

A prudent combination

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Views are personal



Time-bound reforms would have a significant impact on competitiveness

FM'S ANNOUNCEMENTS added up to a prudent combination of stimulus and reforms. A well thought out package was presented aimed at addressing the short-term challenges, medium-term support to business and enterprises coupled with significant policy reforms, likely to act as a catalyst for economic recover. The comprehensive and structured package reflects the five fundamental principles laid out by the PM; infrastructure, technology-driven, demography and demand that will make India an *Atma Nirbhar* or self-reliant nation.

To address the immediate distress in the short-term, cash and food support is being provided via PMGKY, while more money is being put in the hands of people through tax concessions and EPF support. Immediate regulatory relief was also provided to avoid defaults on account of lockdown via relaxation in tax deadlines as well as suspension of fresh activities and exclusion of Covid-19 related debt from IBC proceedings.

Agricultural reforms and initiatives were taken up to unshackle the sector from many outdated laws. Amendments, such as the Essential Commodities Act, has been a long pending expectation, as it acted as a barrier in price realisation. Together with agricultural marketing reforms and strengthening of agri-infrastructure will lead to improved agricultural output and better pricing for farmers.

Mining is of critical importance, and the sector has been deprived of major investments. CII had been requesting for commercial mining of coal and liberalising the captive mining policy, both extremely important to improve efficiency and viability. Incentivising coal gasification is the right step to use the existing coal resources while taking care of the environment. Introduction of reforms in the mining sector through seamless comprehensive exploration-cum-mining-cum-production policy will help build certainty in investment and attract global mining companies.

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Upgradation of industrial infrastructure and ranking of states in terms of investment attractiveness, among other measures would go a long way in facilitating investors. Global investors need handholding and guidance. A portal, providing information on ready to invest land would be useful. A bailout of the beleaguered state power dis-coms will ensure that their accumulated debt is wiped out. Reforms in tariff policy will pave the way for a more viable power sector.

In view of the heightened stress, which the MSMEs are facing due to prolonged lockdowns, we are heartened by the fact that the stimulus package included several measures. A significant measure, which is expected to alleviate the cash flow problems is the move to extend ₹3 lakh crore collateral-free automatic loans with 100% government credit guarantee. Moreover, the decision of the government to reduce all pending dues to MSMEs within 45 days is a considerable positive for the cash starved entities and has been a long-standing demand for industry. However, we urge the government to have a re-look at the proposed turnover thresholds in the redefinition of the MSMEs as these are deemed to be too low, hence, will not encourage these entities to grow.

Other critical components include those related to public health, PSEs, defence, real estate and construction. The announcements made in April on cash transfers were further supplemented by food distribution. The allocation on MNREGA has also been increased. Industry is confident that the entire package as it is implemented will drive a gradual recovery. The rental housing scheme for migrant workers could lead to meaningful change in their condition in the long-term.

If reforms are carried out in a time-bound manner, they would have a significant impact on the economy's competitiveness, with wide-ranging implications for each sector. The economy, when it recovers, will be a stronger and more competitive. In addition, the stimulus of ₹20 lakh crore, as it gets spent, will have a multiplier impact. To the credit of the government and the policymakers, they have managed to achieve this without putting an excessive burden on the government coffers with the estimated deficit impact in FY21 likely to remain under ₹3 lakh crore, which leaves additional room for contingency measures in the future, should the need arise.