PREPARING INDIA FOR AN UNCERTAIN POST-COVID WORLD

- The world economy experienced a major crisis in 2020 due to the Covid-19 pandemic. This is the biggest shock to the world economy since the Great Depression of the 1930s and World War II.
- The situation is **still evolving and considerable uncertainty** prevails. This complicates the situation as far as taking concrete decision to shape post-COVID world is concerned.

The Barbell Strategy: India's Response

- Once pandemic broke out, India explicitly wanted to lay out the intellectual framework of its response to both the health and economic challenges caused by the pandemic. The central problem, however, in both cases was the **extreme uncertainty and paucity of information**. The WHO was **far from clear in its recommendation** and changed its stance repeatedly.
- Given these constraints, the Central Government opted for what is known in financial markets as a **"barbell" strategy** – i.e. **hedge first for the worst-possible outcome** while progressing step-by-step with a Bayesian updating of information.
- The initial total lockdown, therefore, should be seen as a hedge against the worst possible outcomes. This initial lockdown also gave the **space to arrange a large-scale medical response** in terms of equipment, quarantine and testing capacity.
- As time has passed, the central government then **unlocked the economy** step-by-step as **information as well as medical capacity both improved**.
- The same **barbell strategy was used in the economic response**. The Indian economic response during the lockdown phase was oriented more towards **providing a cushion to the most vulnerable segments** of society and of the business sector (such as MSMEs).
- This explains the emphasis on food availability, cash transfers to Jan Dhan accounts, government guarantees on loans to small enterprises, moratoria and postponement of financial deadlines.
- With the economy mostly **unlocked by early October**, there is now a case for an appropriate **demand stimulus** with **infrastructure investment** taking center-stage. Both monetary and fiscal space exists for this push despite the widening of the fiscal deficit.
- **Demand-driven inflation** is **not a major issue** as almost all price increases are due to supply disruptions. With the Rupee under pressure to appreciate and a current account surplus feeding foreign exchange reserves (standing at US$545bn in end September), **there is space for allowing the transmission of an expansionary monetary** impulse to reignite India's financial system.
- Now an infrastructure pipeline is being ramped up. Every financing avenue will be explored including foreign and domestic capital, asset monetization and even **deficit monetisation**.
- **Analysts tend to be excessively critical of monetisation**. This is dogma. **Carefully calibrated monetisation should be part of the financing mix**.

Adapting to a Post-Covid World

- The Covid-19 pandemic is the biggest global disruption in generations. The post-Covid world will have its **own geo-politics**, **supply chains, technological innovations, institutional structures, consumer preferences** and so on.
- So, how can one prepare for an uncertain new world? Rather than invest in a rigidly master-planned response, it is better to invest in two things: **flexibility and resilience**. This is the context in which recent supply-side reforms need to be seen.
- The **agriculture sector reforms** free-up farmers to sell their produce as they wish while those involved in the supply chain can invest in storage without fear of being labeled "hoarders" India has

the world's second largest stock of cultivable land and there is no reason it shouldn't be an export powerhouse in agriculture.

- Dozens of **central labour laws** have been **reduced to four internally consistent codes**.
- The other ingredient of the longer term post-Covid framework is the **emphasis on resilience**. This can be seen from the vision of "**Aatmanirbhar Bharat**" or Self-reliant India.
- This vision includes **increased participation in global supply chains** as well as a greater encouragement of FDI. This is not about an inward-looking retreat into a shell.
- The main idea of self-reliance is that India should become **more resilient by leveraging its internal strengths**. It should also be unapologetic about pursuing its national interests. For example, the Indian government decided to opt out of Regional Comprehensive Economic Partnership (RCEP) as it felt that the trade arrangement did not serve national interest.
- Similarly, India's globally **competitive pharmaceuticals industry** was found to be too dependent on **critical imported inputs** with supply lines that can be easily disrupted. Hence, an effort is being made to bring some of the input production back to India.
- Resilient and flexible response to the unpredictable problems and opportunities of the post-Covid world will require **reforms in two further areas—administrative structure and the legal system**.
- A big effort is being made on **digitisation of records**, the use of online applications and the rationalisation of defunct government bodies. A similar effort, **in partnership with the judiciary**, needs to be made for upgrading a legal process with **<u>36 million pending cases</u>**.
- Inability of the legal process to enforce even routine contracts may now be the single biggest constrain on economic development.

Conclusion

- The long-term response, however, is aimed at making the Indian economy more resilient and flexible in order to deal with the opportunities and problems of the post-Covid world.
- Recent reforms in agriculture, labour markets and the financial system should be seen in this light. This is also the context for Aatmanirbhar Bharat.
- Many other areas also need change but arguably the **administrative and legal systems should now be the focus of next generation of reforms**.

<u>INDIA'S MONETARY POLICY</u>

Monetary policy (MP)

- The main objective of MP is to ensure that an economy grows steadily along a path in which all available resources such as labour and capital are gainfully employed, along its potential.
- When the **economy grows at a faster pace**, **it tends to overheat**. Demand races ahead of supply, prices rise much more than people can tolerate, financial markets go through large fluctuations. In these conditions, the task of **monetary policy is to cool down** the economy.
- On the other hand, when an **economy is falling below potential**, problems like unemployment, unusually low and unremunerative prices, depressed financial activity, and deficiency in resource use develop. In such a situation, monetary policy has to boost the economy and revive it so that it returns to its potential.

Instruments of MP: Cost and Availability of Money

MP can achieve its goal by **changing the availability of money** — in times of overheating, it reduces the supply of money while in times of depressed activity, it expands money supply. It can also achieve the same result by **changing the cost of money**, which is the **interest rate**.

