



MANAGEMENT VOICE

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CMD, Kalyan Silks

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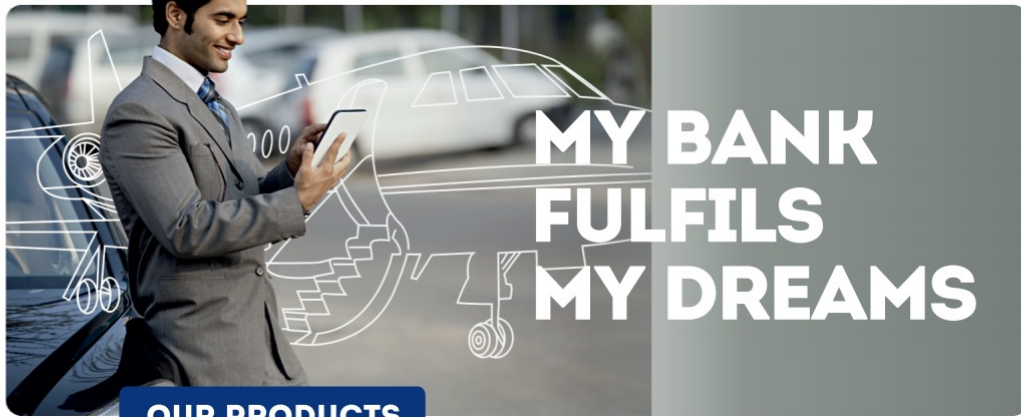
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Note: Management Voice solicits original articles (published/ unpublished) from its members. Kindly email your contributions to The Honorary Secretary at tma.tcr@gmail.com with "Article for TMA Voice" in the subject line.



FROM THE CHIEF EDITOR



Another great year for TMA comes to an end

For TMA and all its members, the last one year has been quite memorable. This is not to suggest that the prior years were, in any sense, colourless. On the contrary, we have been seeing with our own eyes how, in recent years, TMA has gone from strength to strength thanks to the calibre of its leadership team over these years. All the same, there's no denying the extra achievements of the past year, under its President, Mr. Vinod Manjila. The pace of activities is up, and more to the point, the range of activities and projects that were fruitfully taken up, has expanded by a mile. And that is surely the outcome of the vision and energy and dedication of this team who have consistently gone beyond the call of duty to deliver much more than was required or expected. Today, as their term comes to an end, they deserve unstinted applause for having raised the bar and setting many new benchmarks. And, as a new team prepares to take over the leadership of TMA for the next year, here's wishing them all the very best. May the bar be raised even higher!

In this issue

In our regular "Policy" column, Mr. V.P. Nandakumar, TMA's Past President and the MD & CEO of Manappuram Finance, considers the likely impact of the Indian government's recent move to increase the basic import duty on gold to 12.5 percent from 7.5 percent earlier. This follows the recent depreciation in the Indian rupee against the US dollar and higher forex outflows due to rising crude prices. Will the measure prove a gamechanger? That question has been left open-ended but there is a hint to the government that we need more imaginative strategies to ease the pressure on the rupee and the widening current account deficit.

Mr. Murali Ramakrishnan, the MD and CEO of the South Indian Bank, has contributed an article "Adapting to Lead and Leading to Adapt" that, interestingly, is based on his widely appreciated speech delivered at TMA's Annual Management Convention held on 13 March 2022 at Hyatt Regency, Thrissur. Indeed, the speech was so well received and so relevant to the occasion that TMA had immediately approached his office for a write-up based on what he spoken. We are delighted that his office was quick to oblige us, and we are grateful to them.

In our "TMA Interviews" section, we have interviewed Mr. T.S. Pattabhiraman, CMD of Kalyan Silks, one of the leading textile retailers in Kerala. In the interview, Mr. Pattabhiraman goes into the origins of the company and talks passionately about his involvement with various social causes, now that the day-to-day affairs of the business are taken care of by his sons. Over the years, TMA has interviewed almost all the leading light of business in Thrissur and beyond and if there is the one feature of this publication that sets it apart from the magazines of the other LMA's, it has to be this. In this regard, a special mention must be made of Mr. V. Raghuraman who has been handling this section for the last many years.

TMA's former President, CA. V. Venugopal, has contributed an article, "Indian Banking Sector - Present Status," which presents an overview of India's banking sector. The good news is that not only has there been improvement in asset quality of the banking system, but also the banks have improved their capital base to deal with any untoward situation that may arise in future.

It's after many years that I have included one of my own articles in this publication. The title is somewhat lengthy: "The expansive welfare state, the 'pate de foie gras' fallacy, and the impossible trinity 2.0" but I hope that will not deter the reader. It looks at the current trends in the US and expands on my impression that as welfare and entitlements go up, the US will soon confront a difficult choice. If welfare has to expand, either the military stands down or the economy loses its edge. That is to say, if the US wants to remain the leading military superpower, it should not compete with the Western European countries as a welfare state, lest its economic dynamism gets eroded.

Mr. Vivin Raju is the charter Vice President of TMA's Young Leaders of Thrissur (YLT) initiative. He has contributed a thoughtful piece, "Everyone starts with zero," At the outset, he reminds us that "everyone started at zero and the best thing about being a zero is the world of possibilities ahead of you. So, don't give up yet."

The final article "India's Readiness for Implementation of BEPS" has been jointly contributed by Mr. Kevin Seejo, Mr. Abdul Rahiman and Ms. Meghna Mishra who are penultimate law students at the Symbiosis Law School, Hyderabad. The article deals with a kind of aggressive tax avoidance generally known as Base Erosion and Profit Shifting (BEPS) activity.

Ranjan Sreedharan,
Chief Editor

MESSAGE FROM THE PRESIDENT



Er. Vinod Manjila

Small footprints in the sands of time....

Dear TMAians

As I prepare to take a step back & hand over the mantle, it gives me a sense of satisfaction that my team could complete the goals that we embarked upon.

The year started off with the lessons learnt from the pandemic. As the fear was looming large; we needed to build confidence in the members and rejuvenate the activities of the TMA.

We started off with a new narrative and a Carefully crafted strategy for the vision TMA@50. The journey had its twists and turns, Ups and downs. However, the team stood steadfast in its direction.

The success of the activities of TMA this year is the result of the relentless hard work of my team. We had the right kind of leaders heading each committee.

They made the – Unthinkable – thinkable,

Unimaginable – imaginable,

Unachievable – achievable.

With the Culmination of our activities, we have perfectly tested the different avenues and laid the blueprint for the future.

Before I conclude, I would like to THANK - My Hon. Sec. Er. Francis George, who was a pillar of strength and the real custodian of all the activities of TMA, my Committee heads for its actually these leaders who passionately implemented the various projects of TMA, all Past Presidents and Managing Committee Members, who motivated and guided us throughout the year and to all the members of TMA for your active participation. This year we had an efficient Office team, giving us the tailwind.

The journey has been fulfilling & fruitful as we leave Small footprints in the sands of time....

Thank you.

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AMRUMINE

SECRETARY'S REPORT



Er. Francis George

Dear TMAs,

We entered the last quarter (May - July 2022) of the TMA year under the presidentship of Er. Vinod Manjila. We made significant strides in the new three-pronged approach instituted by our president, and are in the final stages of related activities.

Let's Chat – Vilangan Hills Master Plan

As a follow up to the first Let's Chat meeting organized at Vilangan hills in October last year, the TMA team had collated a list of suggestions for improvement of Vilangan hills as a tourist attraction. The requirement that stood out most to be addressed was the haphazard development at the place using annual government grants. It was strongly felt that a master plan had to be developed to bring about consistency in the design and development done at Vilangan hills in future, and to plan a development schedule against it. The TMA team headed by the president met with the District Collector on the 7th of December and subsequently procured the permission of the District Collector in her capacity as the chair of District Tourism Promotion Council (DTPC) to develop a master plan for Vilangan hills.

Accordingly, TMA ran a contest during the months of April and May for the young architects and engineers of Thrissur to develop a master plan. Prizes were given to the best two submissions. Furthermore, a TMA expert team worked closely during the month of June with DTPC, the winner of the first prize, Aihikam, and other stakeholders to further fine-tune and finalize the master plan. The final master plan was submitted to the office of the Kerala minister for PWD and Tourism, Mr. Mohamed Riyas, and the District Collector of Thrissur, Ms. Haritha V Kumar. Furthermore, in a grand ceremony at Vilangan hills on 24th of July, the master plan was officially handed over to the Kerala minister for Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, Devaswoms, Parliamentary Affairs, Mr. K Radhakrishnan. Several dignitaries felicitated on the occasion, including the MLA of Wadakkanchery constituency, Mr. Xavier Chittilappilly, the RDO and secretary of DTPC, and the president of Adat grama panchayath.

Giving back to Society – Waste Management

TMA liaised with Green Worms (www.greenworms.org), a social impact-oriented sustainable waste management company, and three different panchayats in Thrissur district - Nattika, Thalikulam, and Valappad - to clear the backlog of non-organic waste from these panchayats for further processing. This helped win the trust of all stakeholders and people of these panchayats in the waste management capability. TMA further worked on effectively implementing and institutionalizing waste collection and processing in these panchayats with the help of Green Worms; our efforts will bear fruit by July 2022.

Giving back to Society – Industrial Mentoring

As part of its social commitment this year, TMA undertook mentoring of struggling industrial units. A TMA team comprising of experts in the food processing industry, management consulting, and cost accountancy did a detailed study of the operations, marketing, financials, and labour relationship of

Foster Foods which was struggling to stay afloat the past few years. The team had identified weak areas that needed immediate attention of the Foster Foods executive management. The team compiled its recommendations to the owner of Foster Foods, Ms. Farseen Anwar, on the 3rd of June at the District Industries Centre (DIC), Thrissur.

Membership and induction of new members

Hykon India Limited joined as an institutional member. Thanks to our past president, Er. Christo George, for signing up for the institutional membership.

There has been growth on the life membership and YLT membership fronts, as depicted below.

