

Weekly Compendium of Economic and Business Developments

(Period ending August 21, 2020)

Research Bureau disseminated information to the members of PHD Chamber & other industry stakeholders on economic and business developments at International, National and Sub-national arena such as notification on change in eligibility criteria and enhancement in the payment of unemployment benefit under Atal Bimit Vyakti Kalyan Yojana of ESIC; launch of 'Harit Path' mobile app to monitor plantation along national highways by Shri Nitin Gadkari; signing of Joint Communication between Ministry of Tribal Affairs and Ministry of Rural Development to Promote Sustainable Livelihood Opportunities Among Tribal Women SHGs in Rural India; Virtual Launch of Trifood Project of Raigad, Maharashtra and Jagdalpur, Chhattisgarh by Hon'ble Union Tribal Affairs Minister; launch of Mobile App with user friendly digital interface to source loan applications of street vendors; ADB approved USD 1 billion loan for Rapid Transit System in India; Consultation Paper on recalibration of threshold for Minimum Public Building norms, enhanced disclosures in Corporate Insolvency Resolution Process (CIRP) cases by SEBI; extension of Credit Guarantee Scheme (PCGS) 2.0 with greater flexibility to respond to emerging demands notified by MoF; government announcement on amendment in export policy of textile raw material for masks and coveralls; Decisions taken by the Union Cabinet, among others. The details of disseminated information during the week ending 21st August are appended.

India and World Economy

- **Government notifies relaxation in eligibility criteria and enhancement in the payment of unemployment benefit under Atal Bimit Vyakti Kalyan yojana of ESIC-** The ESI Corporation during its 182nd meeting under the Chairmanship of Shri Santosh Kumar Gangwar, Hon'ble Minister of State for Labour and Employment (I/C) has taken some very important decisions towards improvement in its service delivery mechanism and providing relief to workers affected by Covid-19 pandemic.
- **Shri Nitin Gadkari launches 'Harit Path' mobile app to monitor plantation along national highways-** Union Minister for Road Transport, Highways and MSME Shri Nitin Gadkari has stressed upon utilising modern and green technologies in road construction all over the country. Chairing a meeting to review New Green Highways Policy (Plantation) and to discuss use of new technologies in road construction through video conference, he said that it should be India's mission to reduce cost of construction by 25 % and for this new technologies are required.
- **Ministry of Tribal Affairs and Ministry of Rural Development Sign a Joint Communication to Promote Sustainable Livelihood Opportunities Among Tribal Women SHGs in Rural India-** Shri Deepak Khandekar, Hon'ble Secretary Ministry of Tribal Affairs and Shri N.N. Sinha, Hon'ble Secretary, Ministry of Rural Development signed a Joint Communication for leveraging each other's strengths to propel the rural economy and jointly promote sustainable livelihood opportunities among tribal women Self Help Groups

(SHGs) under National Rural Livelihood Mission (NRLM).

