India's resilience – the journey towards Atmanirbharta
Foreword

The pandemic has left a lasting impact on the way daily activities and business is conducted and led to a permanent shift in the global world order with major countries now looking inwards, aiming to develop their manufacturing capabilities to reduce dependence on others for essential goods and services while preparing for a turbulent period ahead.

While India faced economic stress brought on by the pandemic. The strong macro fundamentals of the country ensure that the growth momentum can be revived soon. India’s GDP for the July-September quarter contracted at -7.5 per cent, a slower contraction than what many had predicted, raising hopes of a quicker recovery than was earlier thought of.

Recognising the silver lining to the black swan event, the Indian Government gave the clarion call for an Atmanirbhar Bharat, which focusses on strengthening the domestic ecosystem and enhancing exports.

In a bid to support the vulnerable segments, the Government announced the Atmanirbhar Bharat package amounting to INR20 lakh crores (10 per cent of India’s GDP) to help the economy recover from the impact of COVID-19. The package included a mix of stimulus measures, liquidity support to MSMEs, and structural reforms in many sectors to strengthen the country’s domestic manufacturing ecosystem and integrate itself into the global value chains.

The report by ASSOCHAM and Primus Partners aims to not only ascertain the progress and impact of the reforms announced in the Atmanirbhar Bharat package but also identifies the focus areas that would support the country’s journey towards becoming a US$5 trillion economy.

ASSOCHAM’s 101 years legacy has been dedicated towards playing a pivotal role in the development of the Indian economy. We are aligned to supporting the transformative road ahead, which will help create a differentiated positioning for India. We look forward to assisting the Government in realising the economic and social vision for the country.

Dr. Niranjan Hiranandani
President, ASSOCHAM

Mr. Deepak Sood
Secretary General, ASSOCHAM
Foreword

The COVID-19 pandemic has had an unprecedented impact, as it brought the global economy to a standstill. With international borders sealed and Governments grappling with unparalleled health and economic crisis, the focus of increasing self-sufficiency increased manifold. India was quick to recognise the opportunity amidst the crisis and started working on its vision to build an Atmanirbhar Bharat.

The Government of India announced the INR20 lakh crore Atmanirbhar Bharat Package to support the vulnerable segments of society and abate the collapse of businesses. Further stimulus in the form of Atmanirbhar 2.0 and 3.0 packages was also announced to enhance liquidity and to support various sectors. This time was also leveraged to introduce some long-standing reforms to make the Indian industry more competitive and the ecosystem more attractive for investors. The impact of most reforms introduced will be visible in the medium-term but will go a long way in providing momentum to the Indian economy and job market.

India is now focused on replicating its success in the services sector for the manufacturing segment to support both the domestic and global markets. As global companies focus on de-risking their operations, by reducing dependence on one market, India stands to gain investments across sectors. The country’s vast talent pool and availability of raw material, supported by a progressive regulatory regime, position India as a favoured manufacturing destination, which can play a critical role across global value chains.

As India moves forward, the country’s growth will be dependent on creating an efficient and accountable governance framework for policy implementation. At the same time, the country would have to balance its economic development plans with social progress. Managing the health, education and skilling of its people will help leverage the country’s significant demographic dividend to its advantage.

The report prepared by ASSOCHAM in collaboration with Primus Partners highlights the myriad and cross-sectoral initiatives undertaken by the Government of India towards mitigating the socio-economic impact of COVID-19 in the country and the focus areas that will help drive growth in the coming times.

Mr. Nilaya Varma
CEO & Co-Founder, Primus Partners
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The unfolding COVID-19 pandemic has pushed the global economy closer to a 1930’s wartime-like environment. Governments across the world swiftly implemented monetary and fiscal policy measures to prevent countries from slipping into a deep recession, while dealing with this black swan event. The crisis has led to the fastening of political and economic churning for new world order. The rising trade wars over the past few years had been threatening globalization, and the pandemic further led many countries to start focusing on internal sufficiency. The US has been witnessing a rising sentiment to cut down on Free Trade Agreements, make stringent the visa rules and reevaluate trade deals. With Britain exiting from the EU, the latter is expected to forge a new concord across the Atlantic. While China attempted to break the structure led by western powers post-world war II, it also focused on a ‘dual circulation policy’ for an internal economic boom.

The shifting of power in West Asia indicate emerging new realignments and dealignment, while powers in the Indo-Pacific are exploring different security arrangements to deal with China through groupings like the QUAD.

The impact of COVID-19 is expected to have a significant bearing on the global world order, apart from the socio-economic ecosystems across regions. The indelible mark that the pandemic has had on the way of life and business would play a crucial role in defining the future.

As the country deals with the unprecedented crisis, India has found its innate strength to weather the storm and focus on strengthening its domestic ecosystem. Supported by the strong macro fundamentals, the Indian industry is enthused by the Government’s clarion call of making India an Atmanirbhar Bharat. This agenda ties closely with helping leverage the vast demographic dividend in India and keep on track towards achieving the vision of becoming a US$5 trillion economy.

The world is looking to build self-resilience into their manufacturing and supply chains, and India too is taking the self-reliance route in the post-COVID world. However, the vision of Atmanirbhar is not inwards looking. The country intends to focus on creating a robust domestic ecosystem to manufacture for India and the world. Being integrated as a crucial hub in global value chains, while reducing dependence on imports can go a long way in helping the country become a US$5 trillion economy.

The Indian Government’s Atmanirbhar Bharat call is a timely intervention, which will help reduce the country’s dependence on the overseas market and embrace technology advancements to enhance value addition and drive exports. The deepening trade wars in the world position India favourably to attract investors that are looking to de-risk their operations. China’s ‘dual circulation’ policy is closer to the Atmanirbhar Bharat policy. It could become a key priority in the Chinese economy during the 14th five-year plan, due to be unveiled in early 2021.

The Indian Government’s plan is to leverage the country’s young demographic, vast consumer base and technology prowess to drive economic growth. This opportunity could provide gains to India, much like Japan was able to after World War-II, and China did after the cold war ended in the early ‘90s.

To mitigate the economic impact of the COVID-19 crisis, the Government of India announced a special economic package in May amounting to INR20 lakh crore, (10 per cent of India’s GDP), to fight the COVID-19 pandemic. The package included a mix

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1 “India’s Rs 20 lakh crore Covid relief package one among the largest in the world”, Economic Times, 15 May 2020
of stimulus measures, liquidity support to MSMEs and structural reforms in many sectors. At the same time, the Government gave a clarion call for Padmanabhan Bharat (Self-Reliant India) based on five pillars – Economy, Infrastructure, System, Vibrant Demography and Demand.

Several recent reports have indicated that the COVID-19 pandemic could push a fresh 1 billion people below the poverty line. A large part of this population could be spread over in the emerging Asian economies such as India, Indonesia and Bangladesh. The COVID-induced lockdown, disruption in economic activity, and the closure of many businesses has caused a rise in unemployment and the lowering of wages. This has pushed a large number of a vulnerable population, migrant labour below the poverty line across the country. The Government has taken several initiatives in past few months to help the migrant labour, rural population, MSME through economic package and targeted schemes like Pradhanmantri Garib Kalyan Yojna (PMGKY), and Pradhanmantri Garib Kalyan Anna Yojana (PMGKAY), cash transfer to widows, pensioner.

The Micro, Small and Medium Enterprises (MSMEs) with a significant 28.9 per cent contribution in India’s GDP would play a significant role in defining the future economic landscape, as the country strives to get economy back on growth track following a record GDP decline of 23.9 per cent for Q1 and by 7.5 per cent in Q2. With a total of about 64 million MSMEs, 31 per cent of which operate in the manufacturing sector, these enterprises play a pivotal role in generating employment in the rural areas and thereby contribute to reducing regional imbalance in the distribution of wealth. MSMEs have been providing livelihood to over 111 million workers, comprising a significant portion of the total labour workforce across the country. According to the data from the Ministry of MSME, 51 per cent of Indian MSMEs are based out of rural areas and would need market exposure and business and technological expertise to compete in a larger arena.