New Framework for Monetary Policy

- Since 2016 India's moderate policy framework underwent a change and a new framework described as **flexible inflation targeting (FIT) was instituted**. Under this framework the primary objective of monetary policy is to **achieve an inflation rate of 4 %**, while keeping in mind the objective of growth.
- The inflation rate is defined as year on year changes (in percentage) in the consumer price index (CPI). In view of the fact that the Indian economy is subjected to frequent supply shocks, a **tolerance band has been prescribed** around the inflation target of 4 percent.
- A **lower tolerance limit is set at 2 percent** and an **upper tolerance limit is at 6 percent**. The target and the tolerance limits are **specified by the GOI** providing an **example of monetary-fiscal coordination** as the **GOI and the RBI then share a joint responsibility** in setting achieving the goals of monetary policy.
- The CPI measures prices paid by consumers at the retail level. Thus, it captures prices that the common person faces on a regular basis and by doing so, **it relates the conduct of monetary policy to everyday** life.
- For people working in the organized sector, their **salaries and wages are 'indexed' to the CPI** so that whenever the CPI increases by a specified amount, they are given dearness allowance. By keeping CPI inflation at the target, monetary policy contributes to the welfare of the lay person.
- It has been ensured that the lay person can easily judge whether or not monetary policy is working for the betterment of the people of India. This is the second important element of **FIT transparency**.
- Under the new framework, clear **rules of accountability have been laid out**. If there is a continuous deviation of actual inflation from the target's tolerance bands **for three consecutive quarters**, the **RBI has to write a letter** to the GoI **explaining the reasons for the deviation, the actions that will be taken to correct the deviations.**
- So far, it was the Governor of the RBI who was the sole decision-maker in respect of monetary policy actions and stance. Under the new framework, the **decision has to be taken by a six-member committee** called the **Monetary Policy Committee (MPC).** The **Governor is the Chairperson**, and the Deputy Governor and an office the RBI are appointed as ex-officio internal members of the MPC. Three other members are external, selected by the GoI.
- **Each member has a single vote**, with the Governor exercising a casting vote in the case of a tie. The MPC is required to meet at least once every quarter.

Working of New Framework

- India has joined 40 other countries in implementing FIT, and significantly, there has not been a single back slide in the country experience. CPI inflation between September 2016 and March 2020, has **averaged 4.2 percent**.
- With the Covid- 19 pandemic, however, **supply disruptions and panic mark-ups** have **caused inflation to deviate substantially** and breach the upper tolerance band since June 2020.
- There is also evidence that the **volatility of inflation or its variability came down during the new framework's operation**. This period also came to be associated with sizable capital inflows from abroad, indicating robust investor optimism, and a strong external position of the country.

Conclusion

- Generally, as is the practice the world over, primacy is accorded to the inflation objective and the **growth objective is interpreted as stabilising the growth path of the economy around the country's potential**.
- In India, while FIT as a framework is still relatively new and yet to be fully tested, it has been widely accepted as a key pillar of macroeconomic policy. In response to the slowdown in the economy that commenced from early 2018-19 and was followed by the destructive Covid-19 pandemic, the monetary policy interest rate—also called the repo rate—has been reduced.
- The MPC has also decided to maintain with an accommodative stance as long as necessary to revive growth on a durable basis and mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target going forward.
- Monetary policy is all about balancing the desirable and the feasible. Ensuring macroeconomic stability as reflected in low and stable prices is its biggest contribution to strong, sustainable and inclusive growth in India.

REVIVAL OF ECONOMY

In India, with the pandemic situation still evolving, the growth forecasts by all the agencies have been negative with the median forecasts at close to -10%. The RBI expects the GDP to contract by 9.5% 'with risks to the downside.

Pre COVID-Situation:

- The GDP growth was already in a **slowdown phase** even in 2019-20. It has **registered a growth of 4.1%**, which was the lowest in over a decade.
- The fiscal situation was even more precarious with the Central Government invoking the **escape clause in the FRBM (Amendment) Act of 2018** for **two consecutive years** that allows the governments to run 0.5% more fiscal deficit than specified in the Act.
- On the part of state governments, most of the studies suggest that the **fiscal position at the states only deteriorated since 2015-16** despite higher devolution to the states.
- In a way, the government entered this pandemic phase with weak global prospects. The first **quarter of 2020-21 registered the sharpest decline of -23.9%**.

Actions Taken

- The RBI has **reduced the policy interest rates** sharply and also pumped in more liquidity to the market. It has also introduced **loan moratorium** and other measures such as **increasing Ways and Means Advances** (WMA) to the state governments, Credit Guarantee Schemes, among many other sectoral interventions.
- The central government outlined Rs. **20 lakh crore stimulus package** with accompanied large scale structural reforms as part of Atmanirbhar Bharat Package.
- Under the package the aim is to make **India a manufacturing hub** for the world. The **package talks of 4 Ls: Land, Labour, Liquidity, Laws**, with structural reforms in all these areas.
- The PM also suggested **five pillars of this package** and they are: **Economy, Infrastructure, System, Vibrant Demography and Demand**.
- The Atmanirbhar Bharat Package includes wider-ranging interventions such as DBT, food security, rural jobs under MGNREGS, Credit Guarantee schemes for MSMEs and Kisan Credit Card (KCC) scheme.

- However, one of the criticisms with regard to this package is that **the fiscal cost of this package is just about 1.5% of GDP** as most of them include the monetary stimulus and credit guarantees. This stands against the demand for large fiscal stimulus that needs to be front-loaded in order to contain the sharp contraction in the GDP growth.
- However, it is important to understand that the credit guarantee to MSMEs and KCC, though do not directly affecting the fiscal deficit, it could add to the outstanding liabilities through contingent liabilities.
- In a way, while this measure does not put additional fiscal cost in the short term, this can help in reviving investments in the sectors that are hard hit not only due to pandemic and the subsequent lock-down, but also due to successive shocks such as demonetization and GST implementation.
- Further, this would also help banks that are struggling with NPAs and provisioning can be done to business in these crucial sectors.

