profits at current domestic prices," said a sugar mill owner.

India is likely to produce surplus sugar for the third year in a row although production this year may go down by around 2 million tonne from last year's output of 26 million tonne. This would be due to the lower production expected in drought-hit Maharashtra and Karnataka. Mills in these two states are looking at importing raw sugar to improve their capacity utilisation as they fear scarcity of cane due to erratic rains.

"Such mills can import under the government's Advance Authorisation Scheme, which allows these mills to import at zero duty with the condition that the entire white sugar produced should have to be exported. If import happens under this scheme, there will be no harm to the sugar industry," said another industry official.

However, it appears that it would be unviable to re-export after processing the imported raw sugar to a global market which is already flushed with around 6 million tonne of surplus sugar. Meanwhile, the government has decided to release 4 million tonne sugar in the open market to keep prices under check during festivals in the next two months. "We will not let prices go up in any case. We are prepared to release extra quantity if need be," said a ministry official.
REUTERS - NEW DELHI

RBI should march in step with the Government: Finance Minister P Chidambaram

Finance Minister P Chidambaram wants the Reserve Bank to "walk in the same direction" as the government by cutting interest rates in response to sweeping reforms to rules governing foreign investment and politically-difficult cuts in fuel subsidies.

"In our view, the government and monetary authority must point in the same direction and walk in the same direction. As we take steps on the fiscal side, RBI should take steps on the monetary side," Chidambaram, 67, said in his first exclusive interview since returning to the finance ministry.

RBI held interest rates stable at 8 per cent in its mid-quarter review of monetary policy on September 17, even as the government announced a dramatic series of reforms on September 13-14. ET Bureau - New Delhi

Public sector Indian banks revise deposit rates on FCNR accounts

Public sector lenders, Punjab National Bank (PNB), Union Bank of India (UBI) and Oriental Bank of Commerce (OBC) revised their deposit rates on FCNR accounts (foreign currency non-deposit accounts) with maturity of one-five years from Monday, 1st October 2012.

As per the revised rates announced by Union Bank, the deposit rates have been revised downwards by 4-12 basis points on one-five year maturity in dollar-denominated accounts. Similarly, rates have also been revised for FCNR accounts in the euro, pound, Australian and Canadian dollars among others.

This is the second revision of deposit rates by the bank on FCNR accounts after September. PNB and OBC have also revised their deposit rates on FCNR accounts on one to five year maturities effective from today.

Accordingly, the rates have been revised downwards by 4-12 basis points on the dollar denominated accounts. Earlier, country's largest lender-SBI and Central Bank of India had also revised rates effective from September. PTI -MUMBAI

Rail cargo attract service tax from October

Service Tax on transportation of goods by rail, which was exempted up to September 30, 2012, now be levied on total freight charges with effect from October 1, 2012, as per provisions contained in Finance Bill 2010 and subsequent notifications issued by Indian Ministry of Finance.

Since an abatement of 70% has been permitted on freight for the taxable commodities by the ministry of finance, the Service Tax will be charged on 30% of the total chargeable freight inclusive of all charges (like busy season charges, development charge etc.,). However, certain commodities have been exempted from payment of service tax as per ministry of finance notification.

The railways has carried 405.54 million tonnes of revenue earning freight traffic during April-August 2012. The freight carried shows an increase of 16.45 million tonnes over the freight traffic of 389.09 million tonnes actually carried during the corresponding period last year, registering an increase of 4.23%.

During August, the railways carried revenue earning freight of 78.43 million tonnes, over the actual freight traffic of 75.79 million tonnes carried during the same period last year.

Withdraw subsidies, Kelkar Committee tells government

A committee, formed to prepare a fiscal consolidation plan for the government, Friday recommended withdrawal of all subsidies, saying the Indian economy is poised on the edge of a "fiscal precipice". But officials in the finance ministry said the committee's suggestion cannot be accepted in toto as some subsidies are necessary, given the government's stated policy of inclusive growth.