- **Hon'ble Union Tribal Affairs Minister Virtually Launches Trifood Project of Trifed in Raigad, Maharashtra and Jagdalpur, Chhattisgarh-** Shri Arjun Munda, Hon'ble Union Tribal Affairs Minister, has e-launched the tertiary processing centres of 'Trifood Project' of TRIFED, Ministry of Tribal Affairs in Raigad, Maharashtra and Jagdalpur, Chhattisgarh.
- **Government launches Mobile App to provide user friendly digital interface to source loan applications of street vendors-** Shri Hardeep Singh Puri, Hon'ble Minister of State (I/C), Housing and Urban Affairs, interacted with Urban Development Ministers, Chief Secretaries, UD Secretaries/Principal Secretaries, DGPs, Collectors / SPs / SSPs / Municipal Commissioners / Chief Executive Officers of 125 cities in the context of Prime Minister Street Vendors AtmaNirbhar Nidhi (PM SVANidhi) Scheme which has been launched to provide credit for working capital to street vendors to resume their business.
- **Decisions taken by the Union Cabinet-** Cabinet approves measures to provide liquidity in the Power Sector Dues to the financial stress caused by COVID-19, Cabinet approves proposal for leasing out three airports - Jaipur, Guwahati and Thiruvananthapuram - of Airports Authority of India through Public Private Partnership, Cabinet approves setting up of National Recruitment Agency to conduct Common Eligibility Test, Cabinet approves Fair and Remunerative Price of sugarcane payable by sugar mills for the sugar season 2020-21.
- **MoU for skill development in Port and Maritime sector signed between the Ministry of Shipping and the Ministry of Skill Development and Entrepreneurship-** To reap the benefit for vast employment opportunities in maritime sector and with a view to certify their skill sets, Memorandum of Understanding (MoU) was signed digitally between Ministry of Shipping and Ministry of Skill Development and Entrepreneurship.
- **Hotel & Restaurants in hotels in Delhi gets permissions for opening-** In a major announcement that fulfils the demands of the Hospitality Industry in the National capital Region, the Lt. Governor of National Capital Territory (NCT) of Delhi has accorded permissions for opening of the Hotels & Restaurants in the hotels in Delhi. This is a big step towards revival of tourism and hospitality activities in the capital city.
- **India Needs to Maintain Reform Momentum to Reverse Current Economic Slowdown: World Bank's India Development Update, July 2020-** According to World Bank's India Development Update, July 2020, India needs to continue to implement critical reforms in key areas such as health, labor, land, skills and finance to come out stronger from the impact of the COVID-19 pandemic. These reforms should aim at enhancing productivity of the Indian economy and spur private investments and exports.
- **ADB approves USD 1 billion package for Rapid Transit System in India-** The Asian Development Bank (ADB) has approved a USD 1 billion loan to support construction of the modern, high-speed Delhi–Meerut Regional Rapid Transit System, a first of its kind in India. Delhi accounts for 37% of the population of the National Capital Region (NCR) of India.
- **Hon'ble Union Minister for Road Transport, Highways and MSMEs Lays Foundation Stone for 13 Highway Projects in Manipur-** Shri Nitin Gadkari, Hon'ble Union Minister for Road Transport, Highways and MSMEs, has laid the foundation stones for 13 highway projects and inaugurated a Road safety project in the North-Eastern State of Manipur through video conference. These projects involve a Road length of 316 kilometers, with construction value of about Rs 3000 crore. Paving the way for development of Manipur, these roads will enhance better connectivity, convenience and economic growth in this North Eastern State.

Finance

- **SEBI notifies Consultation Paper on recalibration of threshold for Minimum Public Shareholding norms, enhanced disclosures in Corporate Insolvency Resolution Process (CIRP) cases-** Securities and Exchange Board of India (SEBI) has notified Consultation Paper on recalibration of threshold for Minimum Public Shareholding norms, enhanced disclosures in Corporate Insolvency Resolution Process (CIRP) cases.
- **RBI releases framework for authorisation of pan-India Umbrella Entity for Retail Payments-** Reserve Bank of India has released the framework for authorisation of pan-India Umbrella Entity for Retail Payments. The objective of the framework is to set-up pan-India umbrella entity / entities focussing on retail payment systems.
- **RBI releases draft framework for recognition of a Self-Regulatory Organisation (SRO) for Payment System Operators-** As announced in the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated February 6, 2020, the Reserve Bank of India (RBI) has released a draft framework for grant of recognition to an industry association as a Self-Regulatory Organisation (SRO) for Payment System Operators (PSOs).
- **MoF notifies extension of Partial Credit Guarantee Scheme (PCGS) 2.0 with greater flexibility to respond to emerging demands-** As part of Aatmanirbhar Bharat Abhiyan, announced by the Government, Partial Credit Guarantee Scheme (PCGS) 2.0 was launched on 20.05.2020 to provide Portfolio Guarantee for purchase of Bonds or Commercial Papers (CPs) with a rating of AA and below issued by NBFCs/HFCs/ MFIs by Public Sector Banks (PSBs).