The economic package also introduced an Emergency Credit Line Guarantee Scheme (ECLGS) sanctioning INR3 lakh crore collateral-free automatic loans for stressed Micro, Small and Medium Enterprises (MSMEs). Post the launch of the initiative, private and state-owned banks stepped up credit deployment, with cumulative loan sanctions as of November 12 at INR2.05 lakh crore to 61 lakh MSMEs. However, disbursements stood at INR1.52 lakh crore.2

The aim to become a US$5 trillion economy will need MSMEs to play a critical role, and the Government envisions that MSMEs would have to contribute up to 50 per cent of India’s GDP and need to expand the exports from the present 50 per cent to 75 per cent in coming times. However, the current scenario needs a steep recovery path for the economy, and with their large footprint in the Indian economy, MSMEs are expected to drive significant growth. It, therefore, becomes imperative that the MSME sector gets the necessary support to leverage the growth as has been enjoyed by the e-commerce industry during the pandemic.

Under the INR30,000 crore special liquidity facility for Non-banking Financial Companies (NBFCs), housing finance companies (HFCs) and microfinance institutions (MFIs), SBICAP received 24 applications requesting almost INR9,875 crore (33 per cent of the scheme) of financing, which is being processed.3 INR7,227 crore or 24 per cent of the targeted Rs 30,000 crore under the special liquidity scheme for NBFC/HFC, has been disbursed so far.4

The INR45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs, witnessed limited success, as banks approved the purchase of INR14,000 crore worth portfolio, while negotiations are underway for INR6,000 crore.5 Public Sector Banks (PSBs) have approved the purchase of a portfolio of INR26,889 crores. Between April 1, 2020, to December 1, 2020, the Central Board of Direct Taxes (CBDT) issued refunds of over INR1,40,210 crore to more than 59.68 lakh taxpayers. According to the tax department, income tax refunds of INR38,105

2“Govt extends credit guarantee scheme to health and 26 other sectors identified by Kamath Committee”, Financial Express, 26 November 2020
3“Stressed NBFCs, HFCs seek Rs 10,000 crore financing support under special liquidity scheme” Business Today, 12 July 2020
4“Atmanirbhar Bharat schemes make headway”, Financial Express, 13 November 2020
5“Atmanirbhar Bharat schemes make headway”, Financial Express, 13 November 2020
crores have been issued in 57,68,926 cases, and corporate tax refunds of INR1,02,105 crores have been issued in 1,99,165 cases.6

It has been well established that focusing on the power and energy sector can dramatically improve the economic efficiency and should be focused on by the Government in its effort to revive the economy. To support the industry amidst the crisis, state-run Rural Electric Cooperatives (REC) and Power Finance Corporation (PFC) have sanctioned loans worth INR1.18 lakh crore, to provide relief to stressed power distribution utilities, later increased to INR1.2 lakh crores by the Power Ministry.7 Against the loans sanctioned to 17 states/UTs, only Rs 31,136 crore or 26.3 per cent has been disbursed to 11 states/UTs so far.8

In the coming times, it will be necessary for the Government to undertake critical reforms in the power sector — to create real-time competitive markets for selling and buying electricity in India.

This will ensure sectors like mining, transportation, finance, generation, transmission, and distribution to get cheap electricity supply for their respective industry. Second, real-time electricity pricing for the larger consumer. Third, in a phase-wise manner, remove expensive coal-fired plant after starting a real-time electricity market.

COVID-19 has presented India with an opportunity to trigger various regulatory reforms across sectors. The Government has made significant progress in providing regulatory support, wherein the ‘Vivad se Vishwas’ Scheme has been extended to December 31, 2020, with the last date for payment being March 31, 2021.9 To support struggling companies and contain a flurry of NPAs, the Government has also raised the INR1 lakh threshold of default under the Insolvency and Bankruptcy Code (IBC), 2016 to INR1 crore. Additionally, in line with its efforts to provide relief to MSMEs, a special insolvency resolution under section 240A of the IBC is being planned. To protect the MSMEs, as was announced, Global Tender Enquiry (GTE) has been disallowed for tenders up to INR200 crores, without the prior approval from the Cabinet Secretariat. In a bid to revive the economic growth, the Central Government can use the macro-financial package as an opportunity to raise marginal propensities to spend above those to save. Large Government assets can now be monetized to help restructure towards more effective government spending.

State Governments are also struggling with limited funds, as revenues have taken a significant hit, owing to the lockdown and insufficient demand. To provide funding during this critical time, the Department of Expenditure has extended additional borrowing of 2 per cent of projected GSDP in 2020-21, subject to the implementation of specific state-level reforms.

The Government also implemented the extension of up to 6 months to contractors of Central Agencies such as Railways, Ministry of Road Transport & Highways, Central Public Works Department, for the completion of contractual obligations. Supporting these efforts, the Government issued instructions that due to the unprecedented crisis, on the invocation of Force Majeure Clause (FMC), contract periods may be extended for three months to six months, without the obligation of any cost or penalty on the contractor/concessionaire.

Amidst the struggling economy, India is witnessing signs of recovery in its rural economy. Driven by a good monsoon and with the Kharif sowing in full swing, ~INR25,000 crore out of the INR30,000 crore front-loaded special refinance facility has been disbursed. This facility by NABARD was introduced to ensure sustenance for the rural Indian economy, amidst the unfolding pandemic, through the Regional Rural Banks (RRBs) and cooperative banks.

The Government amended the Essential Commodities Act (ECA) of 1955, bringing Central legislation that enables farmers to sell produce outside the APMC mandi yard, having barrier-free inter-state trade, and creating a legal framework for contract farming. The amended Act also empowers the Union Government to regulate the stock of an essential commodity that can be held by an individual.

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6”CBDT refunds over ₹1,40,210 crore to over 59.68 lakh taxpayers since April”, Livemint, 2 December 2020
7“Loans worth Rs 1.18 lakh crore sanctioned under discom liquidity package”, The Economic Times, 12 November 2020
8“Atmanirbhar Bharat schemes make headway”, Financial Express, 13 November 2020
9“As Vivad Se Vishwas scheme draws to close, tax officers face the heat”, Business Standard, 8 December 2020
To keep the momentum of growth going in the rural economy, the Government launched the financing facility of INR1 lakh crore under the Agriculture Infrastructure Fund for Agri-entrepreneurs, Agri start-ups, and various farmer groups, providing medium-to-long term debt financing facilities. This would enable the strengthening of post-harvest management infrastructures and farming assets such as cold storage, collection centres, processing units, etc. After the launch of the scheme, the first in-principle sanction of INR1128 crore was made to over 2,280 farmer societies by NABARD. So far NABARD has received 3055 proposals of PACs through state cooperative banks in 22 states for which in-principle sanction of INR1568 crores has been accorded.10

**Atmanirbhar 3.0 stimulus**

With the corona pandemic mostly being an urban India phenomenon, rural India, with various Government initiatives, is now in a better position to drive growth. Various corporates have been focusing on the rural market, which has provided a cushion against a downturn in cities.

The Government had come out with a third fiscal stimulus as part of *Atmanirbhar* 3.0 stimulus measures to boost economic growth.

Additionally, to promote the Indian Defence manufacturing, the Government released a list of 101 items on which an import embargo will be levied. The recently announced Draft Defence Production and Export Promotion Policy (DPEPP) 2020 also focuses on the twin objectives of enhancing self-reliance and boosting exports.

