BANGALORE CHAMBER OF INDUSTRY & COMMERCE

A report on

AATMANIRBHAR BHARAT

AN IMPACT ANALYSIS

AUTHOR

Shri. K R Sekar

Disclaimer

This report is prepared by Mr. K R Sekar, Vice President, BCIC
The views expressed herein is of the Author only and not of the organization

Dedication by Author

Shri. K R Sekar

I dedicate this Report to

the Lotus Feet of my living God and Guru

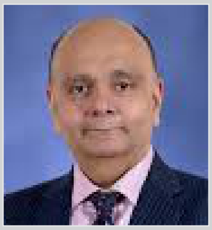
Kanchi Kamakoti Shankaracharya Jagadhguru

Sri. Shankara Vijayendra Saraswathi

A report on

AATMANIRBHAR BHARAT

AN IMPACT ANALYSIS



Shri. Devesh Agarwal

President, BCIC

“The entire world is trying to move towards self sufficiency and working on creating capable nations. The need for India is even greater. An in depth study of the spiralling economy produced by K. R. Sekar through this insightful analysis of the Atma Nirbhar package serves the need of the hour. We express our gratitude to him in this regard."

Shri. T R Parasuraman

Senior Vice President, BCIC

I am quite impressed with style and content of Sekar's analysis on “Aathmanirbhar package “ unveiled by the finance minister to fight the Covid crisis. The report is very easy to understand and has adequately addressed the short term ,mid term and long term impact .The sector wise impact and the recommendations given are quite logical and will be a good reference for any professional or institution and serves as a ready reckoner.The data substantiating the logic of analysis is quite commendable and I am sure this report will be good input for the government and other institutions to take it foreword. I congratulate Sekar for deep insight, analysis, wide perspective view points and recommendations to address the key challenges in each sector .

A report on

AATMANIRBHAR BHARAT

AN IMPACT ANALYSIS

Shri. K R Sekar

Vice President, BCIC and
Partner Deloitte Haskins & Sells LLP

K R Sekar leads the Deloitte Private practice for Deloitte India. Given his extensive experience advising clients/organisations throughout their business life cycle, Sekar has been consulting for clients in the high growth sectors and emerging markets on their business strategy and tax advisory.

Sekar is the Vice President of the Bangalore Chamber of Industry & Commerce; member of the India Board of International Fiscal Association; and works closely with other chambers, including NASSCOM. He is the founder director of International Tax Research and Analysis Foundation (ITRAF), a dedicated research body in the field of international tax.

One of the leading tax advisers from India in the 'Guide to the World's Leading Tax Advisers', published by Legal Media Group, Euromoney; Sekar is also recognised as one of the leading tax controversy leaders by International Tax Review.

A report on

AATMANIRBHAR BHARAT

AN IMPACT ANALYSIS

Content

Foreword

In his report, K. R. Sekar examines the proposals and resource allocations contained in the government's recent 'Aatmanirbhar' package, and then proceeds to conduct a sector-wise scrutiny of both their financial and non-financial aspects. Noting the challenges involved, he proposes a menu of recommendations from the short-, medium-, and long-term perspectives.

Sekar begins with macro considerations. He identifies areas of need for demand revival in the economy, and the use of both tax and expenditure measures as well as liquidity infusion into the macro economy.

His sector-specific examination has a wide scope. He begins with the MSME sector, including the treatment of debt and equity for its revival. He also points to the need for redefining MSME.

In a comparable fashion, he moves to examine several other sectors including agriculture, coal and the sectoral energy mix, environment and the green cover, mining and its international trade position, and the defence sector along with its embedded opportunities and challenges. He takes up additional sectors including aviation and associated proposals in light of the rise in air traffic movement and use of air space, and extends his examination to Discoms, apparel, food processing, and infrastructure sectors.

He comments on the procedural steps that have been announced to ease the tax administrative pressure on taxpayers and reflects with a few suggestions. He recommends a postponement of GST collection and a rate reduction for MSME.

To conclude, Sekar expresses his view that a quick economic revival may be generated through expenditure enhancement, expanded credit availability, and improved governance. He provides a comprehensive coverage of the prevailing Indian economy and offers his suggestions for its recovery.

Parthasarathi Shome
Chairman
International Tax Research and Analysis Foundation (ITRAF)
Bangalore

Preface

In this 'Aatmanirbhar Package – An Impact Analysis' report, I have attempted an objective analysis of the Government of India's 'Aatmanirbhar' package that aims to catapult India on the road to becoming self-reliant in the post-COVID-19 world. The intended audience includes policy makers, influencers in the government and industry, sectoral, business, and industry leaders, among others, who are advertently or inadvertently responsible for shaping the destiny of India and its people. It will also be of interest to academicians and to all those who keep themselves abreast of the latest happenings in the country.

The report begins by providing a macro analysis of the proposals in the package. It gives a sector-wise analysis of the proposals announced for each sector, which are discussed in detail with their impact, challenges, and recommendations or the way forward.

For writing this report and drawing inferences, I have relied on sector-specific reports, expert committee reports, reports of the NITI Aayog and RBI, annual reports of the various sectors and their official websites, along with research reports and newspaper articles.

Owing to space constraint in the tables provided in the document, several abbreviations and acronyms are used without their expanded forms. A Glossary of abbreviations, acronyms, and specialised terms is provided at the end of the document for ease of reference and convenience of the readers.

I would like to extend a special thank you to Dr. Parthasarathi Shome for his foreword and incisive comments, which have added significant value to this research report; Mr. Satyendra Pandey for allowing me to cite material from his article for the Aviation sector proposals; and to Ms. Anita Gupta who took the responsibility of reviewing and editing this report.

I dedicate this report to the Lotus feet of my Living God and Guru Pujyashri Shankara Vijayendra Saraswathi, Shankaracharya of Kanchi Kamakoti Peetam. If it were not for his blessings, it would have been impossible for me to write an analysis on a subject like this.

I hope you will find this report to be useful in making business and industry decisions for the overall benefit of an 'aatmanirbhar' (self-reliant) India.

K.R. Sekar
Bangalore
July 2020

Introduction

The impact of COVID-19 has created major challenges for the global economy, and India is no exception. The extraordinary situation calls for 'extraordinary action' and, rightly, our Honourable Prime Minister, Mr. Narendra Modi,on 14 May 2020 unveiled the vision of creating a self-reliant India. The Aatmanirbhar Bharat Abhiyan aims to create a self-reliant India, with emphasis on labour, land, liquidity, and law on the following five pillars:

- Economy
- Infrastructure
- System
- Vibrant demography
- Demand

The PM announced that, as part of the vision, the Government of India (GOI) will launch a Rs 20 lakh crore 'Aatmanirbhar' package, which is 10% of India's GDP. The vision is laudable, because it has the potential to transform the country into an economic power.

Following the package's announcement, Honourable Finance Minister Nirmala Sitharaman unveiled several packages to revive the economy. This report aims to analyse the impact of the packages announced by the Finance Minister (FM) from a sectoral perspective, given the implementation challenges, limitations, and the way forward.

This report, however, does not include analysis of labour law reforms, problems and challenges of migrant labourers, social sector issues, and difficulties in raising resources to meet this unprecedented situation.These are independent topics that call for a separate research report, and I hope to analyse these aspects in the coming months.

1 Aatmanirbhar Package

The following table summarises the multiple packages announced by the FM under the Aatmanirbhar economic relief package.

1.1 Financial Package

S.No.	Sector	Package	Amount (Rs in lakh crore)
1	MSME	Credit line to MSME	30,0000
		Sub-ordinated efforts to Stressed SMEs	20,000
		Equity infusion to MSME through fund of funds	50,000
2	Workers Welfare	EPF support for business and workers	2,500
		EPF contribution reduced for business and workers	6,750
3	Non-Banking Financial Company	Special liquidity scheme for NBFC/HFC/MFI	30,000
		Partial credit guarantee scheme for NBFC	45,000
4	Power Sector	Liquidity injection for Discoms	90,000
5	Direct Taxes	Liquidity through TDS/TCS	50,000
6	Migrant Labourers	Free food grain to migrant labourers	3,500
7	Small Businessman and Street Vendor	Interest subvention under Mudra Sishu loans for small businessmen	1,500
		Special credit facility for street vendors	5,000
8	Housing Sector	Credit linked subsidy scheme for Middle Income Group extended upto 31 March 2021	70,000
9	Employment generation through CAMPA		6,000
10	Agriculture Sector	Additional Emergency Working Capital facility for farmers through NABARD	3,000
		Additional credit facility through Kisan Credit Cards	2,00,000
		Agri Infrastructure fund for farmers	1,00,000
		Formation of Micro Fund enterprises	10,000
		Extension of supply chain from ‘TOP’ to all vegetables	500

S.No.	Sector	Package	Amount (Rs in lakh crore)
11	Animal Husbandry	Additional amount under PMKSY	20,000
		Animal Husbandry Infrastructure Fund	15,000
12	Promotion of Herbal cultivation	NMPB will bring additional 800 hectare area	4,000
13	Bee keeping initiative	Infrastructure fund	
14	Coal sector	Infrastructure Development Fund	50,000
15	Social sector	Boosting private sector investment through viability gap funding	8,100
16	MGNREGA	Increase in allocation for MGNREGA to provide employment boost	40,000
17	Revenue loss due to Tax concessions since 22 March 2020		7,800
18	Pradhan Mantri Garib Kalyan Package		1,70,000
19	Health sector		15,000
20	RBI measures (earlier announcements)		8,01,603

1.2 Non-Financial Proposals

Sector	Proposals
MSME	Definition of MSME
	Global tenders for MSME
Real Estate	Extension of date for RERA projects
Direct Taxes	Release of pending refunds by Income Tax department to Charitable Trusts/Non Corporate Business and Professions
	Extension of due date for filing of returns by all tax payers
	Extension of date of payment of tax as per VSV scheme
Agriculture sector	Amendment to Essential Commodities Act

Sector	Proposals
	Formulating acentral law to help farmers sell produce through Agri-marketing services
Coal sector	Introduction of Commercial Mining in the Coal sector
	Revenue sharing instead of Fixed Rupee/Tonne
	Liberalisation of entry norms
	Auctioning of partially explored blocks
	Liberal policy regime in Coal sector
Mineral sector	Auctioning of 500 Mining blocks
	Introducing joint auction of Bauxite and Coal Mineral blocks Other reforms
Defence sector	Increase FDI limit in Defence production from 49% to 74%
	Make in India for self-reliant Defence production with the aim to move away from imports
	Other administrative reforms
Aviation sector	Ease restrictions on utilisation of flying space More world-classairports - Additional investment by private players in 12 airports - 6 more airports for second round bidding - Proposal to make India global hub for MRO
Power sector	- New tariff policy - Privatisation of distribution companies in Uts
Space sector	- Boosting private sector participation in Space Research and Space Activities
Atomic sector	- Establishing a research reactor in PPP mode for medical isotopes - Establishing research facility in PPP mode to complement agriculture reforms - Linking the India robust start-up ecosystem to the Nuclear sector

1.3 Other Measures

Sector	Proposals
MSEME	E-market linkages for MSME
	Use of Fintech to enhance lending to MSME
	Government and PSUs to release payments to MSME within 45 days
Payments to Contractors	Extension upto six months to contractors by multiple agencies
	Release of partial bank guarantee by governments
Public Distribution System	One Nation One Ration Card

Sector	Proposals
Migrant Labourers/Poor	Affordable Rental Housing scheme for migrant labourers and urban poor
Education sector	Introduction of Online Education and PM eVidya programme
Health sector	Reforms in Health Sector
Ease of doing business	Reforms in Insolvency law
	Decriminalisation of offences under the Companies Act 2013
	New policy on Public sector and opening all sectors to the Private sector
	Other reforms to facilitate ease of doing business for Corporates

The preceding proposals are a highly positive step in the right direction, and they will give a fillip to industry/economy to regain confidence and start on the recovery path.