What Should Be The Extent Of Fiscal Support?

- While the fiscal support under Aatmanirbhar Bharat is just about 1.5%, fiscal support since the beginning of the current fiscal year **could be larger than this** and the combined (centre and states) fiscal deficit in the current financial year could be somewhere close to 12% of GDP. If one adds the **public sector borrowing of about 2**%, the total borrowing in the current year could be anywhere **close to 14% of GDP**.
- Further, in addition to this, states are also allowed to **borrow 2% more** as suggested under the FRBM Act. Such relaxation should help some of the states to **increase borrowings to compensate for the revenue losses** as well as the increased demands for health care and other expenditures to balance lives and livelihoods.

Recovery of Indian Economy

- There are discussions about the shape of the recovery. Whether it would be 'V' or 'U' or 'W' or any other shaped recovery is something that is important for investors.
- **While the government feels that there could be a 'V' shaped recovery**, most analysts feel that the recovery may not be that sharp. While the slowdown was sharp due to sudden lockdown, the **recovery is expected to be prolonged** and that depends heavily on the implementation of fiscal monetary packages.
- The recovery **could look like a 'smoking pipe'** shape with a sharp dip in the beginning and a prolonged recovery at the later stage. There are **few green shoots already visible** in the economy that suggests a gradual recovery. Indicators related to credit off take to MSMEs, rural development expenditures, electricity demand, etc., suggest pickup in economic activities across the sectors.
- At the state level, while the expenditures due to pandemic has increased manifold, the revenues have dwindled largely due to decline in the revenues under GST. This has led to large gap between the actual and the **promised 14% increase in the GST proceeds** to every state government.
- Here, it is important for the Centre to help the states by borrowing from the market directly so that the interest burden on the states could reduce.

Conclusion

- Going by the present trends, one could be optimistic that these measures should help the economy to revive, although the extent of revival could also depend on how the pandemic situation is going to evolve In the Coming months.
- There is also equal concern on how these measures are going to affect the inflation Management.

FACILITATING SELF-RELIANCE

Industrial Policies Of The Past

- At the time of independence, main challenge for Indian policy-makers was to **transform a poor agrarian economy into a modern industrialized one**. This was **constrained by a severe resource crunch**. Hence, a few leading sectors had to be identified for allocation of the scarce resources.
- A decisive effort was made in the **second Five Year Plan** drafted by P.C. Mahalanobis, where the main emphasis was on **state-led industrialisation**, resting on the **strategy of import substitution**.
- The first important industrial policy statement was made in the **Industrial Policy Resolution, 1948**. This was followed by the **Industrial Policy Resolution, 1956** and the Industrial (Development and Regulation) Act, 1951, which laid stress on the **cooperation between the public and the private sector**, but an increasing role was envisaged for the former.
- In 1990s, as a policy response to the crisis brewing up since the late 1980s, wide-ranging **reforms in industrial deregulation**, were introduced. It involved with **liberalising licensing and measures to encourage foreign investments**.
- The **National Manufacturing Policy** was released in 2011. The main objectives of the Policy were - <u>increasing the manufacturing sector growth to 12-14 percent over the medium term, increasing the share of manufacturing in GDP to 25 percent by 2022, creating 100 million additional jobs in the manufacturing sector by 2022.</u>

Rethink Due To Covid-19

- India is dependent on a few countries for not only medical supplies, devices, and pharmaceuticals, but also for other sectors like electronics, machinery and chemicals.
- The pandemic has taught us a few key lessons like reducing import- dependence for certain critical inputs, boosting domestic capacity and making supply chains more resilient. An **industrial policy in the post-Covid world may have the following components**:

1. **Making in India for the World** - This will enable us to reduce critical dependence on any country and developing self-reliance for items like bulk drugs/APIs, power equipment, consumer goods, and defence related products. At the same time, employment generation must be a key aspect behind all sectoral initiatives undertaken by the government.
2. **Quality of products and services** is a key driver of competitiveness.
3. **Improving infrastructure and reducing logistics costs** will work from the supply side and help in reducing production costs, thus making Indian manufactured products more competitive globally.
4. **Ease of doing business** (EoDB) is another key area which requires reform. The real EoDB- must lie within the operations of state governments and district authorities that lie closest to where business is done. State governments can be encouraged to rank districts on the lines of EoDB at the district-level, highlighting the importance of competitive federalism leading to better outcomes.
5. There is a strong need to encourage Indian industry to **upgrade to advanced technologies** and ease transfer of technology from global and Indian innovators to Indian industry. **Industry 4.0 offers opportunities**, such as increased productivity, reduced waste and increased efficiency but there are also concerns about the cost of adoption and possible job losses. **Adoption of digitisation** can be aided via measures like establishment of a **<u>National Digital Grid, robust data protection regime</u>**.
6. Implementing measures that prepare businesses for the new post-Covid-19 economic conditions and realities.

Recent Measures Undertaken by The Government In This Direction

1. **Boosting Domestic Manufacturing**
    - **a)** Make in India 2.0 is focusing on domestic manufacturing of 15 champion sectors like textiles, food processing etc.
    - **b)** A number of **Product linked incentive** scheme in the manufacturing of mobiles and electronics, APIs and medical devices have been approved. Twenty sectors have been identified in consultation with industry, where attention would be given to make India self-reliant.
2. **Encouraging Foreign Direct Investment to Boost Domestic Manufacturing, Investment and Technology Enhancement**
    - **a)** The government is working to develop strategies to attract FDI, particularly for foreign firms looking to diversify their manufacturing base, and to boost investment. A **two-fold approach** has been adopted to attract investors from focus countries: (i) Organising one to one meetings to know their investment/expansion plans in India and extending necessary facilitation wherever required; and (ii) Resolving the issues with reference to their existing operations.
    - **b)** The Government has approved the creation of an **Empowered Group of Secretaries** and **Project Development Cells** (PDCs) to facilitate and streamline investments into India. PDCs in administrative Ministries will create a pipeline of investible projects.
3. **Infrastructure and Logistics**
    - **a)** The government has unveiled a **National Infrastructure Pipeline** (NIP) covering projects worth Rs. 111 lakh crore.
    - **b)** The government is in the process of finalising a **National Logistics Policy** which aims to bring down logistics cost significantly.