Trade

- **Government announces amendment in export policy of textile raw material for masks and coveralls-** The Directorate General of Foreign Trade (DGFT) has amended the Export Policy of textile raw material for masks and coveralls. The notification no. 18 dated 13.07.2020 is amended to the extent that only melt blown fabric of any GSM exported against the HS codes 560312, 560392, 560311, 569313, 560314, 560391, 560393 and 560394 are prohibited for export.

Our Voice

GST significantly reduced the interstate transaction costs & incidence of indirect taxation, says PHD Chamber Survey- GST significantly reduced the interstate transaction costs & incidence of indirect taxation. The GST has removed the cascading impact of multiple indirect taxes on businesses, benefitted traders and manufacturers through significant reduction in the inter-state transaction costs and has reduced significantly the incidence of multiple indirect taxation.

PHD Chamber of Commerce and Industry conducted a quick survey of industry stakeholders during the month of July 2020 on the completion of 3 years of GST in India. Around 750 industry stakeholders provided their feedback on the survey. There has been substantial shifting of goods from high tax slabs to lower ones after the implementation of GST. The number of items under the highest tax slab of 28% has come down to only 2% in June 2020 from 17% at the time of implementation of GST. Many items have been shifted to 18% or less than

18% tax slabs from 28% during the last three years.

GST tax slab of 18% contains around 42% of goods under its ambit as of now as compared to around 33% at the time of implementation of GST. The number of items under the 12% tax slab has increased to 20% in June 2020 from around 18% in July 2017. GST tax slab of 5% accommodate around 23% of goods under its ambit as compared to 19% at the time of implementation of GST.

The number of items under the 3% and 0.25% tax slabs remained almost same at around 1% and 0.2% respectively since July 2017. The number of items attracting nil (0%) GST increased marginally to around 12% as on June 2020 from 11% at the time of GST implementation. On a broader basis and in accordance with weighted average of the tax slabs and number of items in different GST slabs, the incidence of GST taxation has come down to 11.7% as on June 2020 from around 14% at the time of GST implementation (July 2017).

GST has been a major breakthrough in the interstate movement of goods and after the introduction of e-way bills, the hassles of earlier regime has almost been removed. This has enhanced the ease of doing business in the regime of indirect taxation. The interesting insights from a Quick Survey conducted by the industry body on impact of GST on interstate transaction costs, revealed that there has been a substantial reduction in the interstate transaction cost, which has come down from more than 3% (GST+ other transaction costs) of value of goods moving in interstate zones to less than 1% after the implementation of GST.

Positive impact of GST can also be seen in the form of reduced raw material costs, production costs along with reduced efforts for logistics and time. This has increased the price cost margins of producers through competitive pricing and economies of large scale.

At this juncture, it is suggested that the petroleum products should be brought under the ambit of GST to remove the cascading impact of taxes such as excise duty, central sales tax including value added tax. It is suggested to bring the Aviation Turbine Fuel (ATF) & Piped Natural Gas (PNG) under the GST to enable the companies avail the benefit of Input Tax Credit. Amid COVID-19 scenario, it is suggested to reduce the GST rates by 20% across slabs for a period of six months to boost demand and revive the animal spirit of economy. It is emphasized that between the GST rates of 12% and 18%, the industry will prefer a tax rate of 12% to boost the demand in the economy.

Further, speeding the recovery process for VAT credit lying in the books of assesses is suggested. There should be facility for correction of errors on the GST portal. In order to address the issue of liquidity crunch faced by the industry, some mechanism whereby the industry may pay its GST including the arrears by December 2020 should be focused. GST rates should be rationalised to increase consumption, reduce compliance, reduce evasion and help to make it a good and simple tax. It is suggested that the unutilized Input Tax Credit at the end of any tax period should be refunded.

There is a need to setup GST Tribunal as soon as possible so that the litigation process and disputes redressal process are carried out efficiently and there are faster clearances of pending cases. The focus should be put upon protecting the VAT/CST Incentives under the GST regime. A clear policy should be framed to protect full benefits committed under old Tax Regime. Effective action needs to be taken with regard to numerous technical issues faced by the trade & industry members such as delinking the date of GST payment from filing of returns; among others.