Buoyed by the success of the Production linked incentive (PLI) scheme for the electronics sector, the Government extended the PLI scheme to 10 other sectors for five years totalling to INR2 lakh crores with a financial outlay of INR1,45,980 crores to encourage domestic manufacturing, reduce imports, and generate employment.

According to the scheme, companies will get incentives on incremental sales from products manufactured in domestic units. The sectors for which the scheme amounts to INR2.65 lakh crores.

To incentivize job creation, the Government introduced the *Aatmanirbhar Bharat Rozgar Yojana*. It aims to create new employment opportunities during the COVID recovery phase. If every EPFO registered organizations takes in new employees without EPFO registration or those who had lost jobs between March 11 & September 30 - the Government will provide a subsidy.

The Government provided INR900 crores to the Department of Biotechnology for COVID Suraksha Mission to drive research and development of the COVID vaccine in India.

The Government provided INR18,000 crores for PMAY – Urban, above INR8,000 crore already allocated this year. The funds will help complete 18 lakh houses and create additional 78 lakh jobs.

The Government extended the existing Emergency Credit Line Guarantee Scheme till March 31, 2020, and launched the credit guarantee support scheme ECLGS 2.0 for the healthcare sector and 26 stressed sectors.

To boost rural employment and economy, an additional outlay of INR10,000 crore is being provided for PM Garib Kalyan Rozgar Yojana.

Source: PIB, November 12, 2020

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10“Setting up of Agriculture Infrastructure Fund”, PIB, 18 September 2020
has been extended include Advanced Chemistry Cell (ACC) battery, electronics and technology products, automobiles and auto components, pharmaceuticals and drugs, telecom and networking products, textiles products, food products, high-efficiency solar PV modules, white goods, and speciality steel.

The scheme aims at making Indian manufacturers’ competitive globally and linking India to the global value chain by ensuring all the necessary support from the Government.

India has a fifth of the world’s population, and sixty-five per cent of them are below 35 years of age. To leverage this demographic dividend, India will have to ensure that this segment will have to be gainfully employed. Infrastructure sector could play a pivotal role in generating employment. The Government of India’s ambitious National Infrastructure Pipeline (NIP) with US$1.5 trillion as part of National Infrastructure vision 2025 holds the key for reviving infrastructure sector and in turn, support economic revival and growth.

As promised in May, the Government has ensured a swift pace of implementing reforms to support the vulnerable sections of society and businesses; however, their effectiveness will come forth, when demand-side measures complement them. The impact of most reforms will take effect in the medium-term but will go a long way in providing impetus to the India economy and job market. While supply-side measures aim to restore businesses and facilitate the various segments of society, demand creation is an immediate need to mitigate a collapse of the Indian economic ecosystem.

The Indian Government must use the COVID-19 crisis as an opportunity to remedy long-standing reforms to make the ecosystem more attractive for investors. India must strengthen its medium-term fiscal strategy, building fiscal resilience in the coming years. Additionally, the Government must focus on attracting private investment by improving state capital relations and easing constraints on productivity, by better integration of technology.
The COVID-19 pandemic caught the world off-guard and brought global trade nearly to a standstill. Global economies had to manage the health crisis, which soon gave way to economic stress. As industries dealt with disrupted supply chains, companies became more wary of dependence on one country for imports. While India struggled with the health and economic stress, the Government’s focus on strengthening the domestic ecosystem and better integrating India in global value chains enthused the industry on the way forward.

India’s success in the services sector has helped boost exports over the years, and now a strengthened manufacturing ecosystem would help position the country as a favoured hub in global value chains. ‘Make in India’, and ‘Atmanirbhar Bharat’ campaigns strongly support the Government’s vision of transforming India into a manufacturing destination to cater to the needs of the domestic and global markets.

However, amidst this unprecedented crisis, India found its innate strength and the Government’s clarion call of becoming self-reliant. The Atmanirbhar Bharat campaign would help India in tapping the vast potential that exists as the country imports products to fulfil domestic demands. India’s services sector has been dominant for many years (IT and BPO in particular) and has witnessed significant growth – but only to come with a limited employment generation opportunity, especially for the underprivileged class. Manufacturing, on the other hand, has more extensive backward linkages to other sectors and has a multiplier effect on the economy with job creation and growth through demand generation in associated industries that are affected as part of a product’s value chain. Employment opportunities can be generated for people at both skilled and unskilled levels through manufacturing. This, in turn, would help boost inclusive development, especially in the semi-urban and rural areas where there is a more considerable need for the upliftment of those struggling to make a living.

With the technological prowess that India boasts of in its resources – global giants are attracted to Make in India, to cater to the large market base and even exporting out of India – as has been witnessed across sectors such as automobiles, pharmaceuticals, chemicals and electronics among others. The Government has brought in various policy measures to encourage manufacturing as evident in the recently announced PLI for manufacturing with an outlay of INR1.46 lakh crore planned over the next five years across sectors to promote domestic production. India has been among the top 10 FDI recipients in South Asia which in 2019 witnessed a 16 per cent growth over the previous year, attracting US$49 billion as per a United Nations Conference on Trade and Development (UNCTAD) report.

With a population of over 1.3 billion, more than half of which is below 25 years of age, the country is an attractive business destination, with a workforce that is available in abundance across all skill levels, relatively inexpensive.

The COVID-19 Impact on ‘Make in India’

COVID-19 has brought about significant changes in the way countries and MNCs have shown the need for unprecedented diversification of manufacturing and supply chain to reduce dependence on one country. Additionally, the way China managed the pandemic, it further hurt the sentiments across countries, as the
epidemic soon manifested into a global pandemic claiming the lives of hundreds of thousands of people. At a time when companies were looking for alternative hubs in the global supply chains amidst trade wars, the pandemic furthered their cause to de-risk operations by moving operations to low-cost alternatives such as India, Bangladesh, Vietnam etc. India, with its vision of promoting its manufacturing sector, could view this as an opportune time to support and attract investments. The trend of organizations planning to shift bases to India had been ongoing much before the pandemic struck – as the Government promoted Make in India and worked towards supporting businesses with measures such as ease of doing business and increasing FDI allowance across various sectors.

The opportunities, however, come with the need to address challenges that COVID-19 has brought about in domestic manufacturing being stressed – primarily because of the lack in demand numbers following the liquidity crunch and the affected income of end-users for various non-essential commodities. The MSMEs are identified as an engine of the economy primarily in manufacturing. As per data from the MSME ministry ‘The Micro, Small and Medium Enterprises (MSMEs) contribute about 7-8 per cent of India’s GDP, 45 per cent of the manufacturing output and 40 per cent of the exports.’ The MSMEs have been providing employment opportunities in urban as well as rural areas and are starting to form an essential element of the supply chain across industries, more so with increasing localization in manufacturing that supports this cause further.

An example of the impact of COVID-19 on manufacturing/industries is that of the auto sector - an identified champion sector of the economy and one that plays a significant role with the contribution to GDP globally. The Commercial Vehicle segment, with its direct inter-dependence on infrastructural projects and support, has seen diminishing prospects in the short-term for companies manufacturing in India. The pandemic outbreak significantly impacted capacity utilisation levels of the CV industry, which is expected to fall to 36 per cent in FY2021. Following the demand/liquidity constraints and low demand numbers, OEMs (many of which are MSMEs) are curtailing CAPEX spends - from Rs 6,700 crore in FY2020, the same is expected to fall significantly to Rs 2,400 crore in FY2021. The current challenges such as subdued freight availability due to a sluggish macroeconomic environment, financing constraints, overcapacity in the trucking system, and stressed cash flows of fleet operators, have all exacerbated with the onset of the pandemic.

The CV sector is representative of a similar scenario that exists across other industrial sectors – involved in the production of non-essential goods, and investments that are relatively new and yet to realize profits would be further stressed to stay competitive and trace the plans part of their investment strategy.