In the ensuing sections, I have attempted to analyse these proposals sector-wise with respect to the challenges in each sector,limitations, and the way forward. The proposals have been examined from the following perspectives:

Short Term

Can the proposals revive business/economy in the short term by increasing cash liquidity to restart operations?

Medium Term

Can the proposals enable businesses to overcome difficulties and plan for sustained operations?

Long Term

Will the proposals have a positive impact in the long term, resulting in industrial growth, employment opportunities, and economic benefits?

2 Impact Analysis of Aatmanirbhar Package

The following table summarises the impact of the Aatmanirbhar package on the Indian economy. While the package has a moderate to high bearing on various sectors, it could significantly impact the supply side. For an upturn in the economy, it is important to revive demand.

S.No.	Proposal	Short Term	Medium Term	LongTerm
1	Enhanced Credit to MSME	Moderate	Moderate	Moderate
2	Sub-Ordinated Debt	Moderate	Moderate	Moderate
3	Equity infusion	Moderate	Moderate	Moderate
4	Change in definition of MSME	Not much except it will have more companies into this fold	Moderate	Moderate
5	No global tenders	High	High	High.Provided Defence companies in the private sector also follows this norm.

S.No.	Proposal	Short Term	Medium Term	LongTerm
1	Enhanced Credit to MSME	Moderate	Moderate	Moderate
2	Sub-Ordinated Debt	Moderate	Moderate	Moderate
3	Equity infusion	Moderate	Moderate	Moderate
4	Change in definition of MSME	Not much except it will have more companies into this fold	Moderate	Moderate
5	No global tenders	High	High	High. Provided Defence companies in the private sector also follows this norm.
6	Agriculture sector	Maybe positive if farmers get loan at a lower rate of interest.	Can turn into a positive outcome if the government addresses inputs issues, challenges in FPO and creates a market for farmers.	Positive measure if all the farmers' issues are addressed
7	Impact of announcements on the Coal sector	No impact	No impact	Positive if other measures are implemented.
8	Impact of announcements on the Mining sector	No impact	No impact	Positive if other issues are addressed and implemented fully.
9	Impact of announcements on the Defence sector	No impact	No impact	Maybe positive if other issues are addressed and implemented.
10	Aviation sector	Moderate	Moderate	Maybe positive if other measures are addressed and implemented.

S.No.	Proposal	Short Term	Medium Term	LongTerm
11	Injecting Rs 90,000 crore to Discoms	Positive	Moderate	Discom sector reforms need to be implemented to make it viable. The government has announced Tariff Policy reforms and promised that a paper will be released. If the paper addresses the issues plaguing this sector, and the reforms are executed, the outcome will be positive.
12	Privatisation of Discoms in UTs	No impact	No impact	Sector reforms are a prerequisite for making this a viable proposition
13	Partial Credit Guarantee scheme for NBFC	Moderate. NBFCs should be willing to provide credit to borrowers.	No impact	Limited impact unless NBFC sector reforms are fully implemented.
14	Other proposals	Moderate	Moderate	Moderate

2.1 Macro Analysis of the Aatmanirbhar Package

The Rs 20 lakh crore package includes Rs 8.01 lakh crore announced by the RBI for multiple measures, including reduction in the rate of interest and reduction in the reverse rate of interest.These are primarily liquidity and credit-related measures that will enhance credit to industry and priority sectors.The industry, however, still needs to avail of these benefits, and including them as a part of the economic relief package is not appropriate.

Further, including Rs 50,000 crore due to reduction in TDS (tax deducted at source)/TCS (tax collected at source) rates as a part of the package is incorrect because no revenue loss is incurred in TDS rate reduction, as it will not bring down the final tax liability of tax payers who will also have to advance tax on income. Hence, what was not collected by way of TDS will be collected through Advance tax.Since it cannot be considered as loss of revenue, it should not be included as a part of the economic stimulus package.The package also includes higher budgetary allocation to various social sectors, but we need to wait for the final spend by various departments on social sector projects.

Basically, the impact and outcome of the package at the ground level is uncertain, as it will entirely depend on the actual spend by various ministries on social allocation, actual lending of money by banks and financial institutions, etc. However, the industry and economy will benefit largely if the package leads to:

- Ensuring demand revival
- Boosting the Agriculture sector
- Generating rural employment
- Enhancing bank credit to MSME

- Giving an impetus to the Infra sector—roads and connectivity
- Providing technology-enabled solutions to the rural and agri sectors
- Offering social security coverage to rural and migrant labourers and the unemployed

2.1.1 Demand Revival

This report briefly highlights the importance of demand revival in the context of the Aatmanirbhar Package that may have an impact from the supply side but very little on demand revival. The following paragraphs offer some suggestions on demand revival.

- Increase the Infra spend: Increasing spend on infrastructure projects—both urban and rural—is a time-tested method to revive the demand. Infra projects will generate employment, contribute to the growth of cement, steel, and construction industries; and provide a boost to MSME. The GOI should announce mega infra projects as outlined in this report to revive demand and send a positive message to industry.
- Reduce GST rate on select goods: Reducing GST on select goods, with a clear instruction that the benefit in reduction should be passed onto the customer, will increase consumer spend and generate demand.
- Reduce GST on MSME: Incentivising MSME—the backbone of the economy—will help to revive demand. A flat GST rate reduction on goods produced and sold by MSME will not only reduce the overall product cost but also be beneficial to the users. Here too, however, it should be clearly stated that the benefit of GST reduction should benefit the customer by passing on the benefit of rate reduction.
- Increase Social sector programmes: Higher fund allocation to Social sector projects like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), healthcare, sanitation, and education; as well as direct fund allotments to panchayats/zilla parishads by the Centre for specific projects,such as establishing schools, hospitals, and rural development projects will not only play a vital role in social well-being but also generate employment in rural areas.
- Introduce PPP model in certain sectors:The GOI should introduce the PPP model for building important projects in certain sectors. For example, agri sector (warehousing facilities and agritech), hospitals in rural areas, irrigation canals, and interlinking of rivers.Execution of such mega projects will revive the private sector and propel the economy by generating employment and providing disposable income in the hands of people.

Thus, liquidity is important for people to have the capability to spend. This can happen through job creation, by incentivising organisations that create jobs, and through MGNREGA programmes and other government initiatives for the larger good of the public.

The next section aims to analyse the proposals made by the Finance Minister, under the Aatmanirbhar package, and suggest the way forward, given the challenges that a country like ours faces in terms of the population, demographic profile, education, socio-economic issues, and so forth.

3 Analysis of Sector-Specific Financial Proposals

In this section, the sector-specific financial proposals, announced by the Finance Minister, have been reviewed along with the impact on the respective sector's business and industry, as well as economy, in the short-, medium- and long-term. The 'Way Forward' considers recommendations and action plans that need to be initiated to reap optimal advantages from these proposals.

3.1 MSME Sector

3.1.1 Overview and Analysis of Proposals for MSME

The MSME sector's role to the growth of India's economy cannot be underestimated. The Economic Survey 2020, tabled by the Government of India, not only underlines the importance of the MSME sector but also confirms that the sector generates the largest employment opportunities, next only to agriculture. The MSME sector contributed almost 29% to India's GDP.

The Annual Report of MSME, released by the Ministry of Micro Small and Medium Enterprises (MSME) 2018-19, reveals some important statistics on MSME which are relevant for our analysis.

Sector	Micro	Small	Medium	Total	Share
Rural	342.09	0.78	0.01	324.88	51%
Urban	306.43	2.53	0.04	309.00	49%
Total	630.52	3.31	0.05	633.88	100%

Job Creation by MSME (employment in lakhs)

Activity	Rural	Urban	Total	Share
Manufacturing	186.56	173.86	360.41	32%
Trade	160.64	226.54	387.18	35%
Other Services	150.53	211.69	362.22	33%
Electricity	0.06	0.02	0.07	
Total	497.78	612.10	1109.89	100%

Source for the above tabular information: MSME Annual Report (page 34) released by the Ministry of MSME

3.1.2 Challenges of MSME for Banking Credit Access

Although the MSME sector is fraught with challenges, this sub-section focuses on the challenge of credit availability through the banking sector, and the how the definition change of MSME will make the sector more viable.

3. 1.2.1 Lack of Credit and Banking Credit

The most serious challenge for MSME is lack of banking credit. According to IFC-Intellecap report, the credit gap for MSME is estimated to be Rs 25.8 trillion. The credit gap for micro enterprises is Rs 8 trillion, for small enterprises Rs 16 trillion, and for medium enterprises Rs 1 trillion. According to the U.K. Sinha Committee report on MSME, the addressable demand for external credit for MSME is Rs 37 trillion, of which only Rs 14.5 trillion is met from formal banking sources. According to a BizFund report, only 16% of MSME in India receive formal credit, leaving more than 80% of these companies under-financed or financed through informal sources.

3. 1.2.2 Challenges to MSME Lending

A key issue that impacts lending to MSME is the cost of loan servicing; the biggest bottleneck is assessing the credit worthiness of the sector. According to the U.K. Sinha Committee report, the absence of collateral and underwriting results in the'high touch' approach, leading to higher cost. MSME enterprises often do not have high collaterals and in their absence, the credit risk perception of MSME is high.

3.1.2.3 NPAs of MSME to Banking Sector

There is a perception that MSME contribute significantly to non-performing assets (NPA). A SIDBI Transaction report shows that the overall NPA rate for MSME was 10.5% in March 2017, 11.7% in September '18, and 12.2% in September '19. One of the reasons for the margin increase in NPA is the contraction of credit and poor economy.