Conclusion:

- **India's share in global value chains** (GVCs) is **low** vis-a-vis other comparable economies. The above measures will pave the way for India to make its mark in GVCs in the times to come.
- The outcomes will not only be confined within the domestic boundaries, but will also facilitate the realisation of the dream of 'Make in India for the world'.

REVITALISING MSMES

According to the recent estimates by the Centre for Monitoring Indian Economy (CMIE), the **third week of April witnessed a rise in the unemployment rate to 26.2 percent**, rendering around 14 crore people jobless in the lockdown period. Given the clampdown on economic activity in the past few weeks and the severe disruption the economy is likely to encounter in the future, there is an urgent need to protect the MSME sector through appropriate policy instruments.

Importance of MSMEs

- MSMEs are considered as the central element of the Indian economy. They contribute nearly **30 percent of India's GDP** and **31 percent of GVA** to the $2.7 trillion economy. The sector comprises close to 63 million enterprises, which together accounted for **48.1 percent of the total exports** from India during 2018-19.
- The sector generates 21 percent of the total employment providing livelihood to approximately **111 million workers**.
- A unique feature of India's MSME landscape is the **widespread prevalence of the micro-enterprises** (constitute 95 percent of the sector).

Major Bottlenecks

- A perpetual problem plaguing the MSME sector is **access to institutional finance**. A high-level committee appointed by the RBI (**UK Sinha Committee report**) too singles out access to finance as the foremost constraint.
- The **Economic Census 2013** points out that the lack of institutional or non-institutional sources of finance affects 93 percent of the enterprises. The **Economic Survey 2017** points out that the MSME sector received just 17 percent of the total loan outstanding.
- There are two principal channels of operations that restrict the flow of formal finance to MSMEs. First, the **lack of established credit history** and second, **sufficient collateral**.
- The **Prime Minister's Task Force on MSMEs** recommended banks to *achieve a 20 percent year on-year growth in credit to micro and small enterprises*. However, as of February 2020, the credit growth stood at 2.6 percent.
- The **rise in non-performing assets** is restricting banks from extending credit. The **lengthy loan process** and **insufficient level of credit extended** further restricts MSMEs from obtaining formal sources of finance.
- **Unfavorable interest rates**, **high collateral requirement**, and **insufficient size of loan and maturity period** are the other impeding factors.
- Another challenge is **problem of delayed payments**. With most large corporates operating on a credit basis with MSMEs, **delayed payments significantly hamper MSMEs' ability to repay loans and make wage payments**. According to the UK Sinha Committee report, delayed payments explain 41 percent of all distressed loans in the MSME sector.

The Informal Sector Enterprises

- With **95 percent of MSMEs classified as micro-enterprises**, it is certain that the substantial share of enterprises is in the informal sector. The relief measures like tax reliefs may not have much influence on these enterprises since they **rarely fall under the tax net**.
- Small firms in the informal sector are financially more constrained. The **policy prescriptions that are "one size fits all" and that fail to consider the heterogeneity of firms in the informal sector is of limited relevance**.

Various Interventions

- The current interventions include **deferring of GST payments** till June 2020. RBI has allowed **deferment on interest payments** on working capital loans for the next three months.
- RBI has also introduced **Long-Term Repo Operations** worth Rs. 100,000 crore, **enabling banks to lend at cheaper rate**, likely to benefit the MSME sector. The public sector banks have also set up **Covid-19 Emergency Credit Line** to ease the liquidity crunch faced by MSMEs.
- **SIDBI also announced a concessional interest rate loan** targeted for **MSMEs engaged in manufacturing goods or services related to Covid-19**.
- The government is also in the process of delivering a **$1 trillion MSME relief package**. While designing the package for the MSME sector, policymakers will have to ensure that funds flows to the regions and industries that require it most.
- It is imperative for policymakers to **address the issue of delayed payments**. Some mechanisms for timely payments to MSMEs already exist. The RBI introduced the **Trade Receivables Discounting System** (TReDS) for MSMEs in March 2014. However, the **lengthy process and the burden of the discounting fee** and other financial charges drove MSMEs towards informal sources of finance.

- In a similar vein, the MSME ministry launched the **Delayed Payment Monitoring Portal** -**MSME Samadhaan** in 2017. The portal allows MSMEs to register online complaints against delayed payments.
- Despite this, various applications are still stuck with various agencies. In many instances, despite the Micro and Small Enterprise Facilitation Council (MSEFC) issuing an order for payment of dues, **buyers still delay payments**.
- The **overlapping nature of these initiatives** not only creates **administrative difficulties** and an increase in costs of such operations but also **creates confusion** among the beneficiaries. In this regard, the government could introduce **web and an app-based platform**.
- This would enable the spread of timely and vital information with greater ease. Further, through coordination with various MSME industry associations, such an app could be mandated for all the MSMEs.

Technology Can Provide A Solution

- **Mandating the use of payments via UPI** (unified payment interface) would reduce payment delays due to paperwork or other disruptions such as the one created by Covid-19.
- **FinTech services** also offer a solution to the financial woes of MSMEs. These services evaluate the repayment capacity and default risk of a unit through technology that provides a precise understanding of the time needed by MSMEs to convert investments into cash through sales of goods and services.
- For example, **Capital Float, an NBFC**, provides collateral-free loans for small units in India. The NBFC assesses the risk profile of the business in real-time by evaluating MSMEs cash flow and, upon meeting its criteria, provides loans to these businesses on the same day with zero paperwork.