Going ahead, government's efforts towards further liberalization of the GST norms, ease in procedures, shift of

goods into the lower tax slabs, among others are expected to result in promotion of ease of doing business, boost in the production of manufacturing, increase in price-cost margins of producers and creation of employment opportunities for the growing young population in the country.

Economy so far

- **Covid-19 pandemic forces states to expand their borrowing:** The pandemic's impact on the economy has forced both the Centre and states to borrow more from the market to finance their expenditure. While the Centre has already expanded its gross borrowing plan to Rs 12 trillion for the financial year, states are also borrowing more by the week.
- **Diesel sales drop 19% in first half of August compared to previous month:** Diesel sales dropped by a fifth in the first half of August compared with a month ago, signalling extended regional lockdowns, sluggish economic recovery and high prices are blocking full revival of fuel demand.
- **Monsoon's strong bounce back this month has accelerated crop planting:** India's area under cultivation is poised to exceed the normal acreage of 106.65 million hectares as the monsoon's strong bounce back this month has again accelerated crop planting. So far farmers have planted crops across 101.55 million hectares, 8.54% more than that a year ago.
- **RBI transfers Rs 57,128 crore surplus to the government for the year 2019-20:** The surplus transfer of Rs 57,128 crore for the accounting year 2019-20 compared with Rs 1.76 lakh crore transferred last year, which included Rs 1.23 lakh crore as dividend and Rs 52,637 crore excess provisions identified as per the revised Economic Capital Framework (ECF).
- **Diamond and gold jewellery exporters are witnessing a gradual improvement in shipments:** As the global markets reopen, exports resume. Exporters are hoping that a Covid-19 vaccine would become available in the market by December, which would boost demand and a V-shaped recovery in the January-March quarter of FY21 is expected.
- **India's key Central European partner Poland keen to increase two-way investments in post-Covid scenario:** PM Narendra Modi is keen on creating new investment opportunities in India in the post-COVID period and on facilitating the inflow of foreign investments. India is the primary location in Asia for Polish investors (currently 270 mln USD).
- **Covid-hit Indian economy may have shrunk 14-26% in Q1, say economists in ET poll-** According to a poll of 11 economists conducted by ET, India's economy may have contracted by as much as a fourth in the June quarter because of the Covid-19 pandemic and the lockdown that ensued. They warned that a recovery may take a while as the virus spreads and infection numbers rise, prompting further localised closures. Their contraction estimates ranged from 13.6% to 25.7% and are in line with those seen in other countries hit hard by the coronavirus.
- **Hon'ble Finance Minister seeks investment from UAE for Rs 111 lakh crore National Infrastructure Pipeline-**
Smt Nirmala Sitharaman, Hon'ble Finance Minister, held a virtual bilateral meeting with United Arab Emirates (UAE) Minister of State for Financial Affairs Obaid Al Tayer and urged the Middle Eastern nation to participate in India's ambitious Rs 111 lakh crore National Infrastructure Pipeline. About 7,000 projects have been identified under the National Infrastructure Pipeline (NIP) with projected investment of Rs 111 lakh crore during 2020-25. Both leaders expressed respect for the long standing relationship between India &

UAE, and the need to take it further in mutually beneficial ways. During the meeting, both the leaders agreed to cooperate on areas like financial technology (fintech).