3.1.2.4 Higher Interest Cost to MSMEs

As stated, MSMEs largely depend on informal credit; formal credit through the regular banking channel and non-banking finance companies (NBFCs) is only one-third of loan amount while the remaining is serviced by private financiers. The interest rate on loans to MSMEs, after the RBI's recent reduction in interest rate,stands at 7.25%. According to a RBI report, the weighted average lending rate for micro, small and medium enterprises was

11.24% in February 2020, the second highest among different segments. MSMEs do not have a high profit margin, and hence the higher rate of interest becomes challenging for them.

3.1.3 Proposals Relating to MSME

Against this backdrop, it would be worth while to evaluate the proposals for MSMEs in the economic stimulus package.

3.1.3.1 Automatic Lending to Borrowers/MSME

- Emergency credit line to business/MSMEs from banks and NBFCs up to 20% of outstanding
- Borrowers up to Rs 25 crore outstanding and Rs100 crore turnover are eligible
- Loans with a 4-year tenure, with a moratorium of one year, for principal repayment

[1] Page 11 of IFC-Intellecap report
[2] Page 72 of U.K. Sinha Committee report
[2] https://www.financialexpress.com/industry/msme-fin-indias-answer-to-its-problem-of-380-billion-msme-credit-gap-lies-in-these-type-of-lenders-to-step-up/1887426/
[4] Financial Express – March 29,2020, – https://www.financialexpress.com/economy/bank-of-india-cuts-external-benchmark-lending-rate-msme-home-other-loans-to-get-cheaper/1912728/
[5] https://www.livemint.com/market/mark-to-market/india-s-small-firms-need-cheaper-loans-not-just-an-interest-holiday-11586712193859.html

- Interest to be capped
- 100% credit guarantee cover to banks and NBFCs
- No guarantee/No fresh collateral

3.1.3.2 Sub-Ordinate Debt for Stressed MSME

- Stressed MSME need equity support
- Government of India will facilitate Rs 20,000 crore as sub-ordinate debt
- Promoters of MSME can borrow money and infuse as equity into MSME
- Only stressed MSME or MSME with NPAs are eligible

3.1.3.3 Fund of Funds

- Fund of Funds (FOF) with a corpus of Rs 10,000 crore proposed to be setup
- FOF will operate through mother funds and daughter funds
- FOF will leverage Rs 50,000 crore through daughter funds, and fund growth potential MSME with equity support

3.1.4 New Definition of MSME

The definition of MSMEs has been changed in the government's economic stimulus package. It is now as follows:

3.1.4.1 Micro Enterprises –Definition Change

S.No.	Sector	Criteria	Existing	New
1	Manufacturing enterprises	Investment	Less than Rs 25 lakh	Less than Rs 1 crore
		Turnover criteria	No turnover criteria	Up to Rs 5 crore
2	Service enterprises	Investment	Less than Rs 10 lakh	Less than Rs 1 crore Same for both Manufacturing and Service enterprises
		Turnover criteria	No turnover Criteria	Up to Rs 5 crore

3.1.4.2 Small Enterprises–Definition Change

S.No.	Sector	Criteria	Existing	New
1	Manufacturing enterprises	Investment	Up to Rs 5 crore	Up to Rs 10 crore
		Turnover criteria	No turnover criteria	Up to Rs 50 crore
2	Service enterprises	Investment	Less than Rs 2 crore	Up to Rs 10 crore Same for both Manufacturing and Service enterprises.
		Turnover criteria	No turnover criteria	Up to Rs 50 crore

3.1.4.2 Small Enterprises–Definition Change

S.No.	Sector	Criteria	Existing	New
1	Manufacturing enterprises	Investment	Up to Rs 10 crore	Up to Rs 20 crore
		Turnover criteria	No turnover criteria	Up to Rs100 crore
2	Service Enterprises	Investment	Up to Rs 5 crore	Up to Rs 20 crore Same as above with distinction between Manufacturing and Service enterprises.
		Turnover criteria	No turnover criteria	Up to Rs 100 crore

3.1.4.4 Global Tenders

- Global tenders up to Rs 200 crore will be disallowed
- Necessary amendments to be carried out in financial rules

3.1.4.5 Other Measures for MSMEs

- E-market linkages for MSMEs
- Fintech will be used to enhance transaction lending
- Government and PSUs to release MSME receivables within 45 days

3.1.5 Impact of the Proposals

While the Finance Minister's proposals for the MSME sector are commendable, the moot point is whether they will have the desired impact on MSME.

3.1.5.1 Automatic Lending by Banks/NBFCs

The proposals are likely to have a limited impact for the following reasons:

- Compared to the MSME's credit gap of Rs 25 trillion, the Rs 3 lakh crore announcement in the package is an extremely small fraction of the credit gap amount. Even if it is implemented fully (which is doubtful), it will not lead to the enhanced coverage required by MSME.
- Findings of both the IMF-Intellecap report and the U.K. Sinha Committee report reveal that banks are reluctant to lend money to MSME for their own reasons and perceptions. Besides, the MSME Annual Report for 2018-19 states that 51% of MSME, i.e., 324.88 lakh MSME units are in rural areas. It is well-known that credit coverage to rural MSME has always remained a challenge. The locational constraint further enhances the credit gap; thus lack of credit continues to put pressure on MSME growth.
- The U.K. Sinha Committee report notes that the turn around time (TAT) for credit appraisal for MSMEs by public sector banks (PSBs) is around 31 days.
- Due to the cumbersome credit appraisal process or lack of information on credit appraisal, MSMEs are unable to get benefit of banking credit.
- Despite various attempts by RBI/GOI, bank lending to the MSME sector falls way below the lending norms.
- Even if the MSMEs receive credit to restart businesses, they need to find buyers for the goods manufactured or distributed. In the absence of demand, MSMEs may not be able to sell their products.
- The SIDBI-Trans Union CIBIL report of January 2020 states that the MSME loan as on 30 September 2019 stood at Rs 18.30 lakh crore as against Rs 17.49 lakh crore as on 30 September 2018. The promised support of Rs 3 lakh crore represents 1.67% of the amount outstanding as on 30 September 2019.

3.1.6 Way Forward

In spite of the government promise to support MSMEs, the following actions are required to make a decisive impact at the ground level.

- Although PSBs are now taking measures towards priority lending to MSME entrepreneurs, considering the significant gap in rural credit to MSMEs and the widening gap in general to the sector, the governments should make it mandatory that banks must have at least 35% of lending to MSME. Going by the September 2019 numbers, banks can give an additional loan of Rs 5 lakh crore to this sector.
- RBI statutorily mandated that banks disburse an additional Rs 3 lakh crore as loan to MSME, as part of the FM's package.
- The current interest rate of 7.75% to MSME is high, especially in the aftermath of the COVID-19 situation; the interest rate should be capped to 3.5 or 4% and interest payment can be linked to cash flows for MSME.

- A new debt instrument should be introduced for repayment of debt, with a rear-ended interest payment linked to MSME cash inflows.
- RBI should instruct banks to modify the credit appraisal process and lending norms, including insistence of collaterals to MSME on the lines of the U.K. Sinha Committee report.
- MSMEs are located across India. The government should set up exclusive banks for MSMEs in the North, South, East and West, with a corpus jointly from Government of India and the state governments, with exclusive focus on MSMEs, especially rural ones.
- To ensure better access to funds for MSMEs, micro-financial institutions and NBFCs should be encouraged to give credit to the sector. Moreover, India could look at emulating the China model, where the number of credit guarantee companies went up from 203 in 2000 to 4,800 in 2010. About two-thirds of the companies are privately owned and the remaining owned by local provincial governments or the Government of China. This will help MSMEs to move away from the informal banking sector to the formal banking sector.

3.1.7 Sub-Ordinated Debt by Banks

The objective behind this step is to provide support to stressed MSMEs. Under this scheme, the GOI will provide debt to promoters who, in turn, will infuse it as equity. Only MSMEs that have assets classified as NPAs or stressed are eligible to avail of this scheme. Though good in principle, it will be worthwhile analysing the challenges and the way forward for this scheme.

3.1.7.1 Analysis

- As stated, the proposal's objective is to revive MSMEs that are reeling under NPA pressure. The amount set apart for this scheme is Rs 20,000 crore. According to the SIDBI report of January 2020, the total NPAs as a percentage for MSMEs as on 30 September 2019 is 12.20%. The aggregate loan outstanding of MSMEs to banks as on 30 September 2019 is Rs 18.30 lakh crore. If 12.2% is considered as the aggregate loan outstanding, the extent of NPAs is Rs 2,23,260 crore. The government proposal ear marks only Rs 20,000 crore which may not have a significant impact on MSMEs.
- The U.K. Sinha Committee report analysed the reasons for MSMEs becoming stressed; one of its important findings is that most corporates operate with MSMEs on credit basis and do not pay them on time, resulting in a cash crunch.

3.1.8 Way Forward

The following suggestions should be implemented forth with:

- As a first step, the GOI should amend the MSME Act, directing all corporates to pay payables to MSMEs within 10 days. The measure will help MSMEs to increase their cash inflow.
- The MSME Act should be further amended to direct all companies to pay off outstanding to MSMEs within 15 days from the date of supply. While MSMEs can explore the legal option for deferred payments, they should have an alternative method of raising finance. The government should consider setting up a factoring company exclusively for MSMEs, to factor receivables and get their outstanding collected. A factoring company can be established under a JV model with PSBs/private banks/large NBFCs; and the GOI can be a 26% shareholder in it.
- The Government of India should set up an exclusive fund for rural MSMEs, with Direct Benefit Transfer for stressed rural MSME at a lower rate.

3.1.8.1 Equity Infusion to MSME through Fund of Funds

The Government of India's proposal to set up a Mother of Funds to infuse capital into equity-starved MSME is, undoubtedly, an innovative step; if implemented correctly, it could help MSME to recover and operate successfully. However, the challenges mentioned under Section 3.1.5,'Impact of the Proposals',are equally applicable; piecemeal steps therefore may only marginally benefit MSME unless their issues are taken up and addressed in a holistic manner.

3.1.8.2 New Definition of MSME and Suggestions to Amend the MSME Act

The new definition of MSME is future oriented. Besides, the removal of distinction between the manufacturing and services sectors is a step in the right direction. The MSME Act should be amended to include the following:

- Under the present provisions of the MSME Act, MSMEs should file a complaint with the MSME facilitation council if they do not receive the amount within 45 days. As stated in the U.K. Sinha Committee report, MSMEs do not file a complaint for the fear of losing a customer and the cost involved in filing the complaint.

  In view of this, the MSME Act should have a provision by which every company that buys goods from MSMEs should file a statement or returns on a quarterly basis. In it, they need to declare the amount outstanding against MSMEs, and the reason for non-payment certified by a Board member. Based on this evidence, the MSME facilitation council should direct the defaulting company to pay within the stipulated time which should be binding on the company.