SANKALP FOR EMPLOYMENT

- The humungous migration of workers during the Covid-19 lockdown, presents an unprecedented challenge for many states. The preparedness of these states to provide local employment is being put to test.
- In the wake of this challenge, the governments of many of these states have announced elaborate arrangements. **Registering the returnees** and **their skill levels** and **collating job opportunities in project**s funded by the central or state governments are some of the measures announced.
- It is evident that building adequate capacities at the grassroot levels for **identifying employment opportunities early** and **anticipating skill requirements** at the level of districts is critical for an outcome focused skills training system.

Labour Scenario

- India has **487 million workers** and **over a million join the labour force** every month.
- However, about two-thirds of Indian employers report that they **struggle to find workers with the right skills**. **India ranks 78 on a list of 122 countries** as per Human Capital Development report of the World Economic Forum.
- With at least 20 government departments running skill development programmes in recent years, India should be doing better than that.

SANKALP

- The **World Bank supported** programme of Ministry of Skill Development & Entrepreneurship; **SANKALP** (**S**kill **A**cquisition and **K**nowledge **A**wareness for **L**ivelihood **P**romotion) has been rolled out to **promote decentralisation of skill planning and implementation**.
- At present, the Ministry of Skill Development and Entrepreneurship (MSDE) is responsible for national skills training policy and management and is aided by many institutions.
- At the level of states, **State Skill Development Missions** (SSDM) were launched in nearly all the states to manage their skill development. Most States have also created **designated district committees** (generally called DSCs) to manage skill development.
- In many cases, the DSCs have not been able to arrive at action plans to achieve their objectives. They **lack leadership as well as financial resources**. Their positioning and role at district-level is yet to be clearly spelled out.
- In many cases, a district skill development plan has been produced by many DSC but in reality, their real contribution or even participation in the process has been illusory.
- SANKALP programme is trying to address these issues. It is attempting to create a linkage by encouraging the SSDMs to provide guidance to DSCs with respect to preparation of district plans and build the capacities of the DSCs through technical assistance and training.
- **Decentralisation has to be logically extended beyond DSCs to Gram Panchayats**.
- A robust DSC underpinned by Gram Panchayats who are active participants in skill planning and implementation would help to handle the present challenges of rural distress and need for sustained livelihood arising out of Covid-19.
- It will also improve **qualitative growth of the labour market** with enhanced skills for improved productivity and a sound economic position for a more equitable share in the economy.

Major Intervention For Revival of MSME Sector

1. Rs. 3 lakh crore collateral free automatic loans for businesses including MSMEs
2. Rs. 20,000 crore subordinate debt for MSMEs
3. Rs. 50,000 crore equity infusion through MSME Fund of Funds
4. Global tender to be disallowed up to Rs. 200 crore
5. E-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions
6. Rs. 2,500 crore EPF support for business and workers for three more months
7. EPF contributions reduced for businesses and workers for 3 months to the tune of Rs. 6,750 crore

PPP: BRIDGING SKILL GAPS

- The **skill gap in India is sizeable**. Even after years of skill training programmes less than **5% of the workforce in India possess formal skills**, compared to 38% in Mexico, 52% in the USA, 75% in Germany and 96% in South Korea.
- With a large population in the 20-35 age group, the working-age population in India is also likely to grow to more than 64% by 2021.

Various Efforts

- In 2009, the first **National Policy on Skill Development** was drawn up by the Ministry of Labour and Employment with an aim to achieve rapid and inclusive growth.

- The **National Skill Development Policy, 2015**, was introduced to take account of the progress in the implementation of skill programmes and emerging trends in the national and international skilling ecosystem.
- The **National Skill Development and Entrepreneurship Policy 2015** addresses the challenge of **skilling at scale with speed, standard (quality) and sustainability**. The policy also aims to provide an umbrella framework to all skilling activities in the country, to align them to common standards and link skills with demand.
- Widely regarded as an enabler for promoting sustainable economic growth, **Technical and Vocational Education and Training** create pathways for achieving relevant and high-quality education that can plant seeds of a lifelong learning agenda.
- The **National Skill Development Corporation** (NSDC) is acting as a catalyst in **promoting Vocational Education & Training** (VET) by providing funding to enterprises, companies and organisations engaged in imparting skill trainings.
- An important feature of the public-private partnership in skilling was the need to **promote apprenticeship in India**. The **National Apprenticeship Promotion Scheme** (NAPS) was launched by the Government in August 2016 to provide financial support to establishments undertaking apprenticeship programmes.
- NSDC has collaborated with States, Sector Skill Councils (SSC), Third Party Aggregators (TPA), chambers, industry associations and international partners and has led the effort to **nudge private sector partners** to increase apprenticeship engagements across sectors and regions.
- Renowned Indian and global corporates have joined hands with the government to accelerate apprenticeships in the country.
- The launch of **eSkill India**, **an e-learning aggregator portal**, has ensured the training process has not suffered a break. The portal also supports the **Pradhan Mantri Arogya Mitra (PMAM) Yojana** and has content in multiple languages to cater to secondary and tertiary health workers.
- With the objective of making India the Skill Capital of the World, MSDE has been working with other countries to learn and adopt global best practices, effective implementation of vocational training and skill development programs and facilitate employment of Indian youth overseas.
- In October 2017, a **MoU was signed between MSDE and the Government of Japan** for the Technical Internship Training Program (TITP) to promote the exchange of technical intern trainees who could work in industries in another country and come back richer for the experience.
- In the last two years, NSDC has signed MOUs with eight countries for cooperation in vocational education and training.
- The role of the private sector in building a future-ready trained workforce is underscored in India's performance at **WorldSkills competitions**. At the **2019 WorldSkills held in Kazan**, Russia, the Indian team ranked **13^{th} among 63 nations** by winning one Gold, one Silver, two Bronze medals and 15 Medallions of Excellence, impressing the world with its talent and artistry.
- More than 100 corporates and education institutes joined hands to achieve this result. They supported the WorldSkills efforts, identifying master trainers and experts to provide hands-on-training to each competitor and monitor their progress on a day-to-day basis.