On the other hand, industries like pharmaceuticals and medical devices, logistics have seen a boom during coronavirus times. Since the pandemic does not have a defined cure until date, the sale of preventive medicines and disinfectants witnessed a sharp rise. Also treating the symptoms being practised for there is no treatment for the cause saw sales of various types of equipment rise ever since COVID struck. Manufacturing oximeters to ventilators have all been welcomed by a very receptive market that has a high demand. Same was the case with the logistics sector where deliveries of products became a necessity during lockdown times, and continue to be a preferred way of people buying/getting essential stuff home. On a larger scale, since the supply chain was disrupted, there was a high demand for movement of goods as industries started to open up and as construction/manufacturing sector opened up gradually.

Government’s Initiatives Promoting ‘Make in India’

Some of the recent announcements by the Government supporting domestic production include the mid-term review and extension of the foreign trade policy 2015-20 that has been extended until 2021, providing for export incentives to labour-intensive MSMEs. The National Electronics Policy envisaged creating a US$400 billion electronics manufacturing industry in India by 2025, eying an annual growth rate ~30 per cent. An announcement

11“Volumes in passenger vehicle segment to drop 20-25 per cent this year: ICRA” The Hindu Business line, 14 October 2020
14Cabinet approves the proposal of National Policy on Electronics 2019, PIB, 19 Feb 2019
in March 2020 for PLI in large-scale electronics manufacturing and schemes such as proposed clusters for electronics manufacturing with shared facilities have been policies aimed at transforming India into a manufacturing hub. Increased FDI in defence manufacturing under automatic route for defence from 49 per cent to 74 per cent and up to 100 per cent for contract manufacturing is aimed at attracting global players to participate in India’s manufacturing ecosystem as it expands.

Aerospace & Defence sector has witnessed unprecedented announcements including the Government coming out with a negative list of armaments and components that would no more be allowed as imports in coming times. The country has progressed to have gathered the technological know-how on developing and manufacturing world-class products, and such measures promote investments into domestic manufacturing, foreign investments to come in and create the ecosystem for India to not merely be one of the largest defence markets, but to grow as a future exporter of sophisticated products and technologies.

Recent measures from the Government such as revision of import duties (hikes across categories such as footwear, toys, appliances etc.) aimed at promoting domestic manufacturing, significant cuts in corporate tax rates amounting to 22 per cent for the existing and 15 per cent for new companies can be seen supporting the Make in India campaign, helping industries.15

The role of Technology in Manufacturing

The much talked of industry 4.0 is revolutionising manufacturing. Technology elements such as the Internet of Things, Automation, Artificial Intelligence, Mobile Computing - collaborate to provide a solution that is efficient in time and high on precision. Where IoT provides for increasing asset utilization through process optimization and helps reduce cost, the increasing popularity of such solutions customised for industries is getting affordable by the day, even for businesses that operate at a mid-scale. 3D printing is another disruptive technology that would reduce the need for labour and provide for precision-based solutions, already being sought by industries such as aerospace components and healthcare/medical equipment manufacturing. Other technologies, such as Robotic process automation, reduces the need for manual labour.

All the above do come with the need for industries to be agile enough to adapt to technology changes and invest resources and manpower in keeping the solutions running. Sectors such as garment manufacturing have increasingly adopted the use of technology—only to support the manual labour getting their work done in quicker time and with enhanced accuracy. Deployment of high-tech equipment for cutting/marking garments, or the use of laser is feasible – but it is the workforce that helps keep the cost down and provides with the ability to adapt to new product requirements without significant investments every time, keeping the businesses competitive and products affordable. The balancing of the manual workforce with the implementation of technology is, therefore, quintessential. Technology deployed at work is no more restricted to robotic assembly, but with futuristic technologies like AI manufacturing is competing to consistently operate at the optimal points in terms of yield/costing.

India, in such a scenario, makes itself count as a preferred manufacturing destination which could attract investments providing for all the necessary elements to be blended in for a thriving industry – technology, workforce and a substantial domestic market driving demand.

The Challenges that Need to be Addressed

As the unlocking process began, the industries gradually and cautiously started getting their engines fired up. The migrant labourers that had gone back to their native places flocked back to India’s industrial towns and cities and the same reflected in India’s manufacturing sector reflecting the most extensive output in over a decade. The IHS Markit India Manufacturing Purchasing Managers’ Index rose to 58.9 in October 2020—the highest since mid-2008.16 The chart indicates PMI levels in 2019 and 2020 and

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15 “Make in India program: Impact of COVID-19 pandemic” – Business Upturn, 31 August 2020
16 “India Manufacturing PMI Climbs to the highest in over a Decade” – BloombergQuint.com, 2 November 2020
Making ‘Make in India’ Count

the steep fall in 2020 can be seen to be getting back on track as we progress into 2021.

For India to gain from the reshaping business scenario globally, and to cash in on countries’ sentiments strongly favouring decentralization and reducing dependence on a single nation - there is a set of challenges that would need to be overcome to become Atmanirbhar.

Like India, there are other developing countries that have increasingly focused on developing their manufacturing sector and present stiff competition in terms of facilities and manpower. Vietnam in the last two decades has moved from being a poor nation to now boasting of a middle-class population. It presents a lucrative market calling for domestic manufacturing and has witnessed a flourishing manufacturing sector. Also, it features among the fastest-growing economies of the world. Mexico is another country that presents an excellent case for industries to set up manufacturing. Its proximity to the largest economy and consumer market, the United States gets it an advantageous position over other similar economies.

India would need to develop a robust infrastructural which has been a significant gap in attracting investments despite boasting of inexpensive and abundant labour. The fact that the country represents a large market continues to draw investments – and there is a need to work upon reducing infrastructural risks that businesses have to play with. Having an infrastructure that supports industrial growth would work to remove the inefficiencies in logistics, an example being faster turnaround time for the fleet with dedicated corridors within an industrial zone.

Policy measures such as extending additional PLI benefits for investments more significant than INR5,000 crores, reduction in tax rates (GST) to make commodities better affordable and boost consumer demand in the short-term, further enhancing the ease of doing business by the clear demarcation of requirements from centre/state governments are some of the measures that would attract investments and nurture a facilitative environment for industries across sectors.

India needs to capitalize on the manufacturing sector, which presently has stagnated just at ~16 per cent of GDP. There is a need to localize the value chain – which would need more of the raw material being manufactured in India as far as possible. Fabrication of semiconductor-based products is one step that remains in focus which could help reduce the cost of electronics drastically. Growing through manufacturing would be a massive leap towards India’s vision of becoming ‘Atmanirbhar’ and attaining the vision of a US$5 trillion economy.
Infrastructural growth drives an economy as it supports numerous investments that indirectly derive their growth from an established, efficiently operational infrastructural sector being in place. Traditionally, the industry has seen Government investments to provide the required developmental thrust. However, with India eyeing to become a US$5 trillion economy and a global manufacturing hub, it would need private investments to bolster the infrastructural projects in the country.

The transport infrastructure in its present shape could pose to be a bottleneck to growth as it impacts most sectors significantly. While most of the logistics sector depends on roads for transportation, the overall usage of roads in India for connectivity purposes is as high as 90 per cent,\(^{17}\) which is not helped by the fact that many of the rural areas still do not have access to all-weather roads. The airport infrastructure in India is widespread but underutilized. With there being an expected increase in numbers of passenger and cargo density – only a limited number of airports are well equipped to handle traffic at capacity, a reason for overburdening of airports like Delhi and Mumbai where most of the operators fly in and out of. Many of the destinations are not equipped with night landing for commercial airliners yet. With the water ports handling cargo to the tune of a billion tonnes, the sector needs particular focus as the ports are a smaller and present potential gap in terms of optimization of operation (e.g. lacking draft for larger vessels). There is a need for the railways to expand the network to uncatered geographies, enhance safety measures, upgrade train stations and strive towards the efficiency of operations. As per Make in India webpage India ranks 70 on the infra pillar of the global competitive index, 28th in the transport infrastructure, 25th in linear shipping connectivity and 4th in Airport connectivity.