- MSME should have a provision of maximum credit period of 30 days from the date of supplying.

- MSME Act should be amended to override the provisions of the Income-Tax Act 1961 by which the amounts unpaid to MSMEs will be disallowed while computing profits of a company. Accordingly Section 43B of the IT Act should be amended to disallow any expenditure claimed by taxpayers if the amount is not paid to MSMEs by the due date as per MSME Act.

Page 35 of U.K. Sinha Committee report

- The status of MSME facilitation council should be on a par with district court or sessions court and not that of a mere council. It should have legal authority to make its functioning effective, with full-fledged members and support staff.

3.1.9 Other Proposals Relating to MSME

Other proposals on MSMEs, namely no global tenders for PSU/GOI projects upto Rs 200 crore as well ase-marketing facility are welcome steps.

3.1.10 Conclusion

S.No.	Proposal	Short Term	Medium Term	Long Term
1	Enhanced credit to MSME	Moderate	Moderate	Moderate
2	Sub-Ordinated debt	Moderate	Moderate	Moderate
3	Equity infusion	Moderate	Moderate	Moderate
4	Change in Definition of MSME	Not much except having more companies into its fold.	Moderate	Moderate
5	No Global Tenders	High	High	High. However, other Defence companies in the private sector should also follow this norm.

3.2 Agriculture Sector

This section discusses the proposals made by the Finance Minister for the agricultural sector, along with an analysis of such proposals.

3.2.1 Financial Proposals

The financial proposals for the agriculture sector include:

3.2.1.1 Additional Working Capital Facility for Farmers through NABARD Rs 30,000 crore

- Rural and co-operative banks are the main source of credit for small and marginal farmers
- NABARD will provide additional refinance facility for crop loan requirement of rural banks and co-operative banks
- This loan is to benefit small and marginal farmers in the kharif and rabi crop seasons

3.2.1.2 Concessional Credit to Farmers through KCC of Rs 2,00,000 lakh crore

- Concessional credit to PM-Kisan beneficiaries through PM Kisan Credit Cards
- Fishermen and animal husbandry farmers will also be covered in this drive
- Rs 2 lakh crore of credit flow is estimated to benefit 2 crore farmers

3.2.1.3 Agri Infrastructure Fund –Rs 1,00,000 lakh crore

Fund will be created to support:

- Financing and funding of agriculture infrastructure projects at farm gate and aggregation points
- Impetus for developing farm gate and aggregation points and post-harvest management infrastructure

3.2.1.4 Formalisation of Micro Food Enterprises–Rs 10,000 crore

- A scheme will be launched to help micro food enterprises to: (i) Attain technical upgrade,(ii) Achieve food standards, and (iii) Establish markets and build brands
- Existing micro food enterprises, farmer producer organisations (FPO), self-help groups, and co-operatives to be supported
- The scheme is expected to achieve improved health and safety standards, integration with retail markets and improved income

3.2.1.5 Promotion of Herbal Cultivation– Rs 4,000 crore

- 10,00,000 hectare will be covered under herbal cultivation in the next two years, with an outlay of Rs 4,000 crore
- The initiative will result in generating an income of Rs 5,000 crore for farmers
- Network of regional mandis for medicinal plants

3.2.1.6 Operation Green From 'TOP' to Total – Rs 500 crore

Operation Green extended from tomatoes, onions and potatoes (TOP) to all fruits and vegetables. The features of the scheme are:

- 50% subsidy on transportation from surplus areas to deficient areas
- 50% subsidy on storages including cold storages

- This will be a pilot project for six months and it can be extended

3.2. Non-Financial Measures

The non-financial measures include amendments to essential commodities act and the proposal to formulate a central law for the benefit of farmers.

3.2.2.1 Amendments to Essential Commodities Act

- Food stuffs including cereals, edible oils, oil seeds, pulses, onion, and potato to be deregulated
- No stock limit will be imposed except under exceptional circumstances like national calamities, famine, and so forth

3.2.2.2 Proposal to Formulate Central Law

The government proposes to formulate a central law to:

- Provide choice of market for farmers
- Allow free inter-state trade
- Framework for e-trading
- Eventually dismantle APMC

It also proposes a central law to facilitate a legal framework that will enable farmers to engage with processors, aggregators, large retailers, exporters, and so on, in a fair and transparent manner.

3.2.3 Analysis

With the focus of the stimulus on output and management of output, the proposals for the agriculture sector will help farmers in the long and medium term.

The agriculture sector contributes to 18% of India's GDP. The proportion of India's population depending on agriculture, whether directly or indirectly, is 70% of India's rural households. With such a huge dependency on the sector, agriculture is critical for India' s economic growth.

However, the sector grapples with issues at the basic level like small land holdings, rising input costs, inadequate irrigation facilities, increased cost of labour, outdated farming techniques, lack of sound farm management services, inefficient marketing services for farm produce among others. The GOI needs to step in to address some of these fundamental issues to improve performance of the agriculture sector, and thereby of the majority of the populace dependent on it for their livelihoods.

The key challenges that need to be addressed in the agriculture sector are:

- As access to land is an issue, land reforms require urgent attention
- As 60% of the gross agricultural land and 45% of farm output is still dependent on monsoons, improved irrigation facilities are required
- Need for a significant increase in public investment in agriculture-related infrastructure, particularly in irrigation, land development, water conservation, research & development, road connectivity, and so on

[7] Source Summary of Swaminathan Committee report on Agriculture, Mahendra Dev Report on Agriculture, Indian agriculture Problems and Reforms by S. K. Goyal1, Prabha 2, Jai P. Rai3 and Shree Ram Singh4

- The findings of a research paper point out that the negative and inelastic demand for farm inputs result in the sharp increase in the CoC (Cost of Cultivation) due to rising prices of inputs in the recent years. Further, the aggregate level of physical use of inputs increased at a smaller rate, and a large share of the increase in the CoC was attributed to the rising prices of inputs."
- The 2019 report on credit outreach—submitted by RBI's Internal Working Committee (IWC) —states that 72% of the credit requirement was met through institutional sources and 28% from non-institutional sources. In the absence of a proper legal framework and lack of records relating to their agricultural activity,

tenant farmers, share croppers, oral lessees, and landless labourers face difficulty in accessing institutional credit. As per the Priority Sector Lending Annual Return (2015-16), only 41% of small and marginal farmers could be covered by public and private sector banks. Besides, the share of credit to allied activities, i.e., livestock, forestry, and fisheries was sub-optimal when compared with its contribution to agricultural output.

- The IWC report states that the rate of interest charged by micro finance institutions (MFI) is around 24%, which is far higher than Scheduled Commercial Banks (SCBs). Therefore, guidelines are required on the interest rate to be charged.
- Agriculture loan issued by MFIs and NBFCs is only Rs 200 billion against the total requirement of Rs 700 billion. They need to allocate more funds to the sector.
- The SCBs and formal banking sector cover 5.13 crore small and marginal farmers against a total of 12.54 crore farmers. The coverage represents only 40% of the total small and marginal farmers who collectively represent 86.21% of the total operated holdings and 46% of the total operated area, according to the IWC report.
- Only 45% of the small and marginal farmers have Kisan Credit Cards (KCC), and it is possible that more than one member in the family has a card. If the duplicate cards are excluded, only 10.5% of households will have a KCC, the report states, adding that in the absence of KCC, most farmers take agricultural loan against gold as collateral, incurring huge debt.

The financial proposals for the agriculture sector in the stimulus package area step in the right direction. However, given the challenges farmers face in terms of high interest rate on institutional credit, small number of KCC holders, no incentives on procurement of farm inputs like seeds, among others, the stimulus package may not have the desired impact on farmers. In view of it, the government should aim at addressing the problems of the agriculture sector on a holistic basis for an enduring and sustainable impact.

3.2.4 Way Forward

The government should work towards implementing the following steps to ensure tangible benefits to the agriculture sector.

[8] Changing Crop Production Cost in India: Input Prices,Substitution and Technological Effects S.K. Srivastava, Ramesh Chand and Jaspal Singh NITI Aayog, New Delhi-110 001

[9] https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=942

[10] Page 32 of IWC report September 2019

[11] Page 47 of IWC report of RBI September 2019

3.2.4.1 Self-help Groups for Small and Marginal Farmers

As per the Agricultural Census 2015-16,small and marginal holdings taken together (0.00-2.00 ha.) constituted 86.08% of the total holdings, while their share in the operated area stood at 46.94%. So, small and marginal farmers suffer from higher cost of cultivation including input cost, water and irrigation, lack of modern farming techniques, and inability to sell their produce at a higher price. The government should introduce measures to reduce cost through FPOs and self-help groups, and set up self-regulated co-operative societies to help small and marginal farmers.

3.2.4.2 Establish Sustainable FPOs

The GOI has a laudable objective of setting up 10,000 FPOs by 2024. A recent report, however, states that out of the 5,000 FPOs already established, most of the mare in a nascent stage and lack a sustainable business model. The government needs to ensure that FPOs become a viable mechanism. A separate group, under the guidance of the Ministry of Finance or Ministry of Agriculture and Farmers' Welfare, should be constituted to hand-hold FPOs from the start-up business stage to a viable operating model so that they provide the right support to farmers in all spheres of farming activity, starting from inputs to marketing of produce.

3.2.4.3 Lending to FPOs

As per RBI guidelines, 18% of adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher, is meant for agricultural credit. Out of this percentage ear marked for agriculture, 8% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, is prescribed for small and marginal farmers. The 8% limit may not be adequate, and it should be increased to 12% with a separate sub-limit for FPOs.

3.2.4.4 Improve Institutional Credit

The Government of India and RBI should take concerted efforts to improve institutional credit to the agriculture sector. Banks should also explore collaborations with agri-tech companies/start-ups that would enable FPOs/small farmers to access credit. Technology-driven solutions, including setting up of new portals and enhancing functioning of existing portals on the lines of those for MSMEs should be adopted to reduce the extent of financial exclusion of agricultural households.

3.2.5 Conclusion

Overall, the announcements for the agricultural sector will result in a favorable outcome if the issues and challenges of the sector are addressed immediately.

Impact of announcements on the Agriculture sector	Short Term (post COVID-19)	Long Term	Medium Term
	Positive if farmers get loan at a lower rate of interest	Can turn positive if the government addresses the inputs issues, challenges in FPO and creates a market for farmers	Positive if all the issues that farmers face are addressed

Page 10 of Agriculture Census 2015-16 (Phase I)

3.3 Coal Sector

This section summarises the proposals on the Coal sector in the Aatmanirbhar package, and presents the sector-specific analysis.