- **CBDT outlines conditions under which pension funds can avail exemptions from income tax**- The Central Board of Direct Taxes (CBDT), on the previous day, outlined various conditions under which pension funds can avail exemptions from income tax on income from investments in infrastructure companies via debt or equity. Accordingly, pension funds cannot undertake commercial activity in India or overseas, should be regulated by laws of the country, province, state or local body where it is based and use the proceeds from investments to solely provide pensions or benefits on the lines of social security to its beneficiaries, the government said. Under the conditions, the fund investing in India will have to disclose all investments made here each quarter and file returns on the income earned from local investments. The Board also specified the forms to be used for submitting the disclosures.
- **MoF notifies extension of Partial Credit Guarantee Scheme (PCGS) 2.0 with greater flexibility to respond to emerging demands**- Keeping in view the progress under the Scheme and the fact that the stipulated limit for AA/AA- rated Bonds/CPs has been nearly reached while the appetite for lower rated Bonds/CPs is nearing saturation considering their lower ticket size, the Government has now decided to modify PCGS 2.0 for purchase of Bonds/CPs. Additional 3 months have been granted to build up the portfolio. At the end of six months, i.e. by 19.11.2020, the portfolio shall be crystallised based on actual amount disbursed, for the Guarantee to come into effect. At the portfolio level, AA and AA- investment sub-portfolio under the Scheme should not exceed 50% (instead of 25% stipulated earlier) of the total portfolio of Bonds/ CPs purchased by PSBs under the Scheme.
- **Hon'ble Union Minister for Road Transport, Highways and MSMEs Lays Foundation Stone for 13 Highway Projects in Manipur**- Shri Nitin Gadkari, Hon'ble Union Minister for Road Transport, Highways and MSMEs, has laid the foundation stones for 13 highway projects and inaugurated a Road safety project in the North-Eastern State of Manipur through video conference. These projects involve a Road length of 316 kilometers, with construction value of about Rs 3000 crore. Paving the way for development of Manipur, these roads will enhance better connectivity, convenience and economic growth in this North Eastern State.
- **Government proposes Data Ombudsman, higher penalty for refusal to submit data for key economic stats**- The government on the previous proposed a Data Ombudsman for in-house resolution of issues related to the collection of key statistics in the country so as to reduce the number of cases that need legal recourse. The Data Ombudsman shall in addition to the functions designated, also strengthen the system of mutual trust, building the goodwill and conflict resolution through various conciliation processes, the ministry of statistics and programme implementation (MoSPI) said in the proposed amendments to decriminalise the Collection of Statistics Act.
- **Launch of Tribal Health & Nutrition Portal – 'Swasthya' and Opening of National Overseas Portal & National Tribal Fellowship Portal**- A series of initiatives were announced by the Ministry of Tribal Affairs on the previous day, which included the Tribal Health and Nutrition Portal 'Swasthya' and e-newsletter on health and nutrition ALEKH; opening of National Overseas Portal and National Tribal Fellowship Portal. Shri Arjun Munda inaugurated the e-portal on tribal health and nutrition named 'Swasthya', a first of its kind e-portal, providing all health and nutrition related information of the tribal population of India in a single platform. Swasthya will also curate innovative practices, research briefs, case studies, and best practices collected from different parts of India to facilitate the exchange of evidence, expertise and experiences.
- **Aatmanirbhar Bharat Scheme: States have distributed free grains to 2.51 lakh migrants so far, says**

government- According to Union Food Ministry, States and Union Territories have so far distributed free foodgrains to 2.51 lakh migrant workers against the target of 8 crore under the Aatmanirbhar Bharat Scheme. Ministry clarified that the low utilisation clearly shows the actual number of migrant workers was much less. Also, if migrant workers had returned to their home states then they were already covered either under the National Food Security Act (NFSA) or state ration card scheme, the Ministry added.

