

A PRUDENT COMBINATION OF STIMULUS AND REFORMS



CHANDRAJIT BANERJEE

The announcements made by the Finance Minister for five days consecutively, added up to a prudent combination of stimulus and reforms. A well thought out package was presented aimed at addressing the short-term challenges posed due to COVID-19 induced crisis, medium term support to business and enterprises coupled with significant policy reforms which is likely to act as a catalyst for economic recovery post the lockdown period.

To address the immediate distress in the short term, cash and food support is being provided through Pradhan Mantri Garib Kalyan Yojana (PMGKY) while more money is being put in the hands of people through tax concessions and EPF support to public and enterprises. Immediate regulatory relief was also provided both to individuals and enterprises to avoid defaults on account of lockdown

through 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reforms and initiatives were taken up very strongly by the Finance Minister, unshackling the sector from many outdated laws. Amendment of legislation such as Essential Commodities Act has been a long pending expectation of the stakeholders in the sector, as it acts as a barrier in the process of price realisation. This together with agricultural marketing reforms and strengthening of agri-infrastructure with a fund of Rs 1 lakh crore 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 which were both extremely important for improving the efficiency and viability of the mining and metals sectors. Incentivising coal gasification is the right step to use the existing Coal resources while taking care of the environment to which India has global commitments. 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 to India.

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 looking to invest in India need handholding and guidance on where the best facilities are available. A portal providing information on ready to invest land in industrial estates and parks would be very useful for such guidance. A bailout of the beleaguered state power distribution companies 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 to help the beleaguered sector. A significant measure which is expected to alleviate the cash flow problems being faced by the MSMEs currently, is the move to extend Rs 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 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 of the package include those related to public health, public sector entities, defence, real estate and construction. The announce-



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ments made in April on cash transfers were further supplemented by food distribution to the people at the bottom of the pyramid who are facing distress. The allocation on MNREGA has also been increased so that migrants returning to the rural areas are able to find a livelihood. Industry is confident that the entire package as it is implemented will drive a gradual economic recovery. The announcement of a rental housing scheme for migrant workers would lead to meaningful change in their condition in the long-term.

Many of the structural reforms have been industry asks for some time and if carried out in a time-bound manner, would have a significant impact on the

economy's competitiveness, with wide-ranging implications for each of the sectors under consideration. The economy, when it recovers, will be a stronger and more competitive one. In addition, the stimulus of Rs 20 lakh crore, as it gets spent will have a multiplier impact on the economy. To the credit of the government and the policy makers, they have managed to achieve this without putting excessive burden on the government coffers with estimated deficit impact in FY 2020-21 likely to remain under Rs 3 Lakh Crore, which leaves additional room for contingency measures in the future, should the need arise.

(Director General, Confederation of Indian Industries.)