With the National Infrastructure Pipeline defining projects to be undertaken for the next 5 years and with a huge amount allocated towards them, a clear message on the targeted infrastructural growth can be gathered. The Government has responded with a developmental approach covering the essential dimensions of infrastructural growth. ‘India with a total road network of 5.5 million km comprises of national & state highways and urban & rural roads. National highways account for 2 per cent of the total road network and carry over 40 per cent of total traffic’. There is a plan to expand the highway network of the country by 200,000 kms under schemes like the Bharatmala Paryojana for economic, border and coastal roads of 60,000kms accounting for the overall target. The development in roadways is being planned as PPP expected to bring in US$82 billion by 2022 as part of the first phase, above data based on reports by Invest India.

The railways has seen measures such as dedicated freight corridors, private players being invited to bid for train operations among others aimed at modernization, expansion and efficiency enhancement for railways. The Indian Railways\(^ {18}\) views present challenges being faced being overstretched infrastructure, decreased modal share in freight, strain on financial health and also brings the need to be more customer focused. There have been increasing efforts from the government towards developing railway infrastructure working with PSUs, private players in the journey of transforming Indian railways. With the need for expansion of railways being brought to light, the then railway minister had cited 17 per cent of the total rail routes to be catering to 60 per cent of the overall traffic in 2017. The increasing urbanization and rising income levels has seen ever growing demand for passenger traffic for the Indian Railways.

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\(^{17}\)An India Economic Strategy to 2035 – Report by Peter N Varghese

\(^{18}\)A Ministry of Railways Presentation on Strategy Roadmap – 3 August 2017
The Aviation industry – one of the hardest hit sector by the pandemic, has seen continued investments to modernize, upgrade the airports and privatization of AAI airports is a step inviting the industry partners to participate in building state of the art facilities. With six airports recently being privatized to be operated by the Adani group, there are more airports in the identified and being planned to be offered for bidding soon. The government plans to build 100 more airports by 2030.

Real estate sector too witnessed development being promoted in tier 2 and tier 3 cities but the pandemic struck very hard on the sector. It affected the demand and people’s employment being affected forced them to default on paying up towards their investments. As a revival measure the existing projects hat could be resumed with focus on smart cities being worked towards, dedicated economic corridors (SEZ for manufacturing, services) planned etc. would help as the same lay foundation for India becoming more competitive in the world map.

The impact of COVID-19 on construction of roads, ports and rail freight corridors has further delayed the projects that have been ongoing, with an estimated average delay of more than three-and-a-half years, as per data from Ministry of Statistics. The lockdown that came in place to control the exponential spread of the virus, brought economic activity to a standstill, impacting various industries. There was an adverse impact on supply chains and manpower. The migrant labourers, unable to cope with the stress of being out of job chose to flock back to their native places.

The development through building the infra pipeline being aligned with the economic goals, services to the citizen is of primary importance. States have been attracting industries to set up manufacturing, luring them with the infrastructural facilities such as availability of abundant power, dedicated economic zone for a particular type of ecosystem (e.g. that for electronic manufacturing or aerospace etc.) with players coexisting to provide for better supplier base, superior connectivity through water-ports/ rail/airports among others. The same would also help with creating employment and boost consumer demand, balancing the supply side of it.

Infrastructure would be one of the primary areas of focus for the government where it looks to increase investments as a measure to propel growth. There has been increasing budgeting for the infrastructural sector which saw a 20 per cent rise in budget 2020 from the previous year. The national infrastructure pipeline, however, presents a great task at hand. More so - at the present times, where there is an ever-increasing need for more private investments to come in for meeting the goals set under the pipeline plan. Measures such as encouraging PPP by the provision of value gap funding by the Government in areas such as hospitals, medical schools, warehouses and cold chains in agriculture, freight trains, etc. have been witnessed and would need to be further supported by the budget announcements.

According to DPIIT, Foreign Direct Investment (FDI) in Construction Development sector (townships, housing, built up infrastructure and construction development projects) stood at US$25.66 billion during April 2000 and March 2020. The Government allows for 100 per cent FDI in infrastructure and is looking at private players to join hands in India’s growth story.

An increase in infrastructural spending would provide the much-required boost for the revival of the economy. The real estate sector is being looked at for bringing in employment opportunities and the demand for new housing needs to be created. There is a need from the government to ensure that the opportunity India could grab with numerous industries looking to diversify their operations, in the post-COVID era is well supported with land pools being allocated to the companies willing to invest in India. Also, there is a need to focus on the affordable housing scheme that could allow for migrant workers to be able to purchase their own houses closer to the industrial towns/ cities they find employment at. This would ensure their standard of living is uplifted and at the same time there would be availability of functionally experienced and skilled labour fitting in the industries set up in an area. This could be

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19“Covid deepens Indian infra sector’s troubles, flagship projects among casualties” – The Economic Times – 31 July 2020
India’s Resilience – the Journey Towards Atmanirbharta

Another move towards setting up industrial parks working to a category e.g. garment manufacturing cluster, electronic manufacturing cluster, composite fabrication etc.

The road to economic revival, sustainable growth in manufacturing and allied sectors in India would depend on robust infrastructure – especially in transportation and energy/power segments. India could gain a lot of momentum with investments flowing into the manufacturing sector. Supporting manufacturing industries with infrastructure developments would provide India with a significant competitive advantage over other countries allowing for inexpensive manufacturing. Indonesia, Bangladesh, Vietnam, Sri Lanka among others – draw significant global investments in manufacturing, an example of which is the garment manufacturing sector. It will be of utmost importance to ensure that the infra projects are completed in a timely manner with the required investments flowing into the projects. Improving the warehousing infrastructure and introducing multi-modal transportation connectivity could be measures that place India at a competitive advantage. The challenge here would be to offer the same keeping logistics cost low.

The funding gap that has long been talked about in India’s need for investments in the infrastructure sector and the limited funding government can provide over the next five years is an issue that needs to be addressed for India to stay competitive in the global arena and promote *Atmanirbhar Bharat* campaign. The power sector has seen rising investment from private players and has been an area the country has made significant progress in the past decade. In the transportation, real estate sector the government would need to demonstrate the project execution capabilities to gain investor’s confidence. Since the projects are high value and the past is indicative of execution not being optimal in the sector, a few successful and timely deliveries of government projects would build the required trust for private players to follow suit.

With the Government easing out some policies - making the risk profile (e.g. land acquisition) of projects more clear and transparent and offering a commercially viable project proposition could be some of the steps towards a successful engagement of private sector in India’s infrastructural growth. The government could further India already being an attractive investment destination with the huge domestic market it presents, abundant manpower across skill levels, inexpensive production avenues when combined with an infrastructural support the industries presently view being a risk factor investing in India (transport, power and land).

The need for development in transport infrastructure, since it has a high multiplier effect would help provide for facilitative business avenues with efficient and low-cost transportation – which is the need of the industry. To leap towards becoming a US$5 trillion economy India would have to give a tremendous boost to manufacturing. The route for attracting investors would follow investments made towards infrastructural projects that set a benchmark in efficiency and quality.

**MSMEs: Survive and Thrive to Boost Indian Manufacturing**

The Micro, Small & Medium Enterprises (MSME) sector forms the backbone of the Indian economy and has contributed significantly to the socio-economic growth and development of the country. The MSME sector contributes 29.7 per cent to India’s GDP and accounts for 49.66 per cent of Indian exports and close to 45 per cent of the manufacturing output of the country.