New TMA Life Members

Sl. No.	Name	Designation	Introduced By
1	CA. Sreekanth T A	M/S. T S Kalyanarama Iyer, Thrissur	Er. S N Prasad
2	Dr. Merine Paul	Consultant Ophthalmic Surgeon, I-Care Vision, Thrissur	Er. Vinod Manjila
3	Prof. Rajan T		Transferred from ALERT
4	Mr. C V Sabu	Income Tax Officer (Retd.)	Transferred from ALERT
5	Er. Varkey M O	Licensed Engineer - Urban Affairs Department, Govt. of Kerala	Transferred from ALERT

New YLT Members

Sl. No.	Name / Type of Membership	Designation	Introduced By
1	Mr. Sachin Jaison	Managing Partner, AS Traders, Thrissur	Mr. Vivin Raju
2	Dr. Mukesh Mukundan	Director, Daya General Hospital, Thrissur	Dr. Pavan Madhusudan
3	Mr. Adarsh Govind	Managing Partner, Tech VUE3D Pvt Limited	Ms. Jain Joy
4	Mr. Kurian Paul	Director & Managing Partner, Navya Bake Shop	Dr. Pavan Madhusudan

Contests and Awards

TMA continues to strive to recognize excellence and outstanding performance in various disciplines. The following awards and prizes were given during the period May-July 2022. Special thanks to CA. Anantharaman T A, Er. Rajeevan C G, and Mr. Joy Joseph for heading the different award committees involved.

Sl. No.	Award / Scholarship	Recipient	Date and Venue of Award Presentation
1	TMA-Florence Nightingale Award for Nursing Excellence (1 of 2)	Ms. Vijayalakshmy V R OT in-charge, Daya General Hospital	12 th May - International Nurses Day (Daya General Hospital, Thrissur)
2	TMA-Florence Nightingale Award for Nursing Excellence (2 of 2)	Mr. Lance Frank William Coronary ICU Head, Jubilee Mission Hospital	12 th May - International Nurses Day (Daya General Hospital, Thrissur)
3	TMA-Aqua Star Green Project Award	Mr. T S Pattabhiraman CMD, Kalyan Silks	5 th June - World Environment Day (Hotel Joys Palace, Thrissur)
4	TMA-Beeline Special Achievers Award	Mr. Sooraj P A Founder, Ecomade	24 th June (Christ College, Irinjalakuda)
5	12th TMA-Hykon All-India Business Plan Contest (BPC) – First Prize	Symbiosis Law School Noida	24 th June (Christ College, Irinjalakuda)
6	12th TMA-Hykon All-India Business Plan Contest (BPC) – Second Prize	Dr. John Matthai Centre Thrissur	24 th June (Christ College, Irinjalakuda)
7	12th TMA-Hykon All-India Business Plan Contest (BPC) – Third Prize	Naipunnya Business School Koratty	24 th June (Christ College, Irinjalakuda)

Student Chapter Activities

TMA conducted its first ever Students Conclave named “Chakravyuh” on the 24th of June at Christ College, Irinjalakuda. The conclave comprised of 5 different competitions between the 20 TMA student chapters - (1) Business Quiz, (2) Mock Interview, (3) Marketing Game, (4) Students Panel Debate, and (5) Best Manager. The conclave was inaugurated by Ms. Niranjana M, the UPSC rank holder # 431. She inspired the students by sharing how she accomplished her success by learning from prior failures, and through hard work, determination, and grit.

Apart from that, TMA members addressed various student chapters as follows.

Sl. No.	Date and Venue	Speaker	Topic
1	9 th June (Christ College, Irinjalakuda)	Mr. Joy Joseph CEO, TMA	Leaping out of your comfort zone
2	9 th June (Christ College, Irinjalakuda)	CMA Madhu A P Student Chapter Coordinator. TMA	Vision 2025 for Students
3	17 th June (Sahrdaya Institute of Management Studies)	Er. George Paul MC Member, TMA	My Journey in BPCL
4	18 th June IES College of Engineering, Chitilappilly	Er. Francis George Secretary, TMA	Developing a Personal Growth Mindset
5	18 th June IES College of Engineering, Chitilappilly	CMA Madhu A P Student Chapter Coordinator. TMA	Entrepreneurship Vision for Students

Guest Lectures and Webinars

Sl. No.	Date and Venue	Speaker	Topic / Details
1	6 th June (Hotel Joys Palace)	Mr. V K Raju Asst. Commissioner of Police & Sub Divisional Police Officer, Thrissur City	Guest lecture delivered as part of TMA- Aquastar Green Project Award presentation
2	18 th June (Hotel Joys Palace)	Mr. Prakash Pattabhiraman Managing Director, Kalyan Silks	Story of Kalyan Group (Organized by TMA YLT as part of Beyond Thrissur Talk Series)
3	18 th June (Hotel Joys Palace)	Dr. Rajesh Nanarpuzha Faculty, IIM Udaipur	Edgework and Evolution (Organized by TMA YLT as part of Beyond Thrissur Talk Series)
4	29 th June (Virtual)	MR. T P Sreenivasan IFS Former Ambassador of India	India-US Relations in the Wake of Russia-Ukraine War (Joint webinar with Indo-American Chamber of Commerce)

Managing Committee Meetings

The following TMA managing committee meetings were held during the May - July 2022 quarter.

- 24th May – Hotel Elite International – co-sponsored by TMA and Er. Achuthan Menon
- 8th June – Artech Gateway Apartment – co-sponsored by the President and the Secretary
- 30th June – Special virtual meeting held to consider postponement of Annual General Body meeting from the earlier propose date of 13th July to 25th July, and to finalize the proposals for TMA byelaw amendments.

Annual General Body Meeting

The annual general body meeting has been scheduled for the 25th of July (Monday) at Hotel Dass Continental, Thrissur.

POLICY

WILL GOLD DUTY HIKE BE A GAME CHANGER?



By V.P. Nandakumar

Tough times call for tough measures and the Union government on July 1 opted for the decisive step of raising effective import duty on gold to 15% from 10.75%. The basic customs duty on gold was 7.5 per cent and this was increased to 12.5 per cent. When agriculture infrastructure development cess (AIDC) of 2.5 per cent is added, the effective duty becomes 15 per cent.

The move came in the wake of the rupee touching a new low of 78.97 against the US dollar. Despite frequent interventions by the Central Bank, the rupee has depreciated by over 5% against the dollar this year. Foreign exchange reserves are declining and the country's trade deficit had ballooned to a whopping \$24.9 billion in May from \$6.53 billion in the same month last year.

Burgeoning gold imports have long been perceived as a major contributor to the current account deficit. There is every justification for the government imposing a higher duty on gold imports. But what we need to consider is, what will be the fallout of this and will it have any significant impact? The rationale behind the latest move is that once the import duty is increased, the price of gold will shoot up, bringing down the demand for the yellow metal, which in turn will stanch the demand for dollars and bring down the trade deficit.

According to an estimate by the World Gold Council, gold imports by India touched its highest level in a decade in 2021. Since last year, the country's gold purchases have been

escalating even further. This May alone, according to government sources, 107 tonnes of gold was imported. India, the world's second-biggest gold consumer after China, had imported gold worth \$46.14 billion during 2021-22, 33.34% higher than the USD 34.62 billion imported in 2020-21.

Expectedly, gold prices in the physical market rose by Rs 900 on July 1, in the wake of the duty hike, and another Rs 500 on Monday (July 3) to reach Rs 52,340 per 10 gm. There were significant gains on the Multi Commodity Exchange of India too. Subsequently, however, gold prices stabilised.

The million-dollar question is whether the government's game plan of stopping the slide of the rupee and bridging the gap between the country's exports and imports will be successful. As we know, it is not only the outgo on gold imports that has been hitting the economy hard. The Covid crisis as also the war in Ukraine have pushed up the price of crude oil, coal, edible oil and fertilisers, causing inflation and boosting the demand for dollars.

Another key question is whether the hike in customs duty will dissuade Indians from acquiring their customary quota of gold. History tells us that the answer is 'no'. As far back as 2013, a series of curbs were brought in including serial hikes in customs duty when there was a current deficit crisis in the country. Policy makers saw gold as a villain even at that time and set about discouraging its consumption. But the demand for gold

has only gone up and up.

In my view, there will be demand and good sales when the collective mood is upbeat. After all, gold prices had skyrocketed to Rs. 5,200 per gram (22 karat) in the past and we did not see any drop in sales because of it. Today, it is only around Rs.4,700 per gram. Like it or not, Indians have a special fascination for the yellow metal and the country boasts of the largest stockpile of gold in the world. The centuries-old obsession is unlikely to vanish all of a sudden.

As jewellers and representatives of gold merchants' bodies have pointed out, the sudden spurt in customs duty raises the spectre of a sharp increase in gold smuggling into the country, which will result in loss of revenue for the government. When there is a significant difference in value, between unaccounted market transactions and official transactions, it is not hard to understand that it will result in an increased flow of gold through unaccounted channels. Our systems are not that fool proof. So, smuggling is bound to increase and this will defeat the government's purpose to some extent. Yet another danger is that the money earned from illegal transactions could be used for unlawful activities.

I don't expect imports to come down, since India is not a big producer of gold. There will be some revenue increase for the government but the intention of reducing the import of gold may not get fulfilled. Since there is demand, gold is likely to come in through the grey market. As for the gold loan industry, there is going to be no adverse impact. The Manappuram group had

commissioned a pioneering study a decade and a half ago, which revealed that families in India had about 18,000 to 20,000 tonnes of gold. Every year, gold to the tune of 1,000 tonnes is imported. So, you are talking about 35,000-40,000 tonnes lying at Indian homes, which amounts to 60-65 per cent of the country's GDP.

Contrast this with the official loan market – banks and NBFCs – that accounts for only 1,000 tonnes of gold. The customers are either from the middle class or lower middle class. You also need to consider that the organised market constitutes only one third of the business, while the unorganised market, made up of money lenders and small-time jewellers, is estimated to be two thirds. So, there is a lot of potential yet to be tapped. Asirvad, the group's micro finance company, lends to the poorest of the poor and even these people possess gold.

Indians do not invest in gold thinking that it is a hedge against inflation. They buy gold because they attach a lot of sentimental value to it. In short, the hike is not going to impact jewellery or gold loan companies or imports, which will happen either through official or unofficial channels.

