

Government may soon allow FDI in retail e-commerce

Government has decided to allow foreign direct investment (FDI) in online retail in India and is accordingly seeking permission from Election Commission to push the measure, so as not to violate the model code of conduct as the election dates has already been announced.

So far global e-commerce players like Amazon and eBay operate as online marketplaces. That means they just have been offering products from third party sellers and not their own inventory or merchandise. Earlier, Department of Industrial Policy and Promotion (DIPP) had released a discussion paper on FDI in retail e-commerce, whereby it laid out the pros and cons of allowing FDI in this sector and invited comments on the same.

[Top](#)

RBI invites comments on Concept Paper on Trade Receivables and Credit Exchange for Financing of MSMEs

Reserve Bank of India (RBI) has sought feedback on its Concept Paper on Trade Receivables and Credit Exchange for financing of Micro, Small and Medium Enterprises (MSMEs). There is a compelling need to address the concerns facing the financing of this segment, as this segment has great potential for growth, creating employment and thus benefitting the economy.

There has been some attempts made in past to address this issue, namely in the reports of the Committee on Financial Sector Reforms (2008) and the Working Group on Securitisation of Trade Receivables (2009). It was recommended in the Reports to build an institutional infrastructure for creating necessary liquidity for trade receivables through a mechanism of efficient and cost effective factoring / reverse factoring process. It was stated by the Governor in his statement on September 04, 2013 that he had an intention to facilitate Electronic Bill Factoring Exchanges in the country, whereby MSME bills against large companies can be accepted electronically and auctioned so that MSMEs are paid promptly. Consequently, many stakeholders offered their expertise and experience to build an appropriate infrastructure for MSME financing.

Accordingly RBI has prepared the said concept paper for implementation of the Trade Receivables and Credit Exchange in the country after consultation with stakeholders and taking into account the interest expressed by few entities. The model outlined in the paper envisages both, primary market segment (in which invoices

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In this issue:

- **Government may soon allow FDI in retail e-commerce**
- **RBI invites comments on Concept Paper on Trade Receivables and Credit Exchange for Financing of MSMEs**
- **CSR Compliance to be effective from 1st April 2014**



India Juris

International Desks

Asia & Australia

M.P.Mehani
asia@indiajuris.com

Americas

Shiv U Idnani
americas@indiajuris.com

UK & Europe

Sameer Rastogi
europe@indiajuris.com

Africa

Surabhi Tyagi
africa@indiajuris.com

Middle East

Dinesh Sabharwal
middleeast@indiajuris.com

first undergo a reverse factoring process to enable the first level of financing to the MSMEs) as well as a secondary market segment (where the financiers of the primary segment get an opportunity to trade these invoices).

The concept paper is available on the website of RBI and is up for comments up to 20th April 2014.

[Top](#)

CSR Compliance to be effective from 1st April 2014

It has been notified by the Ministry of Corporate Affairs (MCA) that the Section 135 related to Corporate Social Responsibility (CSR) and Schedule VII of the new companies act, i.e., Companies Act 2013 shall come into force into 1st April 2014. The related Rules laid under Section 135 shall also come into force on the same date.

As per Section 135, the companies, which fulfill the criteria laid under Section 135 shall spend at least two per cent of the average net profit, made during the three immediately preceding financial years on the CSR activities specified under Schedule VII of the Companies Act 2013. Also, the Board of Directors of such companies must appoint a CSR Committee, whose job would be to formulate CSR policy, recommend CSR initiatives and monitor CSR expenditure.

For CSR Activities purposes, Schedule VII, inter alia, specifies activities like rural development projects; training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports; measures for benefit of armed forces veterans, war widows & their dependants; protection of national heritage, art and culture; ensuring environmental sustainability, ecological balance, protection of flora & fauna, etc.

[Top](#)

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[Top](#)