![Figure 3.1: Share of Urban and Rural MSMEs in India](source: Ministry of MSME)

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20“MSMEs contribute 29.7 per cent of GDP and 49.66 per cent of Indian exports”, IBEF, December 3, 2019

21“India’s answer to its problem of US$380 billion MSME credit gap lies in these types of lenders to step up”, Financial Express, March 3, 2020
The MSME sector is dominated by micro-enterprises. India has 6.33 crore MSMEs out of which 6.30 crore or 99.4 per cent are micro-enterprises while 0.52 per cent, which amounts to 3.31 lakh are medium and 0.007 per cent or 5,000 are medium enterprises. Together, the MSME sector employs more than 11 crore people.22

For India to emerge as a global manufacturing destination, the development of the MSME sector is a must, as has been proven by the countries such as Vietnam, China and Germany whose MSME sectors have played a crucial role in helping them emerge as manufacturing powerhouses. Recognizing the sector’s importance, the Government has over the years introduced several measures for its development.

In 2019, the Government also rolled out the Prime Minister’s Employment Generation Programme (PMEGP), which is a credit-linked subsidy programme to generate employment by setting up self-employment ventures in rural and urban areas.

According to the Government, under the PMEGP scheme, out of 22,124 applications with banks involving a sum of INR660 crore, 18,455 applications involving INR551.65 crore were disbursed.24

To help MSMEs facing severe liquidity issues due to the lockdown, it was necessary to pump liquidity into the market and increase lending to the MSME sector. In this regard, the Reserve Bank of India (RBI) has cut the repo rate more than five times between February 2019 to May 2020. It currently stands at 4 per cent as against 6.5 per cent in early 2019, complementing the Government’s efforts in proving adequate liquidity and lending to MSMEs.25

The MSME sector was one of the major casualties of the essential lockdown imposed to curb the spread of the virus, as it led to many MSMEs shutting down and left many others on the verge of extinction. To help MSMEs survive the difficulties brought on by the COVID 19 pandemic, the Government, as part of the Atmanirbhar Bharat package, announced collateral-free loans for MSMEs up to INR3 lakh crore under the Emergency Credit Line Guarantee Scheme (ECLGS) and extended the scheme till March 31, 2021, from October 30, 2020.26 The Government not only extended the date of the scheme, but also expanded the scheme’s coverage to 26 other sectors, including power, construction, real estate, health, textiles, pharmaceuticals, logistics, cement, auto components and hotel, restaurants, and tourism.27

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22Ministry of MSME Annual Report 2019-2020 released on 28 July 2020
23Budget 2018: Corporate tax cut to 25% to benefit MSMEs, not big corporates, Livemint.com, 1 February 2018
24PMEGP: PM Modi’s pet scheme disbursed 83% applications in FY21 so far to set-up new enterprises, Financial Express, 28 September 2020
25Beyond emergency package: Permanent alternative to one-time stimulus for MSMEs lies with fintech upstarts, Financial Express, 23 July 2020
26MSMEs to benefit as Sitharaman extends Rs 3-lakh crore collateral-free ECLG scheme, provides support for stressed sectors, The Economic Times, 12 November 2020
27ECLGS 2.0 scheme: Govt extends credit guarantee scheme to 27 sectors, The Economic Times, 26 November 2020
According to the Government, banks and financial institutions had sanctioned INR2.05 lakh crore to 61 lakh MSMEs till November 12, 2020, with disbursements standing at INR1.52 lakh crore.28

The Government announced a fund of INR20,000 crore subordinated debt for stressed MSMEs facing an equity problem and an infusion of INR50,000 crore fund of fund as equity into MSMEs, expected to benefit MSMEs with potential and viability by providing them greater support in capacity expansion and for market-listing.29

The Reserve Bank of India (RBI) also extended the one-time restructuring scheme for MSME loans from March 31, 2020, to 31st December 2020.

The Government also revised the definition of MSMEs upwards, a move which was desired by many. The previous system restricted MSMEs from scaling up due to the fear of losing their existing benefits, while the new definition has helped to bring them more in line with International standards and incentivized MSMEs to scale up and generate more employment without the fear of losing their existing benefits.

Revised Classification applicable w.e.f 1st July 2020

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

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<th>Classification</th>
<th>Micro</th>
<th>Small</th>
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<td>Manufacturing Enterprises and Services</td>
<td>Investment in Plant and Machinery or Equipment: Not more than INR1 crore and Annual Turnover; not more than INR5 crores</td>
<td>Investment in Plant and Machinery or Equipment: Not more than INR10 crore and Annual Turnover; not more than INR50 crores</td>
<td>Investment in Plant and Machinery or Equipment: Not more than INR50 crore and Annual Turnover; not more than INR250 crores</td>
</tr>
<tr>
<td>Enterprises rendering Services</td>
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</tbody>
</table>

Source: Ministry of MSME

Figure 3.3: Key Results of NSS 73rd Round Survey (2015-16) on Micro, Small and Medium Enterprises

Number of MSMEs by States (Lakhs)

28Banks sanction Rs 2.05 lakh cr to 81 lakh MSMEs under credit guarantee scheme, The Economics Times, 11 December 2020
29“Govt Approves Rs 20,000 Crore For Stressed MSMEs, Rs 50,000 Crore Equity Infusion”, Outlook, 1 June 2020
The measures announced by the Government during the *Atmanirbhar Bharat* package have helped MSMEs survive the difficulties brought on by the COVID-19 pandemic by addressing the immediate need for support for many MSMEs while also laying the foundation of a stronger MSME sector for the future.

Despite the positive steps taken, the COVID-19 pandemic has inflicted great damage upon the sector and while the emergency measures have helped to ease the burden, the fear of rising cases and a second wave sweeping the country has forced many MSMEs to put on hold any plans for expansion or acting like business as usual.

- The majority of MSMEs do not rely on formal credit to meet their needs but on informal sources. While the Government aims to increase the flow of formal credit to MSMEs, due to the COVID 19 pandemic, Banks and NBFCs will continue to remain cautious and may shy away from lending to MSMEs businesses for fear of adding to an already high bundle of NPAs. To tackle this problem will require a more comprehensive action plan from the Government.

- While Banks and NBFCs remain reluctant to lend, alternative financiers such as fintech start-ups have been working with MSMEs for over a decade as these alternative financiers do not rely on the traditional metrics used by banks and NBFCs but leverage third-party data and digital solutions to provide services like invoice factoring, point of sale-based and inventory financing, etc. to help MSMEs with their working capital issues.

**Global Supply Chains**

COVID-19 has also provided a unique opportunity to Indian MSMEs to integrate into global supply chains and help India emerge as a major player on the International stage. As firms have continued to look for options to diversify their supply chains away, India presents itself as an attractive destination, but Indian MSMEs must be encouraged and provided the necessary support by the Government to link them to the global market.

During the initial peak of the pandemic, India supplied masks, PPE kits, and medicines to over 150 countries to help them deal with the coronavirus pandemic. As the pharmacy of the world, India will play a key role in the global distribution of vaccines with many global pharmaceutical giants partnering with Indian firms for the mass production of vaccines.

Through recent moves such as banning global tenders for government procurement up to INR200 crore, the Government has made efforts to reduce its dependence on imports and increasing opportunities for local MSMEs giving them a chance to establish dominance in the unorganized retail sector.

- For India to be able to compete in the international arena, it’s enterprises would need to scale to acquire the required technology and manpower needed to produce goods of international quality.