3.3.1 Coal Sector Proposals

The following is a summary of the Coal sector proposals:

- Allowing private sector participation in the sector through a revenue-sharing mechanism instead of fixed rupee/tonne
- Departing from the concept of captive consumer and allow customers to sell coal in open block
- Liberalising entry norms
- Offering at least 50 blocks immediately
- Allowing private sector participation in coal exploration
- Auctioning even partially explored blocks
- Proposing establishment of an Infrastructure Development Fund of Rs 50000 crore
- Ensuring ease of doing business in the coal sector
- Auctioning of coal bed methane (CBM) extractions from Coal India Limited's(CIL) mines

3.3.2 Overview of the Coal Sector

India's proven coal reserves, as of December 2018,standat 9% of the world's total coal reserves. In terms of production and consumption, India is the second-biggest coal producer and consumer after China. India's share of consumption is at 12% of the world's total coal consumption, and it is the second-biggest coal importer.

India's coal production in 2018-19 was 730 million tonnes, with thermal coal accounting for 94% of India's domestic coal production at 683 million tonnes in the same period. India is the second largest producer of thermal Coal and 80% of its requirement is produced by Coal India Limited.

The inventory of Indian coal as on 1 April 2019 and upto a depth of 1,200 metre prepared by the Geological Survey of India on the basis of resources estimated—is 320.50 billion tonne . The lignite reserves in the country, as on 1 April 2019 are estimated at around 45.76 billion tonne (BT). The major deposits are located in the states of TamilNadu, followed by Rajasthan, Gujarat, Kerala, West Bengal, and the union territories of Jammu and Kashmir and Puducherry .The break-up of coal reserves is tabulated below.

Figures in BT

Coal Type	Proved	Indicated	Inferred	Total
Prime Coking	4.67	0.66	0,00	5.32
Medium Coking	14.88	11.25	1.86	27.98
Semi-Coking	0.52	0.99	0.19	1.71
Sub-Total of Coking	20.06	12.90	2.06	35.00
Non-Coking	134.96	127.49	27.42	289.87
Tertiary Coal	0.59	0.12	0.90	1,62
Grand Total	155.61	140.51	30.38	326.50

[13] https://www.mining-technology.com/features/feature-the-worlds-biggest-coal-reserves-by-country/
[14] Coal in India 2019-Prepared by Office of the Chief Economist – Australia Government
[15] Ministry Coal Annual Report 19-20, page no. 20
[16] Ministry of Coal Annual Report 19-20, page no. 20

India's coal reserves are found in the Gondwana formation in peninsular India while younger tertiary formations are typical in the north-eastern region. Based on the results of regional/promotional exploration, where boreholes are normally placed 1-2 km apart, the resources are classified into 'Indicated' or 'Inferred' category. Subsequent detailed exploration in selected blocks, where boreholes are less than 400 meter apart, upgrades the resources into more reliable 'Proved' category. The formation-wise and category-wise coal resources of India as on 1 April 2019 are given in table below.

Formation	Proved	Indicated	Inferred	Total.
Gondwana coal	155021	140379	29472	324872
Tertiary coal	594	121	909	1624
Total	155614	140501	30381	326496

3.3.2.1 India's Energy Mix

As per the report published by the Central Electricity Authority (CEA), India envisages a massive expansion in electricity generation capacity over the next decade. In view of it, coal based power generating capacity, which was at 201 gigawatt (GW) in June 2019, will go up to 217 GW by 2021-22 and reach 238 GW by 2026-27. The share of coal based power generation at 56% in 2019 is expected to be 46% by 2021-22 and 36% by 2026-27. Renewable energy consumption, which was 79 GW in 2019, is expected to go up to175 GW by 2022 and 275 GW by 2026-27.Hydro, which was at 45 GW by 2019, will go up from 51 GW in 2021-22 to 63 GW by 2026-27. Gas based consumption, at 25 GW in 2019, will be at 26GW by 2021-22 and remain 26GW by 2026-27. The share of energy mix from 2019 to 2026-27 is tabulated below.

Share in percentage

S. No.	Sector	2019	2021-22	2026-27
1	Coal	56%	45%	39%
2	Renewable	22%	37%	44%
3	Hydro	13%	11%	10%
4	Gas	7%	5%	4%
5	Nuclear	2%	2%	3%
6	Total Capacity in GW	358	479	617

India's coal consumption is increasing primarily due to increase in thermal power, which accounts for almost 70% of the total consumption. India has coastal (31 GW) and inland plants (159 GW) that are usually located close to mines. India has 18 GW of power plants that are designed to use only imported coal. Power plants with a total capacity of 32 GW use a blend of domestic and imported coal. Plants using only domestic coal have a total capacity of 140 GW.

After the power sector, the iron and steel industry consumes 20% of the coal produced, the cement industry consumes 5%, and the rest is used by industries such as chemicals and fertilizers; besides residential use. India imports a significant amount of coal from Australia and Indonesia. The imports are required not just to bridge the demand-supply gap but also to meet the demands of the growing steel industry. The steel industry needs metallurgical coal—low ash content coking coal—which is not available in considerable quantity and is majorly imported from Australia. The country's thermal power plants, located in coastal areas, use only imported coal for which Indonesia is the primary supplier.

3.3.3 Coal Sector Challenges

This report details the critical challenges in the coal sector.

3.3.3.1 Multiple Approvals

According to the Economic Times and First post, as many as 43 out of 85 coal blocks allotted were awaiting government clearances as on December 2019. One of the challenges pointed out in the 'Coal in India 2019'report,prepared by the office of the Chief Economist of Australia, coal projects in India are subject to a plethora of approvals from multiple agencies, resulting in inordinate delays in planning for projects. According to a report of 'Coal Vision 2030—Stake Holder Consultations' ,coal mining in India is regulated at several levels with the central government, state governments, and various local agencies involved in supervising the industry. Approvals are required from these agencies before commencing mining operations, causing delays and cost overruns.

One of the biggest bottlenecks for the coal sector is getting approval from various government authorities for acquiring mining land, as it may involve converting agricultural land and resettling locals, predominantly tribals, residing in the vicinity. In 2016-17, 34 of CIL's mining projects were delayed mainly due to problems in getting forest clearances and land acquisition. A recent report indicates that over Rs 11000 crore worth of proposals in the coal sector are facing delays and have not been closed, and the government has asked for an exception report.

[17] Source: Coal India report published by Office of Chief Economist Australia Government
[18] Page no 233- India Energy Policy Review published by IEA
[19] https://economictimes.indiatimes.com/industry/energy/power/clearances-awaited-at-43-out-of-85-coal-blocks/articleshow/72807013.cms
[20] Page 9 of the report Coal Vision 2030 – Stakeholder Consultations commissioned by Coal India Limited
[21] https://energy.economictimes.indiatimes.com/news/coal/coal-projects-worth-rs-11000-cr-facing-delays-centre-seeks-report/67612626

3.3.3.2 Environmental Issues

According to a report, the need to convert forest land for mining purposes will increase from about 22,000 ha in 2005 to 75,000 ha by 2025 . Given the size of green cover that will be stripped, environmentalists and green activists will create hurdles for the coal sector's growth. According to the Coal Vision Document 2030, environment management is becoming stricter and complying with environmental laws could increase production costs.

3.3.3.3 Maintaining Cost Competitiveness

As stated, India imports coal both from Indonesia and Australia. As per the Coal Vision report 2030, Australian metallurgical coal may cost US$60 per tonne and Indonesian thermal coal is expected to cost US$ 30 per tonne by 2030. Competitive pricing might drive Indian users to import coal, subject to logistics permitting, especially if Indian coal is not able to maintain the cost advantage. Therefore, cost competitiveness of domestic coal should be maintained.

3.3.3.4 Logistics Infrastructure

Lack of logistics infrastructure is another hurdle. India's coal reserves are predominantly found in the eastern region while coal is used across the country. Just as the government has announced private participation in coal mining with auctioning of multiple blocks, it should also simultaneously focus on developing the transportation infrastructure for the sector's overall growth.

3.3.4 Conclusion

The opening up of coal mining to private players is a welcome measure. However, the government needs to address the challenges in the sector, including land acquisition, delays in environmental clearances and other approvals, and ramping up the logistics infrastructure. If these challenges are not addressed immediately, the allocation of coal mining blocks to the private sector may not have the desired result. Besides, as a part of the Aatmanirbhar package, these measures may not lend to the economy's recovery in the post-COVID-19 world, but they could have a positive long-term result if the stated challenges are addressed.

Impact of announcements on the Coal sector	Short Term (post COVID-19)	Medium Term	Long Term
	No impact	No impact	Positive if all the other measures are implemented.

22 Source: Page 11 of Coal Mining and Local Environment: A Study in Talcher Coalfield of India by Mishra, Niharranjan, and Das, Nabanita

3.4 Mining Sector

The key elements of the Mining sector proposals are:

- Introducing a seamless composite exploration-cum-mining-cum-production regime
- Offering 500 mining blocks through an open and transparent process
- Introducing joint auction of coal and bauxite mining blocks in order to reduce electricity cost of aluminium companies

- Removing the distinction between captive and non-captive mines
- Rationalisation of Stamp Duty payable at the time of award of mining leases

3.4.1 Overview of the Mining Sector

India produces 95 minerals, and 1405 mines reported production in 2018-19, which is tabulated below.

S. No.	Nature of Minerals	Number
1	Fuel	4
2	Metallic	10
3	Non-Metallic	23
3	Atomic	3
4	Minor Minerals	55
	Total	95

The Indian mining industry is characterised by several small operational mines. In 2018-19, 1405 mines reported mineral production (excluding atomic, fuel, and minor minerals) in India as against 1430 in the previous year. Out of the1405 reporting mines, most of them were reported in Madhya Pradesh, followed by Gujarat, Karnataka, Odisha, Andhra Pradesh, Tamil Nadu, Chhattisgarh, Rajasthan, Goa, Maharashtra, and Jharkhand . India has 8% deposit of iron ore and ranks 4th in terms of iron ore production, and 7th in the world in terms of bauxite reserves. The mining industry is expected to reach US$ 125 billion by 2025. The production of metallic and non-metallic minerals for the year 2017-18 is tabulated below.

3.4.1.1 Metallic Minerals

Nature of Minerals	Production (in Thousand Tonnes)	Value (in Rs)
Bauxite	23193.68	1658.29
Chromite	3445.11	3073.51
Copper	158.04	954.75

23 Para 2.1 of the Annual Report of Ministry of Mining Industry
24 Para 2.7 of the Annual Report of Ministry of Mining Industry
25 Annual Report of Ministry of Mines- Page no. 20

Nature of Minerals	Production (in Thousand Tonnes)	Value (in Rs)
Gold	1360	419.30
Iron Ore	199.21	44090.16
Lead Ore	3471.19	1562.17
Manganese Ore	2687.76	2174.32
Zinc Ore	1434.68	5481.51

(Source: Page 186 of Annual Report of Ministry of Mining Industry 2019)

3.4.1.2 India's Imports and Reserves Position

India has adequate mineral reserves. If these resources are tapped adequately, the country can save significant foreign exchange. The following table illustrates the quantum of imports against the quantum of reserves, and data suggests that imports as a percentage is very insignificant compared with our reserves position.