The committee, headed by former finance secretary Vijay Kelkar, said half of diesel subsidy should be eliminated by March 2013 and the rest by fiscal 2014. It recommended kerosene price should be raised by Rs.2 per litre and that the subsidy on the fuel needed to be reduced by one-third by fiscal 2015.

It also suggested phased elimination of subsidy on LPG in the next four years. In case of food, the panel favoured raising of issue price of foodgrain at ration shops. On fertiliser subsidies, it wanted the government to raise the urea price.

The committee warned the government that in the absence of these corrective measures, the fiscal deficit of the government could shoot up to 6.1 per cent of the gross domestic product (GDP) in the current financial year against the budget estimate of 5.1 per cent. "We cannot overemphasise the need and the urgency of fiscal consolidation," said the committee.

"High fiscal deficits tend to heighten inflation, reduce room for monetary policy stimulus, increase the risk of external sector imbalances and dampen private investment, growth and employment," said the committee set up by Finance Minister P. Chidambaram to suggest a roadmap for fiscal consolidation.

Indo Asian News Service

Apple plans to set up its own stores in India if Govt eases local sourcing norms

Apple Inc, the maker of iPhones and iPads, is evaluating the possibility of setting up its own stores in India, if the Indian government eases local sourcing conditions, said two senior executives who have business relations with theCalifornia-based company in India.

It might be easier for Apple, the world's most valuable company, to set up stores if the government allows its IT outsourcing operations in India to be included as part of the mandatory 30 per cent local sourcing requirement, the two executives said.

Apple refused to comment on its India plans or whether it would ask the government to provide flexibility with regard to local sourcing norms.

"We don't comment on rumours and speculation," said a company spokesman in reply to an email query.

Traditionally, India has not been a high-priority market for Apple, and it takes months before its newly-launched products start selling in India officially through re-sellers.

CEO Tim Cook had told analysts during a conference call two months back that the multi-layered distribution in India adds to the cost of bringing products to the Indian market. REUTERS

Govt to set tax avoidance rules within 20 days: Chidambaram

India will set final rules on tax avoidance within 20 days after considering recommendations made by a government panel, finance Minister P Chidambaram said on Monday.

The panel was set up by Prime Minister Manmohan Singh to examine controversial laws known as general anti-avoidance rules (GAAR), first proposed in the budget in March, that target firms and investors routing money through tax havens.

In a previous draft report, the panel had recommended that the GAAR rules be deferred for three years.

REUTERS

Greek 2013 budget sees 6th year of recession

Greece will bring forward painful budget cuts to end a decade of primary deficits while grappling with a sixth year of recession, according to a 2013 budget draft aimed at satisfying international lenders.

The government unveiled a tough austerity budget after Finance Minister Yannis Stournaras met the so-called "troika" of International Monetary Fund, European Commission and European Central Bank inspectors, whose approval is vital to unlock the next slice of aid, urgently needed to avoid bankruptcy.

Greece will aim for a primary surplus before debt service of 1.1 percent of GDP next year, the first positive balance since 2002, after a 1.5 percent deficit in 2012. But the economy will continue to shrink for a sixth year by 3.8 percent.

Economic output will have declined by a quarter since 2008 in a vicious spiral of austerity and recession, with the most heavily indebted euro zone nation repeatedly missing targets set under its EU/IMF bailouts and at risk of being forced out of the single currency area.

Analysts said even the recession scenario set out in the budget appeared optimistic, given Greece's slow reform efforts and a weakening euro zone economy.

"Chances are the budget targets will be missed because of the deeper recession which the cuts will bring and the inability to meet privatisation targets," said Xenofon Damalas, head of investment services at Marfin Egnatia Bank.

The general government deficit, including debt servicing costs, will come to 4.2 percent of GDP next year from 6.6 percent in 2012, while unemployment will rise to 24.7 pct.

The draft gave no target for privatisation revenues. In a sign of the daunting scale of Greece's problems, public debt is projected to reach 179.3 percent of GDP next year despite a major write-down of debt owed to private investors this year.

Iraq targets $500 bn in energy-related investment

Iraq will invest around $500 billion in energy and linked industries with the help of the private sector by 2030, generating around $6 trillion in revenues, the Deputy Prime Minister for Energy said on Sunday.