- Exports will play a big part in helping Indian MSMEs become part of global supply chains. By exporting intermediate goods and services for further processing to other larger firms that are linked to the global vendors, Indian MSMEs can begin to integrate themselves into the global arena. Schemes such as the Quality Management Standards & Quality Technology Tools (QMS/QTT) Scheme, ZED Scheme aim to encourage the MSMEs to produce quality goods and meet international standards.

- India needs to adapt to the global changes taking place and promote bilateral, regional, and global partnerships with other friendly countries to promote trade.

Integration of Indian MSMEs with global value chain would help them grow through exposure to a large customer base and access to technologies that would promote quality that matches international standards.

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30Focusing On Deeper Ties With India In Science, Technology: Swedish Envoy, NDTV, 30 November 2020
31Quality Management Standards & Quality Technology Tools (QMS/QTT) Scheme, Ministry of MSME, May 2010
Digitization and Formalisation of MSMEs

India is amongst the leading markets for digital users. The COVID-19 pandemic coupled with increasing internet penetration and affordable data rates has led to a massive increase in the use of digital tools and an increasingly digitally savvy consumer base with a big shift in the way business is conducted.

The benefits of Digitisation and Formalisation for MSMEs cannot be overstated. The COVID-19 pandemic saw a rapid shift towards the use of digital tools with digital payments becoming the default mode of payment for many. Adoption of these tools can help MSMEs reduce costs, standardize the current work structure, help to reduce the regulatory burden, enhance competitiveness and better understand consumer behaviours.

- To promote the adoption of digital tools by MSME businesses, the Government launched multiple schemes such as the Digital MSME Scheme and other IT support tools like MyMSME and MSME Samadhaan.
- The Government and Industry players need to work together and make all efforts to help and convince MSMEs to make digitisation an integral part of their business strategy going forward. MSME Associations, support groups must regularly engage with MSME owners reluctant to embrace digitisation to make them realise its importance while Governments can incentivize firms to incorporate digital tools in their functioning through the use of grants and incentives.

For the formalisation of MSMEs, the Government launched a new portal for MSME registration called Udyam Registration on July 1, 2020, which would be completely online, paperless and based on self-declaration.

- Till October 31, over 11 lakh MSMEs have registered on the new online system of Udyam Registration. Out of these, 3.72 lakh enterprises have registered under the manufacturing category whereas 6.31 lakh enterprises under service sector.\(^{32}\)
- According to the Government, the number of registered MSMEs in FY20 has increased by 18.49 per cent to 25.13 lakh units from 21.21 lakh in FY19\(^{33}\), while the overall number of registered MSMEs in India in the past five years stood at 90.19 lakh\(^{34}\)
- With the majority of MSMEs, providing close to 97 per cent\(^{35}\) of total employment in the sector belonging to the micro category and many not being registered with the Government, it becomes difficult for the Government to provide relief directly to them or offer various tax and investment benefits as was recently done in the United States in difficult times like these.
- The formalisation of MSMEs would make it easier for them to access formal credit as currently, only a minority of MSMEs can get access to formal credit, with more than 80 per cent of MSMEs being under-financed or financed through informal sources.\(^{36}\)

Reducing Regulatory Burden

While India’s efforts to make it an attractive business destination have been appreciated by all, one of the key challenges of doing business in the country remains the legal and regulatory barriers. Demonetization followed by the lag in GST-related processes, the NPA crisis in banks, and the liquidity

\(^{32}\)Over 11 lakh MSMEs registered on Udyam online system since July: Govt, The Economic Times, 7 November 2020
\(^{33}\)India’s MSME sector swells, adds these many enterprises in FY20; micro businesses dominate, Financial Express, 23 March 2020
\(^{34}\)Ministry of MSME Annual Report 2018-2019 released on 28 July 2019
\(^{35}\)“Financing MSMEs: The continuing challenge”, FortuneIndia.com, 7 June 2019
\(^{36}\)India’s answer to its problem of US$380 billion MSME credit gap lies in these type of lenders to step up, Financial Express, 3 March 2020
crisis in the non-banking financial sector (NBFC) had already hurt the sector which was amplified by the COVID-19 pandemic. While the Government works to ease taxation and address inconsistencies in the import-export sector, it is only once the burden of compliance eases, will more MSMEs willingly come into the fold of formalisation.

The global economy is set to undergo massive changes post the coronavirus shock and provides India with a lifetime chance to upgrade manufacturing capacity at par with the best in the world and develop a robust manufacturing and supply chain network for which Indian MSMEs would need to concentrate on quantities and the quality of products.

The MSME sector is crucial for India to achieve its US$5 trillion vision. Every major economy in the world has an MSME sector that incentivises scaling up of enterprises helping them to become the large companies of tomorrow. In India, however, MSMEs are not competitive as 99 per cent of them are micro-enterprises. India has the highest share of micro-enterprises among MSMEs compared to other large industrial economies.

The above interventions, coupled with steps already taken by the Government, such as revising the definitions of MSMEs, is making it easier for them to scale. These steps hold the potential for transforming the sector and making India’s aim of achieving a US$5 trillion a reality.

**Interventions Needed**

**Regulatory**
- As the majority of MSMEs in India are in the micro category, the cost of compliance is not only major expenditure for many but also an extremely time-consuming process that acts as a hindrance to growth.
- Consistency and certainty in policy, with a simplified tax and regulatory regime, are key for businesses to operate and would ensure minimum compliance burden on businesses.

**Digitalisation and Formalisation**
- The biggest obstacles to digitisation and formalisation are the lack of awareness of the impact and benefits of digital transformation on business and the lack of technical expertise on the part of owners of many micro MSMEs, especially in rural areas. To overcome these, would require constant coordination between industry and all levels of Government.
- Indian MSMEs need to be made aware of how technology innovation benefits their businesses and enables them to be more globally competitive.

**Skilling**
- A shortage of skilled labour is a problem faced by many MSMEs in India. Governments and Industry players should collaborate and focus on accelerating the skill India and other skilling programmes and put a focus back on employable skills among the workforce as there are many on the job training and apprenticeship programmes being supported by the Industry/Government which MSMEs can leverage upon. The Government has, through its various schemes, trained 2,69,005 people under its schemes/organisations.37

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37Ministry of MSME Annual Report 2019-2020 released on 28 July 2020
It has been noted time and again, both globally and nationally, that health is a fundamental human right that deserves legal protection. The well-being of the current and future generations is profoundly linked to the state of our environment and lifestyles. According to the World Health Organization, “Health is the state of complete physical, mental, and social well-being and not merely the absence of disease and infirmity.” WHO had stated health as a fundamental right almost five decades ago, and numerous successive WHO documents have confirmed this recommendation. Environmental quality and human health and well-being are interlinked, and a priority to all countries and stakeholders working for people, planet, and prosperity.