S.No	Nature of Minerals	Imports (2017-18) (units in Thousand Tonnes)	Resources (as on 1 April 2015)	Imports as a % of resources
1	Copper	1143	Ore 15,11,498 Metal 12,158	0.10%
2	Limestone	18,04	20,32,24,752	0.01%
3	Marble	882	19,45,891	0.06%
4	Bauxite	1895	38,96,864	0.04%
5	Iron Ore	5	Haematite: 2,24,86,965 Magnetite: 1,07,89,155	

(Source: Page 23 of Global Report on Mining Sector by CII)

Considering the huge reserves of minerals and ores, India should consider opening up this sector to not only save foreign exchange on imports but also for the sector's growth. While India has 8% of global bauxite reserves, aluminium production is only 3%.[26]

[26]CII report on Mining and Metal Industry – Report on Current Scenario and the Way Ahead

3.4.2 Opportunities and Challenges

Given the significant mineral reserves, the mining sector presents great opportunity in the form of employment generation, infrastructure growth, and foreign exchange saving. As for the challenges, they are aplenty, and those stated forthe coal sector are applicable here too.

3.4.2.1 Impact of Announcements on the Mining Sector

The announcement on the mining sector in the Aatmanirbhar package reiterates the government's commitment to the sector. Any tangible impact can come only if the challenges as outlined in the Coal sector, which are also applicable for the mining sector, are addressed through a strong implementation plan.

The COVID-19 crisis has had a crippling effect on the economy worldwide. Hence, the Aatmanirbhar package on the mining sector will not have any immediate short- or medium-term effect, but measures like land acquisition, environmental clearances, and so forth, will provide substantial long-term advantages.

3.4.3 Conclusion

Impact of announcements on the Mining sector	Short Term (post COVID-19)	Medium Term	Long Term
	No impact	No impact	Positive if other measures plaguing the sector are implemented fully.

3.5 Defence Sector

The following announcements were made as part of the Aatmanirbhar package for the Defence sector:

- FDI limit in Defence manufacturing, under the automatic route, will be raised from 49% to 74%
- 'Make in India' for self-reliance in Defence production
- Notify the list of weapons/platforms for ban on imports with year-wise timelines
- Indigenisation of imported spares
- Separate budget provisioning for domestic capital procurement
- Time-bound defence procurement process and faster decision making will be ushered in by:
  - Setting up of a Project Management Unit(PMU) to support contract management
  - Realistic setting of General Staff Qualitative Requirements(GSQRs) of weapons/platforms
  - Overhauling trial and testing procedures

3.5.1 Opportunities and Challenges

India's defence spending is about 1.8% of the GDP, and 40% of India's total defence budget is spent on capital acquisitions; 70% of requirements for capital acquisitions are currently met through imports . The Indian defence industry is dominated by defence public sector undertakings (DPSUs) and ordnance factories (OFs), which contribute about 90% of the total domestic defence manufacturing output. The 41 OFs are spread across 26 different locations and employ close to 1,25,000 people. As per the IACC report, almost 6000 MSMEs are dependent on DPSUs for their survival. -

Almost 76% of our defence imports come from Russia, followed by the USA and the UK at 7% and 4%, respectively. The Government of India is committed to indigenising and taking India's defence industry to US$ 26 billion by 2025. This initiative will significantly bring down imports-and provide employment to nearly 3 million people by 2025.

The growth of the sector will not only generate employment but also save foreign exchange. However, the government needs to address the following challenges:

- As raw material for defence equipment manufacturing is imported, non-PSU companies in the country face a significant cost disadvantage as only PSUs enjoy exemption from Customs duty. The government should exempt levy of customs duty on all imports for defence manufacturing as this would help defence companies in the private sector to grow.
- As the defence sector needs significant working capital support from banks, the government should mandate banks to accord priority lending status to the sector. In fact, defence should be considered on par with the Infrastructure sector, for accessing working capital.
- The Defence sector's development will provide an impetus to MSMEs and ancillary units.

[27]Make in India report – An overview of Defence Manufacturing in India by IACC report

- The gap in skill set required for manufacturing defence goods in India is estimated around 1.5 to 2 lakh people. The government should bridge the gap by promoting sound skill development institutes and improving the existing ITIs (industrial training institutes).

3.5.2 Conclusion

Even as the announcements made by the Finance Minister for Defence are a step in the right direction, they will only show results in the long term.

Impact of announcements on the Defence sector	Short Term (post-COVID-19)	Medium Term	Long Term
	No impact	No impact	Positive. If the other measures addressed and implemented.

3.6 Aviation Sector

The announcements in the Aatmanirbhar package for the Aviation sector include:

- Restrictions on utilisation of Indian air space will be eased so that civilian flying becomes more efficient. This move will bring a total benefit of about Rs 1000 crore per year for the sector.
- 6 more airports identified for 2nd round of operation and maintenance on PPP basis. The bid process will commence immediately.
- Additional investment of Rs 13,000 crore by private players in 12 airports in the 1st and 2nd rounds of operation and maintenance.
- India to become a global hub for aircraft maintenance, repair and overhaul (MRO).

3.6.1 Analysis

The total commercial air traffic movement in India has doubled from 1.30 million in 2010 to around 2.60 million in 2019. India's airspace covers 2.80 million square nautical miles; out of which 1.04 million square nautical miles is continental airspace and 1.74 million square nautical miles is oceanic space.

The Airports Authority of India controls 35% of airspace and the Indian Armed Forces (IAF) the remaining 65%. Considering that airspace is restricted for use by commercial aircraft, airline companies are unable to optimally use airspace. Commercial aircraft often take a circuitous route instead of a direct way to their destination. The flexible use of airspace (FUA) policy will allow commercial airlines to use IAF-controlled airspace subject to certain safeguards.

3.6.1.1 Flexible Air Space Policy

The FUA policy will allow sharing of airspace between commercial airlines and defence. Commercial airlines will benefit majorly from this policy because aircraft will reach their destination faster, result in fuel saving and operational efficiency, even though the concept involves co-ordination with multiple authorities..

3.6.1.2 New Airports for Maintenance under PPP model

In the Aatmanirbhar package, the Finance Minister has announced that 6 more airports will come under the PPP model for maintenance, and an additional investment of Rs 13,000 crore will be made by private players in 12 airports.

3.6.2 Conclusion

These measures will be welcomed by all stakeholders in the aviation sector, but the government needs to address the sector's existing issues such as reducing the high fuel cost, building additional runaways, and providing a low-cost tax regime for MRO, among others, for these benefits to have a sustainable long-term impact, as any short- and medium-term effect is negated due to the COVID-19 pandemic.

---

[28] What is Flexible Air Space and how does it matter? – Satyendra Pandey

3.7 Other Sectors (Other than Social Sectors and Regulatory Measures)

The government proposals for other sectors are briefly summarised below.

- Rs 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs
- Rs 90,000 crore liquidity injection for Discoms
- Relief to contractors—government agencies to partially release bank guarantees to contractors to the extent of project completion, to ease cash flow
- Privatisation of Discoms in union territories
- Boosting private participation in space activities
- Atomic energy-related reforms

3.7.1 Analysis

Allocating a sum of Rs 90,000 crore to Discoms will help them tide over the liquidity crunch, as Discoms owe

Rs 92,000 crore to power-generating companies. This measure may help in the short term, but Discoms continue to face operational challenges like power loss on transmission lines and theft, poor tariff, etc. Besides, the sector will continue to face pressures in the post-COVID-19 situation because consumers, both industrial and non-industrial, may find it difficult to pay their dues. Even proposals such as the Partial Guarantee Scheme may not help unless sectoral reforms are carried out.

3.7.2 Conclusion

Necessary reforms in both the Power sector and NBFCs are required for recovery from the post-COVID-19 depressed economy. As regards proposals relating to the atomic energy sector or boosting private sector participation in space activities, implementation will be the key for these reforms to materialise.

Other Sector Proposals	Short Term (post-COVID-19)	Medium Term	Long Term
Injecting Rs 90,000 crore to Discoms	Positive	Moderate	Discom sector reforms required to make the proposition viable. The government has promised a paper on Tariff Policy reforms. If the paper addresses the issues and reforms are implemented, the outcome will be positive.
Privatisation of Discoms in Uts	No impact	No impact	Not a solution unless sectoral reforms are executed
Partial Credit Guarantee scheme for NBFC	Moderate. NBFCs should be willing to provide credit to the - ultimate borrower	No impact	Limited unless NBFC sector reforms are fully carried out.
Other Proposals	Limited impact	Moderate	Moderate

3.8 Direct Tax Proposals

The salient points of the Direct Tax proposals are:

- Rs 50,000 crore liquidity through tax deducted at source (TDS)/tax collected at source (TCS) rate reduction
- All pending refunds to charitable trusts and non-corporate businesses and professions, including proprietorship, partnership, LLP, and co-operatives shall be issued immediately
- Due date of all income-tax return filings for FY 2019-20 is extended
- Date of assessments getting time-barred on 30 September 2020 have been extended up to 31 December 2020,while those getting time-barred on 31 March 2021 are extended up to 30 September 2021
- The 'Vivad se Vishwas Scheme'(VSV) to make payments on disputed tax amounts, with a complete waiver on interest and penalty to the tax payer, has been extended up to 31 December 2020

3.8.1 Analysis

The proposal to reduce the rate of TDS or TCS is a positive move, but the promised liquidity of Rs 50,000 crore will not materialise for the following reasons:

- TDS is applicable at the time of making payment or at the time of creating a liability, whichever is earlier. In the post-COVID-19 environment, vendors may not have the money to make payments to contractors or professionals to whom TDS is applicable. Hence vendors may be forced to remit tax, not with standing the fact that the taxpayer may defer payment to vendors. Hence remittance of tax should be on pay-as-you-earn(PAYE) basis.

- Assuming the vendor makes payments, the recipient then needs to pay Advance Tax, on the amount received, on a quarterly installment basis. Hence the cash inflow to revenue, which was not coming due to TDS, may come in an indirect manner due to payment on Advance Tax, provided the recipient has income chargeable to tax.
- Other measures such as extending the date of filing returns and filing or extending the date of assessments are procedural compliances and may not impact liquidity.
- Extending the payment date of the VSV scheme is again a procedural issue. In the COVID-19 situation, it may not have the desired impact as companies that are desirous of settling litigations have to pay 100% of the disputed tax amount, and they may not have liquidity to pay up the entire amount.