It goes without saying then that we need more imaginative strategies to ease the pressure on the rupee and the widening current account deficit. ■

V.P. Nandakumar is the MD & CEO of Manappuram Finance Ltd., a Past President of TMA and a distinguished invitee to AIMA's Council of Management.



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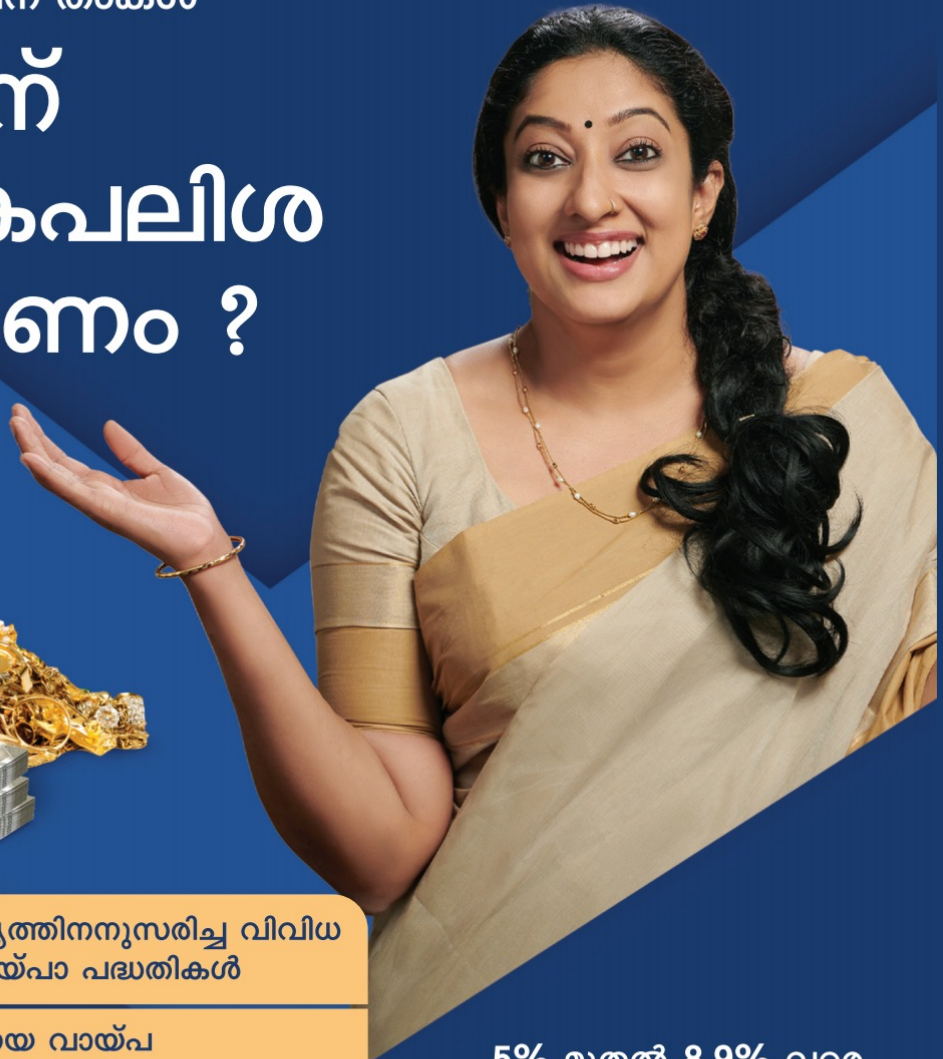


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MANAGEMENT MUSINGS

ADAPTING TO LEAD AND LEADING TO ADAPT



By Murali Ramakrishnan

The last few years, especially since the Covid pandemic, have made it clear that we live in an imperfect and uncertain world. Rapid tectonic changes are making it imperative that businesses adapt to change quickly. Business environments have become complex because like the dreaded coronavirus, it does not seem to have a finite shape and mutates regularly. By the time you grasp the challenge, the situation has moved on to a different level, nullifying your efforts. By the time you appear to have a solution, the challenge seems to have become more complex.

Rather than functional leadership, organizations need adaptive leadership to guide, shape and enable them to not merely survive but thrive in such times. My learnings from recent experiences underscore the importance of adaptive leadership, especially in the banking and financial sector. With technology changing the face of the industry, players are altering the rules of the game and at places, even the game, at breath-taking speeds.

Functional leaders are adept at breaking down complex challenges into various controllable elements to create solutions. However, leaders now have to work with incomplete information about the challenges or the solutions. Moreover, often they are unaware about the efficacy of the solutions in front of them. How then do they tackle the situation?

The answer lies in adaptive leadership. In the face of uncertainties, adaptive leaders trust their God-given skills, instinct, attitudes and philosophies to create and implement solutions, which may be less-than-perfect but provide results. In my opinion, there are also some vital attributes that adaptive leaders must possess.

Being comfortable with discomfort

I cite this from personal experience. I moved into South Indian Bank as its CEO in the midst of the pandemic. Despite being a banker for close to three decades, I was working with a relatively smaller bank for the first time. I inherited a portfolio with some serious quality issues. I had to embrace discomfort as there was no escape from it. Rather than fighting the situation, I accepted it and sought solutions. During the process, I had to unlearn many things and adapt to the situation.

Accepting that you can't know everything

It is no longer heroic to say that one knows everything. On the contrary, not knowing something gives the opportunity to learn something more. The shift from 'I know it all' to 'I am willing to learn' is what makes leaders flexible and their organizations agile.

Accepting the uncontrollable

Since the situation is imperfect, there will always be many aspects outside your control. Adaptive leaders absorb the uncontrollable factors and channelize their

energies on working with aspects under their control.

Embracing imperfection

Adaptive leaders strive for excellence but are willing to accept imperfect results. If you keep insisting on perfection, you will miss the bus owing to the pace of change today. Since you are mostly working with limited time and resources, it is better to embrace a less-than-perfect-solution. When you easily accept imperfections, you can react faster to devise an effective solution.

Resisting the urge to oversimplify challenges

Oversimplifying the situation to reach a quick conclusion is perhaps the most convenient trap that leaders fall into. Leaders make the mistake of relying on their experience to devise solutions. In doing so, they try to replicate a solution implemented in the past. However, the chances are that it may not work today as the challenges and issues of business are different and constantly changing. To devise effective solutions, leaders need to move along with the challenge, think on their feet and formulate contemporary mechanisms to tackle problems.

Ability to work with a team

Leaders have to take people along and work as a team. Embrace your people, trust them

with authority and delegate responsibilities. Doing things alone would not only isolate you, but may also produce undesired results. An adaptive leader may not know everything about all aspects of business, but when he takes people along, he can use their domain understanding to his advantage.

Capability to zoom in or out basis the situation

Adaptive leaders are adept at examining the situation closely and also moving away for a birds-eye view. A single-dimensional approach to the situation may prove counter-productive considering the multi-dimensional complexities of the business environment.

You are an adaptive leader if you can embrace the discomfort of lacking complete knowledge, focus on the controllable, accept imperfect solutions, resist over-simplification and are able to zoom in or out basis the situation. I can confidently say that these attributes have helped many leaders in the recent past overcome seemingly insurmountable challenges in their organizations. ■

Mr. Murali Ramakrishnan is the MD & CEO of the South Indian Bank. This article is based on the speech delivered by him at the TMA Annual Management Convention held on 13 March 2022 at Hyatt Regency, Thrissur.

MONEY & BANKING

INDIAN BANKING SECTOR –
PRESENT STATUS

By CA. V. Venugopal

Banks in India are on the threshold of revolutionary changes stepping to catch up with their global counterparts and to compete with the global banking systems. As happening elsewhere, India too contributes much to the situation with strong strides to match the global financial competition, where our banks have started off well with the Government of the day providing ample support to the banking sector by all means. Latest data at all levels register this improvement.

Core of Indian banking industry consist of 12 public sector banks, 22 private sector banks, 46 foreign banks and 56 regional rural banks. In addition there are strong networks of urban and rural co-operative banks throughout. Indian banking sector is now sufficiently capitalized and statutorily well regulated to overcome any challenges on their way. The Reserve Bank of India (RBI) mandates Capital Adequacy Ratio (CAR) for Indian Public Sector Banks at 12% while Indian Scheduled Commercial Banks must maintain a CAR of minimum 9%.

Total asset in public and private sector banking sector were US\$ 1602 billion and US\$ 88 billion respectively in 2021. Banks credit stood at 116.8 lakh crore on 31st December 2021. It is encouraging that loan growth of banks have bettered to 12% as compared to 6% year ago.

Profitability

Collective net profit of listed banks for FY 2022 is Rs.1.57 trillion, the highest in the history. HDFC Bank tops the list at Rs. 36,961

crores, followed by State Bank of India Rs.31,676 crores, ICICI Bank Rs.23,339 crores and AXIS Bank Rs.13,025 crores. The other banks with net profit above Rs.5,000 crores are Kotak Bank Rs.8,573 crores, Bank of Baroda Rs.7,272 crores, Canara Bank Rs.5,678 crores and Union Bank of India Rs.5,232 crores. Only one bank ended the year in red for the FY 2022 is RBL Bank Ltd with Rs.47.74 crores net loss.

Net profit of listed private sector banks rose from Rs.67,437 in FY 2021 to Rs.93,430 in FY 2022, increase of 38.54%. Public sector banks net profit rose from Rs.29,568 crore in 2021 to Rs.63,135 in 2022. Higher interest income and considerable drop in provisions for bad loans are responsible for the high profit. As per the report of Moody's Rating Agency, growth in Indian Bank loans is to accelerate to 12 to 13% in fiscal 2023 from 5% in fiscal 2022.

During the year ended 2022 fresh slippages to NPA have been arrested and quality of assets has improved. HDFC Bank and CSB Bank have the lowest gross NPA which is less than 2% while IDBI Bank has the highest NPA with 19.14%. 7 private sector banks namely HDFC Bank, ICICI Bank, Kotak Mahindra Bank, IndusInd Bank, Axis Bank, CSB Bank and Federal Bank have less than 1% net NPA.