Conclusion

- As we move towards becoming an 'Aatmanirbhar Bharat', it is important to focus on advancement of skills in line with the emerging economic realities of the market.

- There is a need for the government and private sector to work together to address skill gaps and link supply with demand and vice versa. It will not only be instrumental in creating a future-ready workforce but will also go a long way in empowering jobseekers to turn into job-creators.

AGRICULTURE: SAVIOUR OF ECONOMY

- Covid-19 pandemic battered national economies world over. Among peer nations, Indians suffered the most with a **significant shrink of 23.9 percent in GDP in the first quarter of FY 2020- 21**.
- However, one sector—Agriculture and allied activities-emerged as the only bright spot clocking a **3.4 percent GDP growth at constant prices**.
- Supply chains related to agricultural goods and services were allowed to function and operate with protective measures in place. Government soon launched and implemented farmer-friendly schemes, reforms and financial incentives.
- Efforts paid the dividends, a **sharp increase of 5.7 percent in area coverage of kharif crops** was registered as on September 18, 2020. Amid good monsoon and adequate water storage in reservoirs for winter crops (Rabi), the Government set an all-time record food-grains production target of **301 million tonnes for 2020- 21**.

Care and Credits

- During lockdown, the **unprecedented reverse migration** imperiled Indian economy along several verticals, especially the rural economy got a serious jolt mainly due to **slump in demand and liquidity issues**.
- Government rolled out a slew of immediate economic benefits to protect interests of small farmers and migrant labourers. Government quickly released **advance payment of Rs. 2,000 to bank accounts of farmers under PM-KISAN scheme**.
- **Wage rate** for workers engaged under **National Rural Employment Guarantee Scheme** (NREGS) was revised with enhanced allocation for the scheme.
- **Pradhan Mantri Garib Kalyan Yojana**, was launched to take care of vulnerable population during distress period. Cash and food assistance to persons engaged in informal sector, mostly migrant labourers, was also arranged out of PM-CARES fund.
- NABARD is extending an additional refinance support of Rs. 30,000 crore for crop loan requirement of Regional Rural Banks and Rural Co-operative Banks.
- Nearly **25 lakh new Kisan Credit Cards** (KCC) were sanctioned with a loan limit of Rs. 25,000 to gain access to institutional credit at a concessional rate of interest. Fisher folks and animal husbandry farmers have also been included in KCC scheme.
- **Interest subvention and loan moratorium of three months** was availed by over three crore farmers. The timely credit stimulus package helped farmers to meet post-harvest requirements of the 2019 rabi crops and take care of costs of current kharif 2020 sowing season.
- To address the **issue of livelihood of migrant workers** in their home states, '**Garib Kalyan Rozgar Abhiyaan**' was launched. The scheme was **implemented on a mission mode** in <u>116 districts of six most affected states, viz., Bihar, Madhya Pradesh, Uttar Pradesh, Rajasthan, Jharkhand and Odisha</u>. Workers were engaged in **25 public infrastructure works** ranging from rural housing to rural mendis, rural roads and community toilets.
- This scheme, while focusing on development of durable rural infrastructure, also worked to provide modern facilities like internet in the villages.

- To further facilitate migrant workers, Government has launched a '**PM Shramik Setu Portal'** and **'PM Shramik Setu App'** that help connect job seekers with prospective employers as per their skills.

Investment in Infrastructure

- A new Central Sector Scheme, **Agriculture Infrastructure Fund**, was launched with the primary objective to **attract investment in post-harvest infrastructure**. It will enable farmers to make modern facilities of storage their villages.
- This fund will catalyse the **creation of post-harvest management infrastructure** and community farming assets, such a cold storage, collection centres, processing units, pack houses, sorting and grading units, ripening chambers, etc.
- Indian railways launched a special '**Kisan Rail' scheme** to specifically cater the transportation needs of farmers for their perishable produce. It will help build a seamless national cold supply chain for perishables inclusive of milk, meat and fish.
- The **first Kisan Rail** made its inaugural run from **Devlali in Maharashtra to Danapur in Bihar** on August 7, 2020.
- Government is facilitating and promoting farmers to take services of Kisan Rail by setting up **temperature controlled perishable cargo centres at select areas of business** such as Ghazipur Ghat and Raja Ka Talab at Uttar Pradesh and at Adarsh Nagar, Delhi.
- Ministry of Agriculture and Farmers Welfare is promoting and co-ordinating new startups and new FPOs for backward integration with Kisan Rails.

Reforms and revival

- Earlier, farmers were legally bound to transport their produce to **Agricultural Produce Market Committee** (APMC) regulated mandis and sell the produce. Unfortunately, these **mandis soon transformed into local monopolies** where farmers were generally duped by middlemen through various tricks.
- Government of India **promulgated three ordinances** that have now become legislations after due parliamentary process.
- The **Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 removes all barriers** for intra and interstate trade in agricultural produce. The legislation is likely to **end the monopoly of traders** and will also support seamless electronic trade across online platforms.
- The other legislation, **Farmers (Employment and Protection) Agreement of Price Assurance & Farm Services Act, 2020** allows farmers to **tie-up with large buyers, exporters and retailers as part of contract farming**. Thus, farmers will have assured price before sowing and the market risk is transferred from farmer to sponsor.
- The **Essential Commodities (Amendment) Act, 2020** removes cereals, pulses, oilseed, edible oils, onion, and potatoes from the list of essential commodities to open-up their trade for increasing profitability of farmers and traders.
- It also **does away with imposition of stock limit** except under rare conditions, such as war, famine, etc. This provision is likely to **attract private investment in cold storage, warehouses and processing facilitie**s.
- Government has assured safeguarding interests of farmers at ground level and **continuation of mandis with procurements on Minimum Support Price (MSP**). With reference to contract farming, the legislation provides the framework for resolution of any dispute which may arise between the farmer and the trader.