Hence these proposals may not have the desired impact on taxpayers. On the other hand, the following recommendations if implemented in letter and spirit by the tax department could earn the goodwill of taxpayers as well as the business and industry.

3.8.1.1 Recommendations

Securitisation of refunds, extending the VSV scheme, issuing guidelines for tax collection and administration are among the suggestions for the Direct tax proposals.

Securitisation of Refunds

The government is likely to face significant pressure on revenue collection, post COVID-19, and refund issues may take longer. Delays in issue of refunds will create significant stress on cash-flow management for taxpayers, thus affecting the industry at large. The government should therefore allow industry to monetise these refunds in the form of securitisation/factoring as a large number of taxpayers are likely to be entitled to significant refunds in income tax and GST due to the squeeze on profits/revenue following the lockdown.

The government, either on its own or through the Reserve Bank of India, should instruct nationalised banks, private banks and NBFCs to extend loans to the extent of 90% of the refund amount due. The refunds can be in income tax, GST, Customs duty, or other taxes levied by the central and/or state governments. Further, interest rates on these loans should be lower than the interest rate applicable on the refund due from the government, as industry cannot afford to have an additional interest cost at this critical juncture.

Extending VSV Scheme

- Redraw the VSV scheme to allow issue-wise withdrawal and issue-wise settlement
- Extent the VSV scheme till 31 December 2020 and reduce the taxes payable under the scheme to 50% of disputed taxes if the appeal is withdrawn
- Extend the scheme to include even search and seizure cases so that taxpayers can benefit and litigations is reduced

Tax Collection and Administration

Pressure on tax officials to maximise revenue collection in a downturn may lead to arbitrary and high-pitched assessments. The government should introduce the following guidelines for the current year:

- Dispense with the Advance Tax system for the next two years, as no business can have any predictive analysis on the revenue flow and the likely business scenario. Allow businesses to make payments on PAYE basis; if a business pays up 90% of tax payable as Advance Tax, within a three-month period from the end of the financial year, it should be considered as a sufficient compliance.
- Scrap the provision of making payment on TDS by accounting entry even if no payment is made. TDS payment should be made only if the recipient gets the payment.

- Allow companies to deposit TDS on PAYE basis and allow the business to remit all TDS within a period of three months from the end of the financial year.
- Issue a permanent direction that no arbitrary or high-pitched assessments will be made without the approval of the jurisdictional Principal Chief Commissioner of Income Tax (PCCIT). Before proceeding to arbitrary/high-pitched assessments, tax payers should be given an opportunity to explain their stance before the PCCIT; if required, the time taken to complete the assessment should be extended.
- The Government of India should set up an independent body comprising retired CBDT members/retired ITAT members to issue private rulings to tax payers on any issue that arises in the course of assessment.
- The government should direct the Income Tax department to not undertake any scrutiny tax assessment for a year. In other words, all time time-barring assessment due under Section 143, re-assessments under Section 147 and invoking assessment under Section 263 should be kept in abeyance till 31 March 2021 in order to allow companies to recover from the unprecedented situation created by COVID-19.
- Accept the returns of small tax payers and MSMEs and direct that no assessment shall be done for MSMEs up to 31 March 2022
- Order issuance of refunds wherever due to corporate and non-corporate tax payers
- For the next two years at least, direct the Income Tax officials, Commissioners and Assessing Officers

3.8.2 Conclusion

Impact of announcements on Direct Tax	Short Term (post-COVID-19)	Medium Term	Long Term
	Very moderate due to payment of advance tax by the other party on receipt basis. Hence it may not have the desired impact for liquidity.	No impact	The department needs to change its approach, given the current economic landscape. If all the recommendations are implemented, it would result in not only boosting the economy but also instilling confidence among tax payers that the system is just.

3.9 Social Sector

The Aatmanirbhar package has made some important announcements for the welfare of poor and migrant labour, among others, under social sector reforms.

- One Nation One Ration Card. Technology-enabled systems to be deployed to access public distribution system (ration) from any fair price shop across the country, with 83% portability by 2020 and 100 % portability by March 2021
- Affordable Rental Housing Complexes (ARHC) for migrant workers/urban poor by March 2021
- Rs 5000 crore special credit facility for street vendors
- Rs 70,000 crore boost to the housing sector and middle income group through extension of credit linked subsidy scheme (CLSS)
- Rs 6000 crore employment push using Compensatory Afforestation Fund Management and Planning Authority (CAMPA) funds
- Rs 40,000 crore increase in allocation for MGNREGA to provide employment boost

- Health reforms and initiatives, with higher investment in the health sector and hospitals
- Changes in the insolvency code for MSMEs by raising the threshold limit from Rs 1 lakh to Rs 1 crore
- Special insolvency resolution framework for MSMEs to be notified
- A new measure of key reforms to include:
  - Direct listing of securities by Indian public companies in permissible foreign jurisdictions
  - Private companies that list NCD s on stock exchanges not to be regarded as listed companies
  - Incorporating provisions of Part IXA (Producer Companies) of Companies Act 1956 in Companies Act 2013
  - Create additional/specialised benches for National Company Law Appellate Tribunal (NCLAT)
  - Lower penalties for all defaults by small companies ,one-person companies, producer companies, and start-ups

3.9.1 Analysis

The Social sector proposals will certainly help to revive the economy from the paralysing impact of COVID-19. It could also help inject liquidity into the system and develop social institutions, especially if non-financial proposals are implemented with the right intent.

The 'One Nation One Card' scheme will certainly be beneficial for migrant labour. Also, the ARHC scheme could provide employment for the unorganised sector and promote the construction sector, housing sector, cement and steel sectors. The COVID-19 crisis has clearly exemplified the urgent need for health sector reforms with better infrastructure in the form of hospitals, pathologies, and affordable medicine. The proposed regulatory changes are also welcome.

3.9.2 Conclusion

Social sector reforms are a pressing priority. India must bolster its rural areas with improved education, better employment avenues, enhanced health care facilities, and greater food security. Hence using the PPP model in imparting education, widening the social security net and creating more healthcare facilities, including hospitals, is the need of the hour. The Government should empower this sector by creating organisations on lines of FPO in agriculture and leveraging technology to make it more successful with the maximum outreach.

4 Aatmanirbhar India –Recommendations and Way-forward

The Prime Minister's dream of creating a self-reliant India amidst the challenges arising due to the COVID-19 pandemic is a positive and significant step towards economic revival and growth. The government's focus is on four parameters, namely (i) Liquidity, (ii) Land, (iii) Labour, and (iv) Law; and on the five pillars of (I) Economy, (ii) Infrastructure, (iii) System, (iv) Vibrant demography, and (v) Demand.

While each of the proposals in the Aatmanirbhar package has certain implementation issues, and some them may even have a limited impact in the short- and medium-term, it is equally important that the following sectors be brought under the package' sambit, to expedite the process of a self-reliant India.

4.1 Apparel Sector

The textile and garment sector employs 4.5 crore people directly and 6 crore people in allied sectors. It is the second largest employer after agriculture.

4.1.1 Recommendations

The government should incentivise the textile/apparel sector, as it not only earns significant foreign exchange but also generates employment.

4.1.1.1 Short-Term Measures

The short-term measures aim at improving liquidity to overcome the COVID-19 crisis.

- As most of the units in the apparel sector are MSMEs, implement the recommendations for the apparel sector as a part of the MSME package.
- To tide over the job losses in the sector, create a labour welfare fund and invite contributions from all

corporates and industries associated with this sector. The government can provide the seed capital, and contributions to the fund should be eligible for tax rebate of 150% for one year. As this will be a short-term fund, created mainly to compensate the jobless, it can remain afloat till the situation improves. Units pooling into the fund can use it for paying salaries. It could run like a co-operative model on the lines of the Amul Milk co-operative model.

- Apparel units should be allowed to defer GST payment on domestic sales and use the GST collections for working capital purpose subject to end user restrictions.

4.1.1.2 Medium- to Long-Term Measures

- The government should allow creation of textile parks, and products manufactured by units located in these parks should be exempt from input tax like GST/Customs duty and from income tax. The margins of these industries are relatively low; the exemption of levies along with incentives to promote the home-grown industries could infuse new energy into the sector that is struggling for survival. Moreover, channeling the output of these industries towards domestic consumption will create demand and improve the overall economy.
- The government should also look into creating a modernisation fund, under the PPP model, to fund modernisation of textile and apparel units. Such a fund will also help the capital goods sector.
- As this industry typically deploys state-of-the-art manufacturing technology, they should be encouraged to adopt ITIs, under the CSR framework, in their regions. Such a move will not only revamp the ITIs but can also be a source of skilled resources. Besides, it will provide employment opportunities to local youth and help in the sector's growth.

4.2 Infrastructure Sector– Roads

The infrastructure sector is the backbone India's economy, and economic revival, in many ways, is directly linked to enhanced performance by this sector. The building of world-class infrastructure can lead to 9-10% growth in the Indian economy under normal circumstances. In the post-COVID-19 landscape, it might be difficult to achieve this rate of growth but even a third of this percentage could significantly drive performance.

Infra sector progress stimulates growth of the steel and cement sectors, as their growth is directly linked with improved infra sector performance. The announcements in the stimulus package for modernising airports along with growth plans for the power and mining sectors will certainly strengthen the infra sector and, there by the steel and cement industries also.

4.2.1 Recommendations

Direct spending on India's road sector will have a multiplier effect on the economy.

- The government should announce mega infra projects to improve urban-rural connectivity across India. It is estimated that India needs to spend about Rs 100 lakh crore ($1.4 trillion)on infrastructure projects even under normal circumstances over the next few years to achieve the GDP of US$ 5 trillion by 2024-25.
- The Government of India should embark on an ambitious project of connecting 5,000 to 7,000 villages in each state every year. Apart from better connectivity within two years, the project can create employment opportunities for the rural populace as well as address supply chain and logistics challenges.
- India has a rich cultural heritage, where Lord Ram traversed across the country, and the great sage Adi Shankara went on foot throughout India to establish the Hindu culture. The Government of India should announce projects for 'cultural connectivity by road' by building roads through all places where Lord Ram and Adi Shankara visited. Such a project will have multifarious benefits: remote areas will get connectivity; cultural tourism will receive a boost; and, last but not least, employment opportunities will be generated.

4.3 Food Processing Sector

The Food Processing industry is the next sunrise sector for India. The statistics given below substantiates the sector's significance.