Hussain al-Shahristani said the growth generated would create around 250,000 jobs for the war-torn country, which is trying to rebuild its economy after years of violence and economic sanctions.

"As for investment opportunities; investments between now and 2030 in the energy sector and linked industries will amount to about $500 billion, of which 80 billion is expected to come from the private sector," Shahristani said.

"As for investment opportunities; investments be tween now and 2030 in the energy sector and linked industries will amount to about $500 billion, of which 80 billion is expected to come from the private sector," Shahristani said.

"That investment is expected to generate about $6 trillion in revenues for the government, mostly from oil exports," he said during an investment conference for British businessmen.

Iraq needs investment in almost every sector. Rubble and incomplete buildings are a still a common sight and power cuts occur several times each day, more than nine years after the 2003 U.S.-led invasion that toppled Saddam Hussein.

Other than oil, economic development in Iraq has lagged, despite an easing of violence since the height of sectarian strife in 2006-2007.

The OPEC member has the world's fourth-largest oil reserves and is producing more than 3 million barrels per day (bpd) for the first time in three decades. It has ambitions to double that figure over the next three years thanks to investment by a number of oil majors including BP, Shell, Exxon Mobile, Italy's Eni, Russia's Lukoil.

Shahristani also talked about the ministry of electricity's plan to upgrade and build new power projects to solve chronic electricity shortages, a chief complaint among Iraqis.

"Power generation capacity is expected to reach 22 gigawatts to meet demand in 2016," Shahristani said.

"The ministry of electricity is also planning to upgrade the existing and the new gas turbine stations from single to combined cycle to increase power to about 30 gigawatt in 10 years," he added.

Shahristani said the ministry planned to exploit solar energy, currently rare in Iraq expect for lighting on some of its main streets.

"There are invitations for companies to build solar power stations in remote desert areas and this is part of the set plan to develop the power sector in Iraq."

Nepal-India Chamber of Commerce & Industry

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Better start in the twenties if you want to become an entrepreneur

If you don't start up in your twenties, you are less likely to do so in your thirties. The age profile of start-up founders in India shows a dominance of 20-somethings, a pattern that venture capitalists and angel investors attribute as much to the restlessness and risk appetite of youth as to the inability of older peers in letting go of the trappings of successful corporate careers.

"The proportion of entrepreneurs launching start-ups in the country would be highly skewed towards the age bracket of twenties and early-thirties," says Sasha Mirchandani, founder and managing partner at Kae Capital, and the founder of Mumbai Angels, which invests in start-ups.

Confirms Padmaja Ruparel, president of the Indian Angel Network: "The majority of our investee companies are start-ups launched by entrepreneurs below (the age of) 30."

The portfolio of Indian Angel Network, the country's first and largest network of angel investors, includes Aurus Network Infotech, Druva, Gamiana, Hashcube, Stayzilla, TaxSpanner and Unbxd, all of which were founded and launched by entrepreneurs below the age of 30.

Fewer responsibilities and a greater willingness to take on risk tend to work in favour of young entrepreneurs in taking the plunge. Alok Mittal, managing director of venture capital firm Canaan Partners, started his first business when he was in his twenties.

"It is easier to turn an entrepreneur in that age bracket as one has not built a lifestyle that requires continuous financial support, there are fewer personal liabilities, and one is alright with salary cuts," he says. Adds Mirchandani: "Their ability to take risks is much higher as they have fewer professional and personal responsibilities, and they can deal with the situation of living off meagre or irregular finances, which start-ups grapple with."

In the current Indian context, ironically, high-paying jobs — good salaries, perks and stock options — is holding back mid-level executives from turning entrepreneurs.

"The compensation and perks have killed entrepreneurial behaviour," says K Sudarshan, managing partner-India, EMA Partners. "Everyone wants to create wealth while in ajob." Hence, he adds, even when they want to, executives keep postponing their move into entrepreneurship, which, compared to jobs, has greater potential to create wealth but also comes with greater uncertainty.

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