Non-Performing Assets (NPA) position

Gross Non-Performing Assets (NPA) of the banking sector dropped below 6% as on March 2022, the lowest since 2016 and net NPA fell to 1.7% during the same period. Due to reduction in gross NPA and net NPA, the

asset qualities of banks have improved. The fresh slippages of NPA's have broadly been brought under control. Asset quality of Indian banks started deteriorating in the last decade and peaked in March 2018 with gross NPA hitting 11.5% of gross advance. Since then, the asset quality of banks have been improving. Gross NPA of scheduled commercial banks were at 7.3% in March 2021 and 6.9% in September 2021. Bad loan ratio is expected to decline further because of recoveries or write off's of legacy problem loans, while the formation of new stressed loans will stabilize as the economy recovers.

Not only has there been improvement in asset quality of the banking system, but also the banks have improved their capital base to deal with any untoward situation that may arise in future. Today most of the banks have comfortable capital position.

Frauds

Public sector banks have reported over 51% dip in the amount involved in the frauds of Rs.40,295 crores during the financial year ending March 2022. However the number of fraud cases did not fall at the same pace as a total of 7940 frauds reported by PSB's in 21-22 as against 9933 incidents reported in 2020-21.

Central Bureau of Investigation (CBI) is investigating two very large frauds reported recently as given below:

Dewan Housing Finance Ltd (DHFL)

Dewan Housing Finance Ltd (DHFL) fraud is the biggest bank fraud that took place in our country. Central Bureau of Investigation (CBI) has registered the case against the promoters Mr.Kapil Wadhavan and Mr.Dheeraj Wadhavan of DHFL for defrauding a consortium of 17 banks led by Union Bank of India for Rs. 37,615 crores loan disbursed over a period of time. The promoters siphoned funds through illegal loans by opening 1.81 lakh fictitious loan accounts amounting 14,000 crores through a non-existing branch. The fraud is known as

Bandra Books Fraud. Forensic audit conducted by KPMG revealed that 67% of the loan amount was transferred to 66 paper companies and utilized for buying property and investing in mutual funds. Yes Bank and its promoter Mr. Rana Kapoor also colluded with DHFL in this case.

ABG Shipping Ltd.

Another major fraud is that of Gujarat based ABG Shipyard Ltd which siphoned Rs. 22842 crores bank loan by making 98 paper companies with few years planning. The lead bank was ICICI Bank and there were 28 banks in the consortium. The loan became NPA in 2013. The fraud was revealed through the digital forensic examination conducted by Earnest and Young. The case is now investigated jointly by CBI and Enforcement Directorate. The company's Chairman and MD, Mr. Rishi Agarwal along with other senior level officers have been booked by the CBI under allegation of fraud.

Capital Adequacy

Capital Adequacy Ratio (CAR) is the ratio of capital to risk weighted assets. In simple terms, Capital Adequacy Ratio measures how much capital a bank has, as percentage of its total debt exposure. Reserve Bank of India (RBI) has stipulated Capital Adequacy Ratio for banks in order to prevent them from over leveraging and become debt laden in the process. RBI enforces financial discipline among banks and maintains the overall health of the banking system, hence by safeguarding the investment of the depositors. In India, RBI mandates the CAR for Indian Public Sector Banks of 12%, while Indian Schedule Commercial Banks must maintain a CAR of 9%. Under Basel III the minimum capital adequacy ratio that banks must maintain is 8%.

Digital Banking

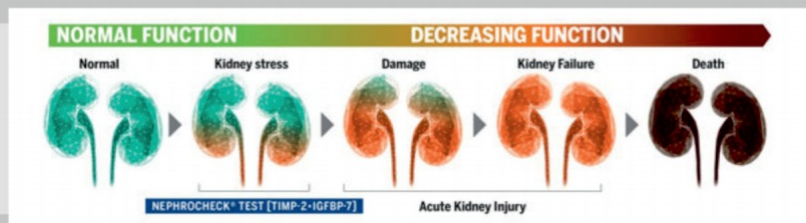
The position of lockdown due to pandemic, started the urgent need for digitalization in the industry. The value of digital payment in India will grow to touch \$1 trillion by

(Continued on page 45)



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Presentation of TMA-Aquastar Green Project Award 2022

Venue: Hotel Joys Palace, Thrissur, Date: 6th June 2022
Chief Guest: Mr. V K Raju, Assistant Commissioner of Police & Sub Divisional Police Officer, Thrissur City



Presenting TMA-Aquastar Green Project Award 2022 to Mr. T S Pattabhiraman CMD Kalyan Silks



Presidential Address by Er Vinod Manjila



Chief Guest: Mr. V K Raju Assistant Commissioner of Police & Sub Divisional Police Officer, Thrissur City addressing TMA Members



Mr. T S Pattabhiraman CMD, Kalyan Silks addressing TMA Members



TMA MC Members with Chief Guests



Release of TMA Management Voice VOL 3

Presentation of TMA-Florence Nightingale Award for Nursing Excellence 2022

Venue: Daya General Hospital, Thrissur
Date 12th May 2022, 2 PM IST



Presentation of TMA-Florence Nightingale Award for Nursing Excellence to Ms. Vijayalakshmy V R OT in-charge, Daya General Hospital



Presentation of TMA-Florence Nightingale Award for Nursing Excellence to Mr. Lance Frank William Coronary ICU Head, Jubilee Mission Hospital

Chakravyuh: TMA Student Conclave
 Chief Guest: Ms. Niranjana M (UPSC CSE AIR 431)
 Theme: Break the Chakravyuh
 Venue: Christ College, Irinjalakuda, Thrissur., 24th June 2022



Inauguration of TMA Student's Conclave



Inauguration of TMA Student's Conclave



Inauguration of TMA Student's Conclave



Inauguration of TMA Student's Conclave



Inaugural Address by Er. Vinod Manjila (President, TMA)



Address by Guest of Honour Ms. Niranjana M
(UPSC CSE AIR 431)



Honouring Ms. Niranjana M (UPSC CSE AIR 431)



CMA Madhu AP (Chairman, TMA Student's Conclave)
addressing students

Chakravyuh: TMA Student Conclave
 Chief Guest: Ms. Niranjana M (UPSC CSE AIR 431)
 Theme: Break the Chakravyuh
 Venue: Christ College, Irinjalakuda, Thrissur., 24th June 2022



2nd Prize distribution of 12th TMA-Hykon Business Plan Contest, won by Dr. John Matthai Centre, Thrissur



3rd Prize distribution of 12th TMA-Hykon Business Plan Contest, won by Naipunnya Business School



Presentation of TMA-Beeline Special Achievers Prize, won by Mr. Sooraj P A Founder, Ecomade



Presentation of Conclave Overall Champions Trophy, won by Christ College, Thrissur



Presentation of TMA Best Student Chapter Award to Christ College, Thrissur



TMA Student's Conclave



TMA Student's Conclave



TMA Student's Conclave

Young Leaders of Thrissur (YLT)
 Beyond Thrissur Talk Series Panel Discussion
 Mr. Prakash Pattabhiraman (MD, Kalayan Silks) & Dr Rajesh Nanarpuzha (Faculty, IIM Udaipur)
 18th June 2022, 6:45 PM IST, Hotel Joys Palace, Thrissur



Mr. Prakash Pattabhiraman (MD, Kalayan Silks)
 on the topic Story of Kalyan Group



Dr Rajesh Nanarpuzha (Faculty, IIM Udaipur)
 on Edgework and Evolution



Panel Discussion



TMA Members with Chief Guests

Young Leaders of Thrissur (YLT)
 Beyond Thrissur Talk Series , Fresh From the Rural to the Urban
 Mr. Pradeep P S Founder & CEO, Farmers Fresh Zone
 18th July 2022, 7:00 PM IST, TMA Management House, East Fort, Thrissur



Presidential Address by Dr. Pavan Madhusudan



Mr. Pradeep P S Founder & CEO, Farmers Fresh Zone
 interacting with TMA YLT Members



YLT Members with Chief Guest

Vilangan Master Plan Project meeting at KILA Thrissur



Handing Over Vilangan Master Plan to Mr. Shabareesh P K, and additional private secretary, Mr. Jagadeesh D of Hon Minister Mr. P A Moahmed Riyas



Official Handover of Vilangan Master Plan & Prize Distribution
 Chief Guest Shri. K Radhakrishnan , Honourable Minister - Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, Devaswoms & Parliamentary Affairs
 24th July 2022, Vilangan Hills, Thrissur



**Welcome Address by Mr. K Paul Thomas
(Sr. Vice President, TMA)**



Address by Er. Vinod Manjila (President, TMA)



Er. M R Gopalakrishnan about Master Plan Contest



**Presidential Address by Shri. Xavier Chittilappilly ,
MLA Wadakkanchery Constituency**



Handing Over of Vilangan Hill Master Plan



**'Aihikam' Led by Nikhil K R Won the first prize in
TMA Vilanagn Master Plan Contest**



**Presenting mementoes and cash prize to
Runner-up Beyond Line Design**



TMA Members with Chief Guests

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TMA INTERVIEWS

“SUCCESSFUL BUSINESSMEN MUST GIVE BACK TO SOCIETY. TMA SHOULD INDUCT MORE YOUNGSTERS.”

-- Says **Shri T.S. Pattabhiraman, CMD, KALYAN SILKS.**



It is one thing to become a successful businessman or industrialist but a totally different quality to also have a deep passion for giving back something in return to society as one becomes prosperous. Not many businessmen are known to have these two qualities in good measure. But, one such leading businessman having these traits in ample measure is Shri T.S. Pattabhiraman, Chairman and Managing Director, Kalyan Silks, a prominent garments retail hub in the south for over 30 years. He has, of late, also shown a deep passion for involving himself in several social and philanthropic activities.

While TMAs 'Management Voice' (M.V.) had interviewed him some years ago, he had not entered the social field in a big way at that time. TMA felt its readers would love to know more of Shri Pattabhiraman's (T.S.P. for short) activities in this area, and sought a face-to-face interview with him. Despite his numerous engagements, he readily agreed to spare some time. Accordingly, the undersigned met him at his posh office in Kuriachira (Thrissur) on a bright sunny day. What was intended to be a short half an hour chat, went on for almost 2 hours.