- The Indian food processing industry contributes to 32% of the country's total food market

- It is a major employment-intensive segment
- Constituting 12.43% (at 3-digit of NIC classification) of employment generated in all registered factories in thesector in 2016-17 (509.42 people for 2016-17) [29]

[29] Source: Page 36 of Food Processing Industry Annual Report 2018-19 by Ministry of Food Processing Industry GOI

- It is a US$ 600 billion industry in India with the potential to employ more than 75 lakh workers and can earn significant foreign exchange for India
- The food processing industry's success is directly linked to agriculture sector, as agricultural output becomes input for the food processing sector
- Besides, the bulk of businesses in this sector are MSMEs, and the sector's success is thus linked to the success of MSMEs. The Annual Report of the Ministry of Food Processing mentioned 2,25,000 MSME units in 2016-17.Going by the sector's growth, the number is likely to reach 3,00,000 by 2022.

Some of the challenges in the food processing industry are:

- Procurement and quality of raw material
- Considerable wastages on agri produce, leading to sub-standard quality of raw material
- High interest cost on working capital and investments
- Lack of infrastructure in terms of cold storages, warehouses, etc., for last-mile connectivity

4.3.1 Recommendations

India's vast agricultural resources, dairy and animal husbandry sectors are a ready input for the food processing industry. Given the sector's growth potential and ability to generate rural employment, the government should consider the following:

- Improve the supply chain for agricultural products by establishing more warehouses under the PPP model, or by respective state governments, or through farmers' co-operatives. A specific line of credit for establishing warehouses can be provided.
- Set up rural co-operative societies that can buy agricultural produce from farmers at a fair price. The co-operative societies can manage the supply chain for the produce. The locals should be encouraged to start the societies, under the government's supervision so that middlemen are eliminated.
- Establish mega food parks/food processing zones under the National Food Park Scheme. Benefits of power subsidy/input tax exemption should be given for all procurements by the units under the scheme. Further, direct procurement by these units from local farmers/ farmers' co-operatives should also not be subject to any GST or local taxes. These units should be extended credit facility/working capital facility under the PM Mudra loan scheme and by bank on priority sector basis.
- Ensure that farmers ultimately benefit from the final market price for their produce and remove middlemen from such transactions. Farmers should be allowed to sell their produce directly or through an e-portal set up by the Government of India. The e-portal can be leveraged to incentivise start-ups and encourage use of technology in the sector. Such initiatives will provide farmers with direct access to customers and a better realisation for their produce.

These recommendations are in conjunction with those suggested for the agriculture and MSME sectors, which have a direct linkage on the food processing sector's success.

It is a US$ 600 billion industry in India with the potential to employ more than 75 lakh workers and can earn significant foreign exchange for India

- The food processing industry's success is directly linked to agriculture sector, as agricultural output becomes input for the food processing sector
- Besides, the bulk of businesses in this sector are MSMEs, and the sector's success is thus linked to the success of MSMEs. The Annual Report of the Ministry of Food Processing mentioned 2,25,000 MSME units in 2016-17.Going by the sector's growth, the number is likely to reach 3,00,000 by 2022.

Some of the challenges in the food processing industry are:

- Procurement and quality of raw material
- Considerable wastages on agri produce, leading to sub-standard quality of raw material
- High interest cost on working capital and investments
- Lack of infrastructure in terms of cold storages, warehouses, etc., for last-mile connectivity

4.3.1 Recommendations

India's vast agricultural resources, dairy and animal husbandry sectors are a ready input for the food processing industry. Given the sector's growth potential and ability to generate rural employment, the government should consider the following:

- Improve the supply chain for agricultural products by establishing more warehouses under the PPP model, or by respective state governments, or through farmers' co-operatives. A specific line of credit for establishing warehouses can be provided.
- Set up rural co-operative societies that can buy agricultural produce from farmers at a fair price. The co-operative societies can manage the supply chain for the produce. The locals should be encouraged to start the societies, under the government's supervision so that middlemen are eliminated.
- Establish mega food parks/food processing zones under the National Food Park Scheme. Benefits of power subsidy/input tax exemption should be given for all procurements by the units under the scheme. Further, direct procurement by these units from local farmers/ farmers' co-operatives should also not be subject to any GST or local taxes. These units should be extended credit facility/working capital facility under the PM Mudra loan scheme and by bank on priority sector basis.
- Ensure that farmers ultimately benefit from the final market price for their produce and remove middlemen from such transactions. Farmers should be allowed to sell their produce directly or through an e-portal set up by the Government of India. The e-portal can be leveraged to incentivise start-ups and encourage use of technology in the sector. Such initiatives will provide farmers with direct access to customers and a better realisation for their produce.

These recommendations are in conjunction with those suggested for the agriculture and MSME sectors, which have a direct linkage on the food processing sector's success.

4.4 GST Deferment and GST Rate Reduction for MSME

The total GST collected for 2019-20 is tabulated below.[30]

Rs in crore

S.No.	Month	Collection
1	April	113865
2	May	100289
3	June	99939
4	July	102083
5	August	98202
6	September	91916
7	October	95380
8	November	103492
9	December	103184
10	January	110818
11	February	105366
12	March	97597
	Total	**1222131**

As per government sources, GST revenue in March 2020 from domestic transactions has shown a negative growth of 4% when compared with March 2019. For the financial year 2019-20, GST for domestic transactions grew at a rate of 8% over the revenues during the previous year. As per estimates, and based on 2011-12 price estimates, the service sector contributes 54% to India's GDP, manufacturing sector 32% and agriculture sector 14%. In the absence of information relating to industry/sector-wise contribution to GST, 30% to 35% contribution of GST from industry has been considered, which works out to Rs 3,66,640 crore.

4.4.1 Recommendations

The government can introduce GST deferment for the industry and service sectors on the following lines:

- Collection of GST should be deferred for a 6-month period.

[30] Sourcehttps://pib.gov.in/PressReleaseIframePage.aspx?PRID=1609919
[31] Source https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1609919
[32] http://statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php

- The industry/business should use the deferred GST fund to meet working capital requirements like procurement of raw materials and for other business purposes with end use restrictions.
- Industry/business should be allowed to pay GST within a 3-month period from the end of the FY 2020-21.
- Rates of GST procurement for goods manufactured and/or sold by MSMEs should be reduced from 4% to 2% so that the demand for their goods picks up in the market.
- The benefit of reduced GST rates and should be passed on to the end customers.

GST deferment and reduction in tax on goods procured and sold by MSMEs will have the following benefits:

- Availability of cash with industry will boost growth.
- Besides liquidity, MSMEs will be able to sell their products at a lower price and create a customer base for their industry's revival.

5 Overall Conclusions on the Aatmanirbhar Package

Undoubtedly, the Government of India has taken some bold measures, through the Aatmanirbhar package, to revive the depressed economy in this unprecedented COVID-19 situation and to create a self-reliant India.

The announcements made by the Finance Minister have a positive intent; the initiatives, however, may not yield immediate results in some sectors, primarily because they need to be followed up with other reforms in that sector for a meaningful and sustainable impact.

In view of it, the government's priority should be to revive the economy through demand revival by creating significant infra spend, implementing reforms in the agricultural sector that would also help allied industries like food processing, introducing administrative reforms, and adopting technology to facilitate better governance. The government should also enhance banking and formal credit to agriculture and MSME. The steps are well appreciated and are in the right direction, but an extraordinary situation calls for extraordinary action, and I am sure that the Government of India will take all the necessary measures to achieve an 'Aatmanirbhar India'.

6 Glossary

Term	Description
AHRC	Affordable Rental Housing Complexes
ANBC	Adjusted net bank credit
AO	Assessing officer
APMC	Agricultural Produce Market Committee
BT	Billion tonne
CAMPA	Compensatory Afforestation Fund Management and Planning Authority
CBDT	Central Board of Direct Taxation
CBM	Coal bed methane
CEA	Central Electricity Authority
CIL	Coal India Limited
CLSS	Credit Linked Subsidy Scheme
COC	Cost of cultivation
COVID-19	Acronym for the novel coronavirus disease of 2019
CSR	Corporate social responsibility
Discoms	Power distribution companies
DPSU	Defence public sector undertakings
EPF	Employee Provident Fund
FDI	Foreign Direct Investment
Fintech	Financial technology
FM	Finance Minister
FOF	Fund of Funds
FPO	Farmer producer organisation
FUA	Flexible use of airspace
FY	Financial year
GDP	Gross domestic product
GOI	Government of India
GSQRs	General staff qualitative requirements
GST	Goods and Services Tax
GW	Gigawatt
Ha	Hectare
HFC	Housing Finance Companies
IAF	Indian Armed Forces
Income-Tax Act	IT Act
it is	Industrial Training Institutes
ITAT	Income Tax Appellate Tribunal
ITRAF	International Tax Research and Analysis Foundation
IWC	Internal Working Committee

KCC	Kisan Credit Cards
LLP	Limited Liability Company
Mandi	A local wholesale market
MFI	Micro-finance institution
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MRO	Maintenance, repair and overhaul
MSME	Micro, Small and Medium Enterprises
MT	Metric tonne
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Finance Companies
NCD	Non-convertible debentures
NCLAT	National Company Law Appellate Tribunal
NIC	National Industrial Classification
NMPB	National Medicinal Plants Board
NPA	Non-performing asset
OFs	Ordnance factories
PAYE	Pay-as-you-earn
PCCIT	Principal Chief Commissioner of Income Tax
PM	Prime Minister
PMKSY	Pradhan Mantri Krishi Sinchayee Yojana
PPP	Public-private partnership
Project Management Unit	PMU
PSB	Public sector banks
PSU	Public sector undertakings
RBI	Reserve Bank of India
re	Priority Sector Lending
RERA	Real Estate (Regulation and Development) Act, 2016
SCBs	Scheduled Commercial Banks
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprises
TAT	Turnaround time
TCS	Tax collected at source
TDS	Tax deducted at source
TOP	Tomatoes, onions and potatoes
TOP to total	In this context, from tomatoes, onions and potatoes to all vegetables
Uts	Union territories
VSV	Vivad se Vishwas Scheme

Thank You

ABOUT BCIC

The Bangalore Chamber of Industry and Commerce (BCIC) is the apex Chamber of Industry and Commerce representing large and medium industry in the State of Karnataka. BCIC plays an active and important role in promoting trade and investment in the State and has an excellent domestic and international network with MoUs with the leading Chambers of Commerce across the globe. The Chamber represents all segments of industry which includes Manufacturing, Aerospace Aviation, IT, Bio-tech, Pharma, Engineering, Garments, Food Processing, Steel and Services. The Chamber has been awarded the Gold Standard by NABET for adopting quality standards and is also affiliated at the national level with ASSOCHAM. (Website: www.bcic.in).

BCIC

Bangalore Chamber of Industry and Commerce
No. 3/4, 3rd Floor, ‘C’ Block, Unity Building, JC Road, Bangalore - 560 002
Ph: 080-22223321, 24-25 | Email: info@bcic.in | Website: www.bcic.in