- the '**One Nation, One Market'** would help ' farmers to increase their revenues and small farmers will get benefit from the competitiveness.

Conclusion

- Spurring the rural economic growth can become the savior of Indian economy. Along with immediate reforms, Centre and State Governments must act in unison to create small local growth clusters with more reliant systems of production, processing and marketing in rural areas.
- Further, better income-earning opportunities need to be created in rural areas to check rural urban migration.

HOMECOMING

Thousands of migrant workers returned home during pandemic. The estimates of the numbers vary widely with **conservative ones placing the number at 3 crore and 8 crores**. The return of the migrants to their home states symbolised a rupture of our city systems.

Learning From The Past

- The pre-pandemic approach has been to **view places through a binary of urban and rural** with the assumption that people belong to one or the other and rarely circulate between them.
- This has resulted in a **non-acknowledgement of the scale of migration in data** and translated into most domains of urban policy (housing, social security etc.) having no space to benefit migrants.
- Loose hypotheses connecting migration to slums and linking short-term migration to contractual labour were perhaps the only modes in which migration was being cognised. Thus, even while government policies became more accommodative of informal settlements; the living conditions of migrants in these settlements did not improve significantly.
- The **Inter-State Labour Act** imagined to be a powerful legal instrument providing for **registration of contract workers** has a history of weak implementation. A similar pattern has been repeated in the case of **Construction Workers Act and Domestic Workers Act**.
- The experience of **Kerala Migrant welfare scheme** introduced in 2010 is instructive; it is estimated that while there are over 25,00,000 migrant workers in Kerala; **only 50,000 workers are registered under the scheme** and only about 500 workers have become eligible for the final benefits.
- One of the key learnings has also been that **a generic policy for migrants may not work**; what is required is adoption of generic principles to develop specific responses for particular migrant streams. Other lessons to be learnt from these experiments are the **need to produce coordinated response across state geographies** while most govt. policies were state govt-led.
- Above all, the portability of entitlements such as Public Distribution System (PDS), the delinking of services from land tenures and a strict regulation of hazardous occupations emerge as key aspects of advocacy from such interventions.

Reviewing Emergent Responses

- The Government of India launched a set of schemes which include extension of free public distribution for six months, portability of public distribution entitlements, programmes for assistance to street vendors, and assistance to small enterprises. There is also some discussion on **rental housing provision** for migrants.
- However, the structuring of most of the schemes creates apprehensions that they will largely **benefit the settled urban poor** while failing to reach the migrants. Some state governments have now taken steps towards registration of migrant construction workers.

Challenges

- There is certainly a new-found sensitivity to issues of migrants but they fall short of addressing the systemic issues. There is no platform for a **short-range and long-range thinking about the issues of migration**.
- Secondly, there is no systematic effort to **collect data on various migration streams** and to understand vulnerabilities and policy demands of specific migrant streams.
- Thirdly, there is very little thinking about **what kind of institutional mechanisms are necessary to reach out effectively to migrant workers**. Such inadequacies may result in ineffective translation of the steps undertaken.

Need for Multi-Dimensional and Multi-Scalar Response

- Migration is usually an opportunity; a bulk of the migration in urbanising India is not powered by skills and **not accompanied by a universality or portability of entitlements**.
- Further, state boundaries have often posed a political and cultural challenge for the inclusion of migrants into urban areas. The pandemic made this **blind spot of city governance visible** in a major way.
- This needs to be treated as an opportunity by developing a multi-dimensional and multi-scalar response that acknowledges the contribution of migrants in the economy of cities.
- Responses that offer social protection, decent living and working conditions can enhance their productivity and enable their integration and commitment to shaping the future of cities they live in. For this to happen, there is a need to think and develop more systemic policies for migrants.

CHANGING LANDSCAPE

Possible Impact of COVID-19 on Business Landscapes

- The concept of **work-from-home** which used to be a tale of luxury spoken of in the IT sector in the past has now become a habit with business continuity being maintained under these challenging times.
- The major change in the landscape of Indian business will be the **irrelevance or gradual diminution in the importance of several service industries**.
- First, the **future of commercial real estate has been questioned** as companies have found that work-from-home has been a convenient way of getting work done and there are savings to be made in terms of lease rentals and rent.
- Second, the **hospitality business** would have to reconsider options. One of the main avenues of business for the larger hotels was the business traveler. With several companies now learning to conduct meetings over the Internet, the necessity to travel and stay in hotels would get diminished.
- The **airlines business** which is already in a challenged state will have to rework its model considering that travel will not be the same for some time.
- The **proliferation of malls** in the last five years or so was on the assumption that there would be a retail boom. The Covid-19 impact will question the future of these plans as with the e-commerce boom, the mall became relatively less attractive for visitors except for restaurants and entertainment.
- The **tourism industry** would also have to be prepared for a major shift as the rules of the game would be changing substantially.

- The shutdown has also brought about a **change in which education** can be administered and the **online route will catch on for sure**. While this may not be the ideal way of educating children as it is believed that social interaction is important when children are growing up, the fear factor given the vulnerability of this class can be the turning factor.
- **Entertainment** has already caught on through the non-theatre experience and the industry must be prepared for the same.
- On the other side, **two industries in which we see large-scale benefits are—<u>telecom services and e-commerce</u>**. The consumption of data will tend to increase as more people work from home and less in offices. This can be a turning point for this industry which had reached levels of saturation after the initial burst.