- **Incorporation of new firms highest in 7 years-** Registration of new companies in India surged to the highest in more than seven years in July in one of the clearest signs yet of renewed investor interest and plans by entrepreneurs to set up new business ventures. A total of 16,487 were incorporated in July, data from the Ministry of Corporate Affairs showed. This is the highest since January 2013—the maximum available historical data—when 5,508 companies were registered.
- **Government permits exports of certain non-woven fabrics used for making masks, coveralls-** The government on the previous day allowed exports of certain non-woven fabrics used to make masks and coveralls with a view to push outbound shipments. However, export of melt blown fabric of any GSM (grams per square metre) continues to be banned. A notification dated July 13 was amended to the extent that only melt blown fabric of any GSM...is prohibited for export. All other non-woven fabrics of any GSM (including GSM 25-70 which were earlier prohibited) are freely allowed for exports, the Directorate General of Foreign Trade (DGFT) said in a notification.
- **India, Bangladesh explore new areas of cooperation in advanced tech, AI, ecology & vaccines-** India and Bangladesh have decided to explore new areas of cooperation including latest technologies, disaster management, artificial intelligence, ecology and conservation and greater youth to youth engagement to give further momentum to their burgeoning ties. In keeping with India's Neighbourhood First Policy Bangladesh will also be accorded priority in the areas of vaccines and therapeutics. These among other issues of mutual benefit were discussed when Shri Harsh Vardhan Shringla, Hon'ble Foreign Secretary, called on the Prime Minister of Bangladesh Sheikh Hasina in Dhaka.
- **ESIC members who lost their jobs amid Covid can claim 50% of average wage-** The members of Employees' State Insurance Corporation (ESIC) will now get enhanced unemployment allowance and more expeditiously till December this year. The benefits will be available to members of ESIC who lost their jobs during the Covid-19 pandemic.
- **India Needs to Maintain Reform Momentum to Reverse Current Economic Slowdown:** World Bank's India Development Update, July 2020- According to World Bank's India Development Update, July 2020, India needs to continue to implement critical reforms in key areas such as health, labor, land, skills and finance to come out stronger from the impact of the COVID-19 pandemic. These reforms should aim at enhancing productivity of the Indian economy and spur private investments and exports.
- **RBI may halt rate cuts for the foreseeable future-** Interest rate cuts may be elusive during the rest of the year as all six members of RBI's Monetary Policy Committee harped on the need to keep inflation within the mandated range and voted in favour of holding back policy tools till the picture is clearer.
- **Loans worth more than Rs 1 Lakh crore disbursed under ECLGS-** Under the 100% Emergency Credit Line Guarantee Scheme (ECLGS) backed by a Government of India guarantee, Banks from Public & Private Sectors have sanctioned loans worth over Rs. 1.5 lakh crore as of 18th August, 2020, of which more than Rs 1 lakh crore has already been disbursed. The ECLGS was announced by the Government as a part of Aatma Nirbhar Bharat Package, to mitigate the distress caused by lockdown due to COVID-19 by providing credit to different

sectors, especially MSMEs. Under the ECLGS, Public Sector Banks (PSBs) have sanctioned loans of Rs 76,044.44 crore, out of which Rs 56,483.41 crore has already been disbursed. Whereas Private Sector Banks have sanctioned loans of Rs 74,715.02 crore out of which Rs 45,762.36 crore has already been disbursed.

- **Single e-compliance window soon:** MCA initiates discussions with RBI, Sebi, DPIIT on transfer of data- The government is looking to develop a single online compliance framework for India Inc to enable companies to comply with different regulatory requirements at one go. The idea is to reduce the compliance burden.

Study

PHD Chamber of Commerce and Industry conducted a quick survey of industry stakeholders during the month of July 2020 on the completion of 3 years of GST in India. Around 750 industry stakeholders provided their feedback on the survey. At this background, PHD Chamber of Commerce and Industry has come up with a report titled, Impact of GST on Economy and Businesses.

Impact of GST on Economy and Businesses



Markets So Far

Indicators	Yearly			Monthly			Daily		
	2017	2018	2019	May 20	Jun 20	Jul 20	Aug 18, 20	Aug 19, 20	Aug 20, 20
BSE SENSEX	34057	36068	41253	32424	34915	37606	38528	38614	38220
GOLD (10 GRMS)	28966	30600	34813	40989	47048	49913	53752	53185	52317
CRUDE OIL (1 BBL)	3317	4437	4007.8	2113	2895	3054	3204	3204	3201
EXCHANGE RATE (INR/USD)	65	68	70.4	75.65	75.74	75.0*	74.76	74.82	75.03

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (* data pertains to average of July 2020 till 27th July 2020)

Warm Regards,
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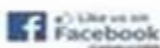


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