Having handed over the reins of running the 34 showrooms and offices of Kalyan Silks to his two sons, he has resolved to give back to society something through his other activities. One such activity that has attracted public attention is the cleaning up of the area around the Vadakkechira, near the main northern bus stand in the city. The water in the pond or chira was totally neglected and it was full of filth and the civic authorities were not evincing any interest. In a few months Shri Pattabhiraman beautified the whole spot, spending a tidy sum of his own. Today, this place has become a good place for all

people to spend their evenings! Similarly, a charitable trust created in memory of his wife a decade ago gives financial assistance for medical expenses to several people suffering from serious ailments affecting the heart, kidney and cancer. A sizeable sum of money is being spent every year for this purpose and several poor people of Kerala are the beneficiaries.

While concluding, he had a few words of advice for TMA as well. As a patron and ardent well-wisher, he desires that TMA should induct more youngsters, preferably college students and small businessmen, who have set up new units under the MSME sector into its fold.

EXCERPTS FROM THE INTERVIEW:

M.V.: Could you please explain in detail the growth of Kalyan Silks, a premier silk and textile garments marketing dealer over a century. Starting with a handful of employees and a small capital by your grand-father, Shri T.S. Kalyanarama Iyer, way back in 1909, your firm has now become with over 25 showrooms in India and abroad and some 7000 strong work-force in the South, becoming a formidable power in garments trade. What has been the success strategy of yours? Are you planning to open more showrooms in India or abroad or do you intend to consolidate your position, especially after the Covid-19 pandemic?

T.S.P.: As I have to detail our firm's growth, I shall begin from its inception. In 1909, over a century ago, my grand-father, Shri T.S. Kalyanarama Iyer, entered business by opening a small textile store in the city. His eldest son, my father, Shri T.K. Seetharama Iyer, took over the business in the mid-50s of the last century. Later, in 1972 or so, after my graduation, I inherited the textile business. Initially, I admit that I was reluctant to

enter the business. But, being only a graduate and job opportunities not easily available, I had no choice. Besides, there was a lot of opposition from the conservative family circles in taking up a job.

RELUCTANT ENTRANT:

Thus, with some reluctance, I decided to take the plunge. With a firm resolve and determination, I took up the challenge. Fortunately, in a year's time, the turnover actually doubled and slowly business improved. I soon found that there were other difficulties to overcome. One was regarding the shop's name. All through, the name was that of my grandfather, which was too lengthy and not so easy to recollect and pronounce. I felt there was an imperative need to go for a shorter name. With difficulty, I convinced my father on having a shorter name. While we retained the main name, Kalyan, we added initially the word, Fabrics, and then for some time, had Textiles, and finally, the word, Silks was adopted and the enterprise came to be known as Kalyan Silks.

And, on 8th April 1992, we opened our first showroom in Round North, in the heart of city. This was much bigger, having more floor space and comfortable for customers to move around. Then onwards, the business began to grow slowly and steadily. What started as a small set up with just 2 employees in a narrow place has, today become a very big shopping centre in Thrissur, providing direct employment to some 7000 employees and indirect jobs to almost 3000 people in all its offices and showrooms, both India and abroad (the Middle East). To be precise, we now have 34 showrooms, including 4 showrooms abroad, and 4 hyper or super departmental stores.

UTMOST CUSTOMER SATISFACTION:

Our aim has been and continues to be providing utmost customer satisfaction to all clients by way of good quality and courteous service. With this in view, all our showrooms are quite spacious and have ample car parking space so that customers can shop at ease, even for a longer time. As for the reasons for the successful growth, I would attribute it to the whole-hearted and unstinted co-operation of all the staff and extremely cordial labour relations. We take the utmost care of all employees by providing facilities like free accommodation,

food and transportation. Besides, we give them both medical and uniform allowance. With all their grievances promptly attended to, they put in their best at work, resulting in increased productivity, profits and faster growth.

Coming to expansion plans, we plan to cover Kerala state fully with having showrooms in all district headquarters. Presently, we are to cover Kollam and Alleppey cities and hope to do so shortly. We propose to expand to other places in Tamil Nadu as now we are represented only in 2 cities -- Erode and Salem.

M.V.: Since the last few years, you have diversified into setting up hyper markets or super departmental stores, marketing a wide range of goods ranging from textiles and silk garments to electronic goods, provisions and grocery and what not. And, you have now 4 hyper markets in Kerala. Could you explain our readers as to how and why you diversified into these areas? What are your plans to open more such hyper markets in the near future?

T.S.P.: Our aim right from the beginning has been to provide maximum customer satisfaction in all showrooms. With this in mind, we provide ample floor space in showrooms, sufficient car parking space, wide and easy lifts for customers to move to different floors, digital payment facilities, home delivery, etc. Taking this forward, sometime before the Covid pandemic began, we got an idea of providing basic essential goods such as provisions, cooking oils, rice, pulses, flour (atta), cosmetics, toiletry, and other basic things under the same roof for customers' convenience. Also, we arranged for free home delivery. This became a big hit and widely welcomed by customers as they could, after shopping for their textile needs also shop for the basic household items. However, I ensured that we supplied only the best quality in all the grocery items so that customers could trust us. And, business began to flourish. Hyper markets or super departmental stores as these shops are called, have thus proved to be a great success, especially during Covid and lockdowns as we could remain open because we were supplying basic items for the citizens!

We presently have 4 hyper markets – two in Thrissur (including the mini one), and one each in Ernakulam/Kochi, Kalpetta (Wayanad

district), and Perinthalmanna (Malappuram district). In the near future, our aim is to expand our presence in Tamil Nadu. In addition, we are set to open showrooms in Alleppey and Kollam, the 2 districts not covered in Kerala. I am confident that the products in these stores would also have a good and steady demand.

HYPERMARKETS, SUCCESSFUL:

M.V.: It is observed that since the lockdowns and its aftermath, your hyper markets have come to stay and become financially viable as provisions and grocery items are essential goods. How did you hit upon this idea?

T.S.P.: With the hyper markets selling, among other things, essential items like grocery and vegetables and basic items required for livelihood by the common people, the shops did very well even during the heydays of Covid and lockdowns. We could keep the shops open as they were exempt from lockdown! However, we ensured that there was no compromise on the quality of the items. Fresh vegetables and good quality vegetable oils along with pulses, rice, wheat, atta and other things at reasonable prices were a special feature in the shops. Added to this, we have free home delivery for bulk purchases of the grocery items. The result was increased customer satisfaction and convenience which, in turn, led to higher turnover and more revenues. Incidentally, this has stood in good stead even during the worst days of the pandemic. The idea of diversifying into marketing and supplying very basic household items came up before the Covid days and it helped us immensely in garnering substantial sums through sales and thereby swell our profits. Hyper markets have, in other words, come to stay as they have become both technically feasible and financially viable.

M.V.: After the pandemic, has your textile business returned to normalcy of pre-Covid levels? How badly was your business affected by the pandemic and lockdowns?

T.S.P.: It is quite true to say that our business was badly affected owing to Covid and the subsequent lockdowns. Nearly 60 per cent of sales got hit during the peak period and the upheaval that followed. But, owing to the grace of Almighty, one should say that business has come back to its normal pre-Covid levels. At this

juncture I would add that despite the widespread Covid illness and consequent absence of staff, we ensured that there was no retrenchment, or cut in any of the privileges enjoyed by them. We continued to provide all the earlier benefits and in addition ensured that affected staff were given adequate medical attention and rest to recoup faster. This helped boost their morale and helped them recover sooner from their illness.

RUNNING THE SHOW:

M.V.: As your two sons are presently fully engaged in helping you in the business, have you taken it a bit easy, leaving the running of the showrooms and hyper markets in their capable hands?

T.S.P.: Yes, very much true that both my sons, Prakash and Mahesh, are now in full control off the day-to-day working/management of Kalyan Silks and different showrooms. And, they are running it very well. On my part, I am available for any advice every day till around noon time. While the showrooms and office are run by the sons, the hyper markets are ably handled by my daughters-in-law. They have an aptitude to administer them smoothly and efficiently.

While giving them full charge/control over the firm, I had in mind the importance of hands-on experience they would be having in the process. For, I view that there is nothing like hands-on-experience where one gets the opportunity to face challenges and find solutions to the problems encountered. It is akin to learning to swim. No amount of advice or text books would give one the practical experience needed to learn swimming. This can be achieved only when one really jumps into the water in a pond or lake. It is then that he actually struggles sometimes to remain afloat and then grabs at any straw to get ashore. I can now say that my sons are fully equipped to face the challenges in the business.

M.V.: What is your vision of Kalyan Silks growth within the next few years, say 2030 or so?

T.S.P.: I am fully confident of Kalyan Silks growing into a major textile marketing hub in southern India. I visualize that Kalyan Silks could virtually become a household name for shopping of all textiles, garments, sarees, children dresses, gents wear, and other items. Besides, in the

future, our aim is to set up malls in different places which could be catering to the numerous needs of customers.

SOCIAL ACTIVITIES:

M.V.: Of late you are taking a lot of interest in social activities regarding improving the face of Thrissur city and its adjoining areas. You are reported to be the main pillar behind the redevelopment of Vadakke Chira by paying the entire sum of Rs.70 lacs. Are you also managing its affairs? Earlier, you were behind the renovation of the Sree Ramaswamy temple pond in Punkunnam. Please explain this as it is totally different from your business and how you entered it? Do you intend to taking up more such jobs?

T.S.P.: Yes, it is a fact that these days I am taking more interest in social activities. This has been possible as I have handed over the charge of running Kalyan Silks to my sons and have more spare time at my disposal. My interest in taking up the task of cleaning temple ponds began with the pond near Sree Ramaswamy temple in Punkunnam, very close to my residence. The pond attached to the temple wore an ugly look and was shunned by the Agraharam people as it was full of filth and unhygienic to bathe. As I was a regular visitor to the temple and nearby areas, I was deeply touched by the state of affairs. Even during festivals like Ram Navami, the priest used to perfunctorily go about his job in the pond. I then decided to step in and take up the job of cleaning the pond, its water and the surrounding areas. While many dissuaded me in this task saying that soon the pond would get back to its old level owing to lack of proper maintenance, I remained firm in my resolve. I informed the temple authorities and they supported me. With their co-operation, soon the filthy pond was transformed into a nice place with fresh water and good bathing steps, proper lighting, and strong surrounding walls. Now, the Agraharam residents and even people from nearby places come regularly for taking bath as they find the area spotlessly clean and tidy. What is more, the people in the Agraharam have taken upon themselves to ensure that the place is well maintained.