Challenges and Way Forward

- Clearly, the dynamics of business will change which will also change the way in which macro-economic variables will move. It must be recognised that the future of growth for India will now be **more towards manufacturing and less on services**.
- With several services becoming less important over time, the **focus must go back to manufacturing** especially when it comes to creating jobs. This also means that simultaneously attempts must be made to ensure that **right kind of skills are created** for the youth so that they are able to get jobs.
- The government has already taken several steps to ensure that skills are imparted and the focus on vocational skills is a step in the right direction.
- Another challenge for the government would be to **deal with labour** as the shutdown had made several industries look to leveraging technology more.
- The new environment would focus a lot on AI and less on labour. This creates a problem for the government as investors are already crying hoarse for more flexible labour laws which becomes a political and social issue.

<u>GREENER HIGHWAYS</u>

- India features an entire 46.99 lakh kms of road length and out of which over 96214 kms are National Highways, accounting **2% of total road length**. The Highways carry about 40% of the traffic load.
- The Ministry has decided to **develop all of existing National Highways and 40,000 kms of additional roads within the next few years as <u>Green Highways</u>**.
- This will involve proactive reduction measures for pollution control on highways. One among the ways is to **develop green corridor** which works as <u>vegetation buffer around the pollution source and helps in absorption of GHG gases and collection of dust particles</u>.
- Plantations arrest soil erosion at the embankment slopes, moderate the effect of wind and incoming radiation, prevent glare from the headlight of incoming vehicles etc.

Use of Alternative Clean Energy Based Transport System

- In India, **the transport sector is the third-largest energy consumer** at 17% of TFC (Total Final Consumption) in 2017, dominated by oil fuels (96%) while 3% natural gas and 1% electric driven transport which accounts for 40% of NO, and 13.5 % of total Co2 emissions.
- Through various programmes, the GoI is focusing on **creating charging infrastructure** and a policy framework so that more than **30% of vehicles in India are electric by 2030**.

- Numerous policies have emphasised the kinds of fuel for clean energy transport services, ranging from **electricity to hydrogen fuel cells**, that require to be Introduced in the country.
- The share of environment-friendly vehicles to extend twenty percent of the entire vehicle fleet by 2020.

Introducing Green Highways Design

- The Ministry of Road Transport and Highways (MoRTH), has promulgated, in September 2015, "**Green Highways (Plantations, Transplantations, Beauti-fication and Maintenance) Policy- 2015"** to develop green corridors along National Highways for sustainable environment and inclusive growth.
- MoRTH has constituted **National Green Highways Mission**. NHAI being a nodal agency for overall planning, implementation and monitoring of Green Highways projects.
- To ensure quality plantation and maintenance, **a corpus "Green Fund"** with 1% of the entire project cost of all National Highways projects has been earmarked for the highway plantation and its maintenance.

The National Forest Policy envisages **33% of the geographic area should be under forest or tree cover**, but the notified forest cover is simply about 22%. The implementation of new Green Highways Policy help in bridging this gap.

Guidelines for the Rural Road Development

- Another set of Guidelines for the **rural road development using plastic** have been issued by the Ministry of Rural Development.
- Use of waste plastic and bitumen hot mixes are encouraged for constructing roads within 50 km of a periphery of any city having a population of over five lakhs under these guidelines.

Techniques used for Greening Highway

- **Watershed Borne Runoff: Water Management** - Watershed runoff-water management techniques viz. bio-slopes, bio-swales, bioretention cell, permeable pavers, vegetated filter strip and street trees, are widely utilised in highway construction.
- **Energy and Emission Reduction** - The energy and emission reduction techniques are the replacement of cement or bitumen in highway and road Construction with fly ash, rice husk ash or blast furnace slag etc. that were proven to wastage.
- **Recycle, Reuse and Renewable**
- **Conservation and Ecosystem Management** - The conservation and ecosystem management in green highway act as buffer zones for wildlife and also animal crossing structures and underpass that concern on reducing the collision / accidents of vehicle and wildlife.
- **Societal Benefits** - there are three types of societal benefits viz., environmental benefits, economic benefits and social benefits that lie under the scope of non-energy benefit.

Green Highway Rating System

- The green highway rating system was introduced to determine the extent of greenery and environment-friendly aspects of the highway.
- With the successful implementation of green building rating system, the rating system has been extended to the highways.

- It is a **voluntary third-party rating system** for road projects which seek to acknowledge and reward the roadway projects that exceed the general public expectation for environmental, economic and social performances.

Conclusion

- The Green Road approach strongly addresses the social inequalities and disparity within the Society. It adopts the poverty alleviation measures by way of the employment creation during construction to the income generating activities through the self-help promotion or local level capacity building.
- Once the Green highways and roads fully satisfy various sustainable development indicators defined under the three themes i.e. social, economic and environment of the sustainable development, the locals would be encouraged to take the ownership of the green roads for the sustainable maintenance.

SVAMITVA

- SVAMITVA Scheme is a **Central sector scheme** launched on National Panchayat Day i.e April 24, 2020.
- The **Ministry of Panchayati Raj** (MoPR) is the Nodal Ministry for implementation of the scheme. In the States, the Revenue Department/ Land Records Department is the Nodal Department. Survey of India shall work as the technology partner for implementation.
- The scheme aims to provide an **integrated property validation solution** for rural India.
- The **demarcation of rural abadi areas would be done using Drone** Surveying technology. This would provide the ‘**record of rights’ to village household** owners possessing houses in inhabited rural areas in villages which, in turn, would enable them to use their property as a financial asset for taking loans and other financial benefits from Bank.
- The scheme will also support in preparation of better-quality Gram — Panchayat Development Plan (GPDP) by making use of GIS maps.