Closely followed was another cleaning task that came up. It was the Vadakke Chira, in the

northern part of the city near the Vadakke Bus Stand that required immediate attention. This pond also was in a totally neglected state and misused by miscreants for activities like urination and other purposes. With many footfalls in the area owing to the nearby bus stand, things were getting only worse with every passing day. And, the priests attached to the nearby temple used to have their bath there! As Kalyan Hypermarket was facing the pond and I was a regular passerby through that place, I felt something had to be done.

As both the Devaswom and Corporation showed no interest, I felt that should be done. I then told them that if they permit, I was ready to do the job spending my money, if needed. In a few months, the entire place became completely clean and totally different. Once cleaned, the authorities were even reluctant to maintain and run it. I further suggested that I was ready to do this also but for only a short period, say 6 months after which they should take over. As they agreed, I appointed an agency to take up the maintenance job. Now, an agency is managing the whole thing and it has become a good spot where citizens, especially elderly people can spend their evenings. The area is very well illuminated, with ample space to walk around and benches for people to sit, boating arrangements, and a cafeteria. The agency collects a small fee from visitors for boat rides and refreshments in the cafeteria. These costs cover for the expenses – electricity bills, wages for security, maintenance of the cafeteria, etc. From the ever-increasing footfalls to the place, it is becoming evident that this project has become a success and widely welcomed by the citizens. In fact, the place has been converted into a mini tourist spot. Surely, a few such spots would entirely change the face off of Thrissur city. It could become a tourist hub as well besides being the cultural and religious capital of the state.

BEAUTIFYING PLANS:

M.V.: Do you feel that Thrissur has a bright future in the days ahead? If so, what other plans have you in mind?

T.S.J.: I am very confident of Thrissur having a bright future in the days and years ahead. I can suggest a few ideas for further developing the

(Continued on page 39)

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ചേരുവ : എലൈറ്റ് റസ്ക്, നെയ്യ്, എലൈറ്റ് കടല മാവ്, പഞ്ചസാര, വെള്ളം, ഗ്രേറ്റ് ചെയ്ത ഉണക്ക മുന്തിരി, അണ്ടിപ്പരിപ്പ്, ബദാം, പിസ്ത.

പാചകം ചെയ്യുന്ന വിധം : ഒരു പാനിൽ 1/2 കപ്പ് നെയ്യ് ചൂടാക്കുക. 1 കപ്പ് നന്നായി പൊടിച്ച എലൈറ്റ് റസ്ക് ചേർത്ത് നന്നായി യോജിപ്പിക്കുക.

തുടർന്ന് 3/4 കപ്പ് എലൈറ്റ് കടല മാവും, 2 tsp വെള്ളം ചേർത്ത് നന്നായി ഇളക്കി യോജിപ്പിക്കുക. ഇതിലേക്ക് പൊടിച്ചുവച്ച 1 കപ്പ് പഞ്ചസാര ചേർത്ത് നന്നായി ഇളക്കി മറ്റൊരു പാത്രത്തിലേക്ക് മാറ്റുക. 2 tsp നെയ്യ്, ഗ്രേറ്റ് ചെയ്ത ഉണക്ക മുന്തിരി, അണ്ടിപ്പരിപ്പ്, ബദാം, പിസ്ത എന്നിവ ചേർത്ത് നന്നായി ഇളക്കി യോജിപ്പിക്കുക. മിശ്രിതം തണുപ്പിക്കുക. ശേഷം ചെറിയ ഉരുളകളാക്കി അണ്ടിപ്പരിപ്പ്/ബദാം ഉപയോഗിച്ച് അലങ്കരിച്ച് വിളമ്പാം.



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(Contd. from page 36)

city. We have, for instance, the present vast area of the present zoo, running into several acres. With the zoo moving to a more spacious space just outside city limits, this vast space can be converted by the civic authorities into a big, beautiful park for all people to spend their time.

Likewise, the Corporation could identify some spots in different parts of the city and give a small land in those places for agencies to put up kiosks which would provide clean, cool, fresh drinking water to people all through the year. I am sure many private bodies, businessmen and Lions/Rotary Clubs would come forward and agree to run such amenities. They could be run on the PPP model (Private-Public-Participation). Needless to say, such measures would always be welcomed.

PHILANTHROPY:

M.V.: Besides, it is understood that you have set up a charitable trust as part of your philanthropic activity. This trust is giving substantial sums for the treatment of kidney—transplant and cancer patients. Kindly explain this noble mission of yours and how was the response from the general public?

T.S. P.: After the passing away of my wife, Smt. Janaki Pattabhiraman in 2010, I created a charitable trust in her name. The Janaki Pattabhiraman Smrthi Trust was set up with our personal funds. This trust gives financial assistance to the very needy persons suffering from serious diseases like cancer, kidney and heart ailments, etc. Quite a good number of such suffering patients avail of this money for their radiation, dialysis, hospitalization, medical, and other expenses. Every year, the Trust spends a sizeable sum towards this. Of course, money is disbursed only after proper identification of applicants, thereby ensuring that sums go to the right beneficiaries and causes.

TMA's GROWTH:

M.V.: As a patron and well-wisher of TMA and its activities, since inception, how do you like the body to grow?

T.S.P.: My view is that TMA should induct more youngsters from the student community, mainly from local educational institutions/ colleges, especially who aspire for management studies

and small entrepreneurs who have set up business under the MSME sector. They should attend the monthly meetings/seminars of TMA and interact with senior members of the business community. This would help them improve their vision/understanding and help face the tough challenges.

M.V.: For the young managerial aspirants, what would be your advice for their taking up business as a career? Do you feel the government can play a more important role its role in this regard?

T.S.P.: I strongly believe that today's youngsters are, by and large, highly talented and confident to face the numerous challenges in life. With the government giving all encouragement and assistance for small enterprises (MSMEs), I feel they should avail of them and take up seriously business as a career, but in a dedicated manner. They should always have a positive outlook, seeing only the brighter side and not keep harping on the few negative aspects. For instance, in Kerala, businessmen have a strong plus point which normally is overlooked. This is the security angle. Whatever other problems our state may be having, one cannot deny the fact that this is relatively a safe place to do business and this cannot be just brushed aside. As compared to other states, here the leading businessmen/industrialists do not have to fear for their lives and property or have permanently bodyguards around them. They and their employees can, by and large, move out freely anywhere and at any time.

Another sound advice I like to give is that every managerial aspirant who enters business should have a goal: of becoming one day an entrepreneur of his business and provide employment to at least 10 people. Apart from solving the unemployment problem, they would be having the supreme satisfaction of giving back to society something, albeit in a small way. According to me, this is the highest/best thing one could aspire for while in business, besides making profits. ■

V. Raghuraman.

E-mail: vraghuraman9189@gmail.com

Thrissur, 3rd July 2022.

ECONOMY CLASS

THE EXPANSIVE WELFARE STATE, THE 'PATE DE FOIE GRAS' FALLACY, AND THE IMPOSSIBLE TRINITY 2.0



By Ranjan Sreedharan

As welfare and entitlements surge, the US will soon confront a difficult choice. If welfare must expand, either the military stands down or the economy loses its edge.

US President Joe Biden's sweeping Build Back Better agenda proposed to spend \$2.2 trillion on a range of social policy and climate goals but the bill got stuck in the Senate for want of required numbers. If anything like this bill actually becomes law, the US will move closer than ever to becoming a European style expansive welfare state.

While that prospect cheers many on the left, a question not sufficiently addressed is whether the US can afford sprawling welfare while continuing to outspend Europe by a mile on defence. The evidence suggests something's got to give.

Indeed, I believe there are two factors at work, one following from the other, that are potential tripwires for the world's leading superpower intent on going down the road of expansive welfare — the "pate de foie gras fallacy" and "the impossible trinity 2.0".

The pate de foie gras fallacy is an idea I've carried in my mind for some years now but a recent casual conversation in a WhatsApp group gave a new spark to it. A friend based in Germany wrote about how some people there went out of their way to welcome refugees and mentioned an incident where a lady he knew had donated jackets to an immigrant family. Not just any jacket, but expensive winter jackets of a name brand that would have cost at least 400 Euros each! I responded with the comment that this was a textbook case of the pate de foie gras fallacy in economics.

What Is The Pate De Foie Gras fallacy?

I begin with the proposition that in free

market economies, the price mechanism is the key which ensures that scarce productive resources are put to their most efficient uses. The welfare component of the economy functions outside the discipline of the price mechanism and it will inevitably reveal inefficiencies arising from its disconnect with price realities. The larger the welfare component, the greater the drag on the wider economy. Therefore, over time, expansive welfare states shed dynamism and post lower growth rates than counterparts where welfare is held on leash.

In defence of this proposition, I'll cite the example of the United States which is widely recognised as a more vigorous wealth creator than western Europe where the welfare state is a bigger leviathan. Now, going purely by per capita gross domestic product (GDP), the US is not a significant outlier. But once we adjust for its far greater military spending, the picture changes dramatically. In the six decades from 1960 to 2019, cumulative US military expenditure averaged 4 per cent of its GDP while European powers like UK and France rode piggyback on US military might, averaging barely 2 per cent.

What would US per capita GDP be today if it too had spent only 2 per cent on defence? A simple Excel chart calculation — assuming reinvestment back into the economy of the money saved — was a lesson in the power of compounding. The US today should have had a per capita GDP of over \$ 100,000 against \$63,500 currently. Decades of high military spending has taken a toll on its economy, yet it did not fall behind. Indeed, it continued to be

among the richest and most dynamic economies of the world. How did the US shoulder the extra burden for so long with no evident wear and tear? More to the point, why didn't the European powers pull ahead decisively over these years?

Without seeking to downplay the complexities — there are numerous studies on why the US economy scores over Europe — I'll focus here on one factor that is not given the consideration it deserves. It starts with the drag on the welfarist economy from having a larger part function outside the price mechanism.

Typically, this shows up over many years, as with the centrally planned Soviet economy which disdained the price mechanism and still plodded on for over 70 years before falling off a cliff. Within the larger dynamic of this welfare drag — and this is the crux — there's a subfactor at work which actively erodes the value of the economy's output to further aggravate the drag. I'll call it "the pate de foie gras fallacy" and it affects expansive welfare states that dole out an assortment of goods and services in kind.

When you serve a poor hungry person with a generous helping of pate de foie gras sourced from a high-end restaurant at great cost, say, \$30, he will no doubt emerge with his hunger satisfied. However, given that the same level of satisfaction or even more could have been delivered by a burger meal combo costing, say, \$6, the difference in cost between the two is effectively the value destroyed. No two words about it. This should not be hard to understand.

Imagine if the pate de foie gras was instead sold by the restaurant to a patron for its market value; from the proceeds we could have fed five hungry persons. What if you had given the money directly to the hungry person? Is it not likely that he would buy himself a burger meal which he may relish more at a fraction of the cost, and save the rest of the money for other pressing needs?

Simply put, welfare handouts in kind tend to err towards overkill that effectively amounts to value-destruction. Overkill in this context is when higher priced goods and services are

given out to address an economic deficit that a lower priced variant could've done equally well. Overkill is also when free stuff is given out to those who have no pressing use for it — not unusual in the industrial scale one-size-fits-all welfare system — or when costly services are made available to beneficiaries who are incapable of paying back the cost from their future economic contributions.

Paradoxically, not only is this destruction of value not accounted for in the country's GDP numbers but also the way things work, the satisfaction of hunger by the serving of pate de foie gras will be counted as increasing GDP by \$30 while the burger meal alternative adds just \$6. And this, even as \$30 worth of output is effectively debased to a value of just \$6 at the point of use. If GDP is supposed to represent economic well-being, in this example it was off target by \$24.

It may be argued that the GDP metric concerns itself only with the measurement of output and not its subsequent use or misuse. Nevertheless, because we don't measure something does not mean it won't have consequences, especially when it is something systemic in nature. For years, China registered consistently high GDP growth rates riding on massive policy-driven investments in real estate. Today, its ghost cities and millions of unsold apartments are feared to be a ticking bomb.

Let's run through some examples. Imagine you are a connoisseur of art and pay a good price for an exquisite hand-crafted tribal artefact in which you see value. What if you gift it to someone who accepts it unhesitatingly but goes on to use it as a paperweight? To improve scientific knowledge, a welfare-minded government spends extra money to offer free courses in rocket science to its citizens. When people without a grasp of basic algebra turn up to attend (the lure of the free!), all the money spent on their edification is as good as lost.

A free universal health care system pays for an expensive organ transplant for someone holding a low paying job or even no job. The patient lives on for a heart-warming story but the gains to the economy from his extended

life is meagre and the cost incurred on the transplant is never fully recovered. The goal of equity is met but the goal of efficiency — the returns from the capital used up — is tossed out. The equity goal makes for touching news media copy but have no doubts, it's the pursuit of efficiency that gives rise to the world-beating economy with military power to match.

When someone pays full price for a product or service, it means they have uses for it that deliver as much value to them as what they have paid for. When given out for free, it is accepted with glee, but many will go on to put it to sub-optimal uses that erode or destroy value. Since the provision of welfare happens on an industrial scale, the destruction of value also takes place on a substantial scale.

In the erstwhile Soviet Union, the price of bread was subsidised and kept artificially low as it was deemed essential to the common man. Soviet farmers who were allowed to tend to small garden plots within their collective farms responded by generously feeding bread to their pigs. In India, many states have started supplying generous quantities of food grains to people at rates as low as Re 1 per kilo and a good part gets sold in the market at very low prices or becomes cattle-feed when the quality is poor.

My hypothesis is that expansive welfare states that dispense generalised industrial-scale welfare will endure a pronounced 'welfare drag' with overkill and systemic erosion of value happening all the while but under the radar. The cumulative impact becomes visible after years of misallocation of resources, squeezing savings and investments. The difference can become stark, as when the US maintains an economic edge despite bearing the cross of its enormous military year after year.

In comparison, early welfare states with limited objectives would likely have delivered a welfare bounty. When people are poorer, thoughtful interventions can generate disproportionate short-term and long-term gains — examples like schools to rescue a generation from illiteracy with lifetime

payback from more productive citizens, safe drinking water, essential medicines to combat infectious diseases etc. As welfare expands in ambition and scope, diminishing returns set in. The bounty fades and the fallacy comes into play.

The Impossible Trinity 2.0

Throughout the post-war years, the US led the world in economic and military heft while taking a backseat on welfare. Indeed, this is a sore point with left-leaning economists who have often picked on it to make unfavourable comparisons with Europe. But now the tide has changed with power passing onto those who would remodel the US on European lines.

In fact, but for one Democratic party Senator resolutely holding out, President Biden and his Democratic party's Build Back Better bill would have become law by now. That bill has a long list of elaborate provisions meant for ordinary American families such as free universal preschool for three and four year old kids, four weeks of paid leave at 90 per cent of wages to all employees, free community college for all Americans (now dropped), more money for affordable housing and rental assistance to low-income households, free school meals for 9 million more students, hearing aids every five years for those on Medicare, and more.

As welfare and entitlements surge, the US will soon confront a difficult choice. In economics, the "impossible trinity" says that a country can have only two of the following three: a fixed foreign exchange rate, free movement of capital, and an independent monetary policy.

My restated version, the "impossible trinity 2.0", says you cannot be a dynamic world-beating economy, the world's leading military superpower, and an expansive welfare state all at the same time. If welfare must expand, either the military stands down or the economy loses its edge. ■

Ranjan Sreedharan is a life member of TMA and the editor of its "Management Voice". This article was written and published in January 2022.

REFLECTIONS

EVERYONE STARTS WITH ZERO



By Vivin Raju

A P J Abdul Kalam. Mary Kom. Mark Zuckerberg. Your Class Topper. Your Boss.

Everyone started at zero and the best thing about being a zero is the world of possibilities ahead of you. So don't give up yet!

Jerry Seinfeld, whose brainchild was America's most acclaimed and popular sitcoms of all time, was booed off stage in his first stand-up comedy appearance. How does a comedic genius fail at his first attempt at stand up?

Often, the greats we choose to admire were not born into greatness. We just tend to think they can do no wrong, but we simply never see where they started.

While I'm adapting from working for an organization to hiring for my own if there's something learnt, it is about the fruits of failures more than success. And by fruits, I mean the bitter ones. Those were the days I dreamt of where I am today, which back then seemed very distant.

We all have goals to accomplish and dreams to achieve. Some of these aspirations may still be sitting on the metaphorical shelf, gathering dust. Perhaps now is the time to sweep the dust off and give them a go. Starting somewhere is infinitely better than never starting at all.

Today, you're just you. Down the road, you're going to be that person you always wanted to be. Maybe one day, people will even marvel at your success and ask you how you did it. At which point, you can tell them, even

you started somewhere.

Speaking of the journey, at times I was tempted to compare myself to others who were on the same or just took a different road. I wonder why they always had something, and I just did not. Sometimes, it just takes time to catch up. But this thought never lasted too long, for the day ended and I woke up to my next workday. I've had different experiences when it comes to working for my previous organizations and mind you, they weren't all pleasant. There were days I questioned the years I toiled for my education and then looked at the numbers and targets I had to fulfil to prove myself or more like keep my job and scale up the order.

Those years gave me the privilege to work amongst the simplest and greatest minds ready to extend their arms to support anyone working with them. This is where I learnt the greatest lesson of all times - you do not have to have everything figured out on day One, and that's totally ok. Some of those great minds also had the greatest of hearts which is why I so fondly remember them today who made it clear that your GPA, the university you went to, your Instagram followers, your job description, your credit cards, your LinkedIn profile, your car, your vacation pictures; the day all of this becomes rubble the only thing people would remember you by, is how they felt when you were around. Kindness goes miles without saying.

As a beginner nobody tells you this, but I

wish someone did, that the most important thing is "Starting". In the words of Haruki Murakami, "Everybody must start somewhere. You have your whole future ahead of you. Perfection doesn't happen right away."

I believe that I am not what I would call myself as successful yet but on the long road to success. Yes, you will be able to move the economy forward, you will make money and buy everything you ever dreamt of, you will learn everything new and unlearn every thing old, but you will know that you lived a life worthwhile the day you happen to help someone believe in something.

The day you help someone realize they have a side to them that they never knew of, the day you make someone explore the parts of them they never knew existed, you attain

what is the greatest gift of all this life. To help someone attain something they will pass on. If you are able to instill self-believe in someone, they will guard a whole generation of confident individuals. This is how you will have contributed towards the world you've always been seeking. This is how you will leave a legacy behind by having a heart. This is what I feel is a success that is significant. ■

Day one or one day, the choice is yours.

Mr. Vivin Raju is the charter Vice President of TMA's Young Leaders of Thrissur (YLT) project. He is an Automobile Engineer by profession and an Auto enthusiast by passion. After a stint with a couple of MNC's, he is now a part of his family-owned business. He is the son of Mr. K.R. Raju, TMA's Managing Committee member.



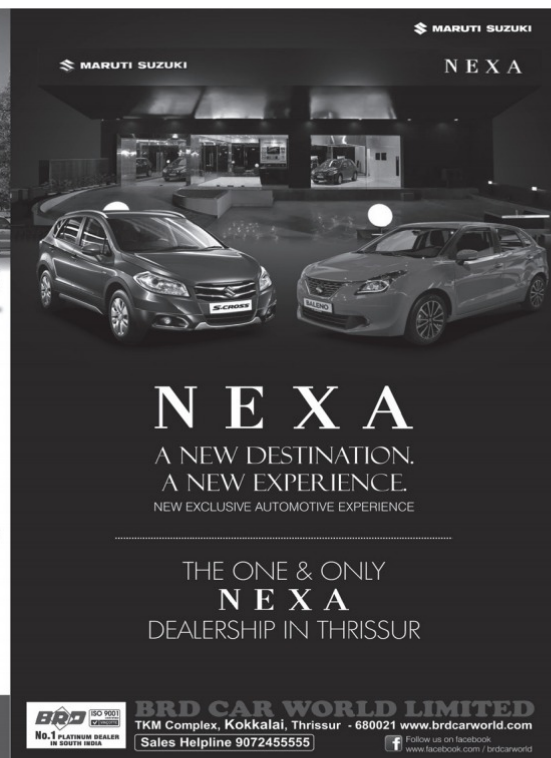
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financial year 2026 as compared to \$300 billion in FY 2021. Several emerging technologies such as API (Application Program Interfaces) and AI (Artificial Intelligence) will continue to redefine the bank customer relationship forever.

Finance Minister Smt. Nirmala Sitaraman announced in her last budget speech that the Government proposed to introduce Digital Rupee, using block chain and other technologies to be issued by RBI starting 2022-23 for more efficient and cheaper currency management system.

Global Ranking of Large Banks

Out of 10 top rating banks in the world, 4 are Chinese banks. Out of the remaining, two are US banks, one UK bank, one Japanese and two French banks. State Bank of India is ranked 53 and is the only Indian bank out in the top 100 banks world over. First ranked bank is Industrial and Commercial Bank of China with total asset \$5536 billion, against State Bank of India's total asset of \$695

billion. In India, we need bigger banks to lend for multinational companies and Central Government is encouraging merger of banks.

State Bank of India ranked 221st in the Global 500 list of the world's biggest corporates of 2020, being the only Indian bank in the list. HDFC Bank is India's largest private sector bank by assets and world's 10th largest bank by market capitalization as on April 2021.

Looking forward, we see a shining hemisphere for Indian banks with ample opportunities to play in the global arena. Expertise planning and efficient management can assure high returns to the Indian banking sector once they move well equipped in tandem with the governmental vision and supports and in tune with the global trends. ■

CA V. Venugopal is a practicing Chartered Accountant and a Past President of TMA.



Tma Management Voice Volume - 4 Release

TAXING TIMES

INDIA'S READINESS FOR IMPLEMENTATION OF BEPS

By Kevin Seejo, Abdul Rahiman, Meghna Mishra



By Kevin Seejo

Globalization has advanced rapidly into the 21st century. While it has generally been viewed as advantageous in many aspects, it has not been without its own share of flaws and quirks. Due to the fact that the tax policies of different nations can vary to a great extent, it has been possible for many multinational corporations to take advantage of these discrepancies to their benefit. In certain cases, it has even been exploited in order to save large amounts of taxable assets. The use of tax havens or locations that have low or even no tax rates have been so widespread that they have heavily impacted developing economies of many nations.

Corporate conglomerate giants like Apple, Google, Microsoft, etc. have faced the brunt of tax evasion and have had to undergo compliance checks from regulatory authorities of multiple nations. This is not only exceptionally hard on the pocket; it also reduces goodwill in the market. These tax avoidance mechanisms are usually carried out by taking advantage of a country that has very low tax rates for setting up a business or corporation and then funneling profits and assets through the established base. This form of aggressive tax avoidance is generally known as Base Erosion and Profit Shifting (BEPS) activity.

In a matter of 2 years, the Organization for Economic Co-Operation and Development (OECD) - a forum that consists of 34 member nations that aims to collaborate, later on joined in by the G20 members, to promote

economic prosperity, sustainable development and growth - has developed a BEPS project in order to combat this issue that consists of a 15-point action plan, drawing a report and thereafter, reaching consensus on how to respond against the growing issue of tax avoidance and the widespread use of tax havens.

It contained a varied list of actions that included minimum standards that were binding in nature, practices, recommendations, discussions on items and aspects that required improvement. These reports also brought spotlight on how to handle the issues that might arise from the growing field of the digital economy.

Since the scope of the BEPS project is rather broad, there are several issues and challenges that are yet to be resolved. BEPS project being politically sensitive one, whilst having involvement of intersecting fields of law and complex concepts, it has made the goals of the project a moving target that will require frequent revisions; which has resulted in some nations and jurisdictions creating their own standards and policies while some others have declined to act taking a wait-and-see approach. The discussion on how India as a nation should act, and if it is ready to enact the policies of the BEPS project, is a relevant one with the onset of a new decade already underway.

The massive Indian population and its strong demographic dividends incentivizes companies to invest in India, resulting in the

Indian Tax Authorities targeting and pursuing the MNCs through BEPS implementation. One of the biggest losses in tax revenue that India faces besides transfer pricing adjustments was through abuse of treaties and tax havens.

India has begun to tackle the situation, independent from the directive of the OECD, by revising the Mauritius Treaty which was taken advantage of by many residents, and has expressed to OECD its aim to ensure that the income that is sourced from India is to be taxed under its domestic laws, by efficient taxing of assets located in India that were transferred indirectly as well as the taxation of royalty. It is notable to mention that a majority of the issues regarding tax avoidance stem from the residence-based taxation system being implemented instead of a source-based taxation system.

India is also working on multiple other solutions to effectively combat this issue, chief of which is the equalization levy on online payments to non-residents that comes under specific purposes, implemented by the finance minister Arun Jaitley, following suit other countries like Australia, in order to bring tech giants namely Google and Facebook under the tax purview through indirect taxation for the revenue they gain from their online advertising services.

The establishment of the 15 action points of BEPS in India can increase the effectiveness of the laws relating to permanent establishment status which is already rather strong. These measures can help in the regulation of the growing digital economy. Measures like the equalisation levy can complement the 15-action point plan. These steps will also help broaden the tax base of the nation. As a result, the service sector companies who mainly operate online will not be able to evade their tax liabilities.

The BEPS action plan has aimed to eliminate the double taxation and double non taxation

which can potentially increase the burden of compliance on corporations. The downside to this is that in the long run it can potentially reduce the effective tax rate, which will then translate to lesser individual tax rates.

Similarly, action plan 1 of BEPS focuses on the objective of tax being collected by the country where the service or goods is being provided regardless of the location of the service providers. This can potentially ease the process of registrations for not only remote sellers, but for major digital service providers as well, increasing indirect tax base in the form of number of companies and products.

Another one of India's major concerns were treaty shopping – the malusage of tax treaty by an individual not resident of either countries- especially in the background of ambiguous precedents set in the court by Vodafone and Azadi Bachao, the BEPS plan comes as a breather to the government.

Since India has been constantly modifying its tax laws, the next obvious step was complying with BEPS plan. While India was extremely quick to formulate policies supporting BEPS, the efficiency of the plan has been questioned by relevant stakeholders, one of the biggest areas of concerns being the lack of awareness in Indian companies. Upon strict implementation of the BEPS, the need for increased compliance which would need preparation from their end, and the countless small and big changes that would affect their day-to-day operations means India has to develop a rapid mechanism for spreading awareness. It is also pertinent that the policy is comprehensive with zero errors in its interpretation. Failure to do so might lead to double taxation of some profits.

The effect of BEPS is said to only affect upper-mid-level or big companies with an estimate of only 155 Indian companies being impacted. India's Action Plan would also affect the subsidiaries of MNCs who run their

operations from India. The Indian Action Plan, while not completely concrete, remains one of the most advanced in comparison to some of its International Counterparts. India has implemented anti-abuse provisions in the treaty that would ensure that the application of an international treaty would not prohibit the application of any domestic anti-abuse rules. This is especially significant for international treaties with Georgia, Luxembourg, Columbia, etc.

Tax-experts are also concerned to witness the real-life implementation of the Action Plan in the long run considering the massive commitment that the companies have to fulfill. A portion of the onus is reliant on them. It is only with complete coordination that the Action Plan can be incorporated and implemented seamlessly.

In a country with a population of over a billion people and lakhs of business rising rapidly, introducing a new uniform system that would handle their taxation is a massive hurdle to cross in itself

Despite the many hurdles that may come its way, BEPS is slowly becoming a part of India's taxation system. In an interview discussing the progress of the same, Akhilesh Ranjan, joint secretary, ministry of finance stated, and "BEPS is a reality. The report presents a consensus among G20 nations". Strict measures of implementation and their efficiency are still being considered.

It is also pertinent to note that in order to implement BEPS efficiently in India, cooperation is needed from Multinationals, local companies and citizens. Corporations need to prepare for the compliance checks that BEPS would bring. A requirement to submit the profits and revenues in each place of operation would also be essential. A positive response is received in this regard from Indian companies who have already taken measures for impact assessment and

assessing any potential problems in their tax reporting. Companies have also taken several measures to align their operations with the Action Points of the BEPS Guidelines.

Integrating BEPS in the Indian Industry is a prudent way forward considering the transparency the system brings forth. Substantial information and transparency surrounding taxpayer's global transfer pricing policies become a possibility. This is a reality, not just on a national level, but on a global level. Company's transfer pricing policy becomes more efficient to the tax authorities around the world.

A thorough and critical analysis of India's BEPS policies indicates that India is gearing up quickly and efficiently for its implementation. While India's tax policies have always been elegant and ahead of its time, there is a lack of awareness surrounding these policies among the general public. The financial illiteracy is one of the biggest drawbacks that India needs to combat.

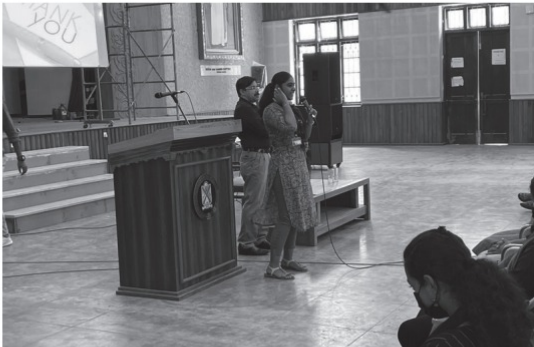
While the policies put forth by India for the implementation of BEPS are extremely efficient on paper, the real life implementation can be subjected to various setbacks. Thus, contingencies need to be maintained to combat this. With more research and more efficient plan, India will be completely ready to transition in the next stage of taxation system. ■

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Management Development Session (MDP)
Resource Person: Mr. Joy Joseph (CEO, TMA), Topic: Leaping out of your comfort zone
Venue: Christ College, Irinjalakuda, Date & Time: 9th June 2022



Management Development Session (MDP)
Resource Person: CMA Madhu A P , (Coordinator, TMA Students Chapter)
Topic: Vision 2025 for Students , Venue: Christ College, Irinjalakuda, Date 15th June 2022



President's Council , Meeting of Past Presidents
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
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