The Sustainable Development 2030 Agenda, introduced by the United Nations in 2015, highlights key links between development, environment, human well-being and the full enjoyment of a wide range of human rights, including the rights to life, health, food, water and sanitation, to end poverty, while ensuring a healthy planet. The Agenda lays down seventeen goals, building on the principle of “leaving no one behind,” including: No Poverty; Zero Hunger; Good Health and Well-being; Quality Education; Gender Equality; Clean Water and Sanitation; Affordable and Clean Energy; Decent Work and Economic Growth; Industry, Innovation and Infrastructure; Reduced Inequality; Sustainable Cities and Communities; Responsible Consumption and Production; Climate Action; Life Below Water; Life on Land; Peace and Justice Strong Institutions; Partnerships to achieve the goal. According to the United Nations Environment Programme, improvement in a country’s environmental sectors paves the Way for advances in health outcomes of its citizenry, with considerable economic, financial and social gains. The Millennium Development Goal target of halving the proportion of people without access to improved sources of water was achieved globally, five years ahead of the predicted point in time- 2015. Nevertheless, air pollution happens to be the world’s single largest environmental risk to human health. As per UNEP’s data, over 7 million people across the world die each year because of everyday exposure to poor air quality. The degradation of ecosystems, inadequate waste collection and management, exposure to natural disasters, unplanned urbanization, poor water quality and unsustainable lifestyles are few of the many factors that adversely affect health and well-being of people across the world. This especially impacts

Prime Minister Narendra Modi (2018)
Governments and policymakers who are particularly concerned about inequality, unplanned urbanization, migration, unhealthy lifestyles, and unsustainable consumption and production patterns.\textsuperscript{42}

The 17 Sustainable Development Goals in the 2030 Agenda for Sustainable Development had put forth a roadmap, five years ago. The aim of the agenda is to encourage member nations to focus on poverty eradication, environmental sustainability, peace, and prosperity. Realizing the significance of the agenda, India has prioritized these goals. It is carefully implementing various schemes/programmes per our own regional challenges, limited capacities and available resources, especially now, after the Coronavirus outbreak that has made the principle of ‘Safe living and Safe future’ indispensable to every policy-created or implemented. India’s development agenda is very much in sync with the principles of the 2030 agenda.\textsuperscript{43}

While we are facing the pandemic, new thinking has emerged in India, to allow human-health and well-being take equal priority as nature and its resources, when we talk about Sustainable development or holistic living. The Government is basing its policies and interventions on more holistic approaches including interdepartmental and intersectoral cooperation, to achieve positive outcomes across all the affected sectors, most importantly, health impacts of the pandemic across the country.

As per ‘The Sustainable Development Goals Report, 2020’ by United Nations, The COVID-19 pandemic has unexpectedly disrupted implementation towards many of the SDGs around the world, and it has turned back decades of progress in some countries.

In India, the catastrophe has had an impact on all sectors of our economy, and it continues to affect the marginalized and the most vulnerable people the most, exposing them to harsh inequalities and expanding existing disparities internationally as well. United Nations has estimated that the unfolding pandemic is likely to push 71 million people back into extreme poverty this year - a first rise in global poverty since 1998.\textsuperscript{44}

### Government of India’s Policies in the Direction of Achieving SDGs

In Paris, on 12 December 2015, countries that were parties to the United Nations Framework Convention on Climate Change, reached an agreement to combat climate change and hasten actions and investments for a sustainable low carbon future. In November 2016, the Paris Agreement came into force, with 55 Parties, which accounted for almost 55 per cent of the global greenhouse gas emissions, depositing their instruments of ratification, acceptance, approval or accession with the Depositary. The Paris agreement focused on strengthening the global response to climate change.\textsuperscript{45} In alignment with the philosophy and principles of the Paris Agreement, the Indian Government, created and enacted various policies to deliver on its commitments to inclusive and sustainable development, on its three pillars - economic, social and environmental.

Some of the current Indian Government’s schemes directly contribute to the advancement of the SDG agenda, including the Pradhan Mantri Jan Dhan Yojana (PMJDY), the largest financial inclusion programme globally. The Government has been putting special focus on sustainable and climate-adaptive agriculture by promoting organic farming. They also issued 62 million Soil Health Cards to farmers under the National Mission for Sustainable Agriculture (NMSA) that aims to make the farm sector more productive, sustainable, remunerative and climate resilient. A comprehensive plan encompassing various schemes is being implemented to double farmers’ income by 2022.\textsuperscript{46} The Namami Gange Mission is another crucial policy intervention by the Government, with a budget outlay of Rs.20,000 crores for the period 2015-2020. It aims at including sewage project management, urban and rural sanitation, tackling industrial pollution, water use efficiency and quality

\textsuperscript{42}“Healthy People report”, The UNEP Healthy Environment, 09 March 2018
\textsuperscript{43}“Sustainable Development and Climate Change”, Economic Survey 2018-19
\textsuperscript{44}“The Sustainable Development Goals Report, 2020”, United Nations
\textsuperscript{45}The Paris Agreement, United Nations Climate Change, 04 November 2016
\textsuperscript{46}Schemes, Department of Agriculture & Cooperation and Farmers Welfare, Ministry of Agriculture and Farmers Welfare, Government of India
improvement, ecosystem conservation and Clean Ganga Fund. Government of India also launched a National Clean Air Programme in 2019 to prevent, control and abate air pollution and boost the air quality monitoring network across the country. Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana), covers 500 million people, making it the largest health protection scheme in the world. Swachh Bharat - Swasth Bharat (Clean and Healthy India) is another nationwide scheme through which India achieved 100 per cent rural sanitation significance reduction in stunting and child and maternal mortality rates.

Niti Aayog actively tracks the progress on different SDGs to pave the Way for appropriate policy actions in States as well as Union Territories through a single measurable index for 13 out of 17 SDGs. The index provides an aggregate assessment of India’s progress and facilitates policy formulations capturing social, economic, and environmental parameters across a set of 62 picked indicators. To achieve the National Sustainable Development Agenda, the Government encourages collaborations between the national and sub-national governments along with other relevant stakeholders for meeting the challenges of constant monitoring, financing and technical support in each Indian state and Union Territory.

**India’s Energy Transition: Power from Renewables**

Table 4.1: India - Source Wise Installed Power Generation Capacity (MW) as on 31.12.2019

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<td>Renewable Energy</td>
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</tbody>
</table>


Transformation in energy systems is both costly and challenging as it involves everything from energy conservation and efficiency push, to the replacement of retiring fossil-fuel-powered electricity generation mechanisms, and a transition to renewables, especially fossil-fuel-reliant developing countries, like India. According to International Monetary Fund, the costs of adapting to climate change in developing economies may range from US$56 billion to US$300 billion by 2030 plus the costs of post-disaster intervention after the outbreak of the COVID-19 pandemic.

The primary energy demand in India grew from 450 billion tons of oil equivalent (TOE) in 2000 to 840 billion TOEs in 2017. The demand is further expected to increase between 1250 (estimated by International Energy Agency) and 1500 (estimated in the Integrated Energy Policy Report) million toe by 2030 primarily due to the expected economic growth of the country. To keep up with the soaring demand, the Indian Government, along with the Bureau of Energy Efficiency is working out several schemes and programmes to carry out load management activities and ensure capacity building of Indian DISCOMs.

Renewable Energy has a share of 23.39 per cent in the total installed generation capacity of India, that is 368.98 GW (as recorded by the Ministry of new and renewable energy, Government of India, on 29th February 2020). Renewable Energy is amongst the most significant factors that can help the world in preserving the environment and its resources for generations to come. Realizing this to be a major guiding principle, India is working for socio-economic growth, ensuring that there is no degradation of the environment. Renewable Energy plays an indispensable role in the expansion of grid power, to facilitate energy access across the lengths and breadths of the country, reduce the consumption of fossil fuels and guarantee a low carbon development path to fight climate change.

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47 Economic Survey 2018-19, Union Budget, 04 July 2019  
48 Alignment of National Development Agenda with SDGs, SDG India Index Dashboard, Niti Aayog  
50 “The Economics of Climate”, International Monetary Fund, December 2019  
51 74th session of the second committee, Meetings Coverage and Press Releases, United Nations, October 2019
As per India’s submission of the Nationally Determined Contribution (INDC) to UNFCC, the country is on its way to achieve the goal of installing 175 gigawatts (GW) of renewable power capacity by 2022 and to in-turn expand the non-fossil-based installed electric capacity to 40 per cent by 2030. The INDC has also committed to lower India’s Greenhouse Gas Emissions per unit GDP by 33 to 35 per cent below 2005 levels by 2030 and to create an additional carbon sink of 2.5 to 3 billion tonnes of carbon dioxide through additional tree cover, making India one of the leading nations when it comes to taking steps to address this issue.

India’s renewable energy potential is enormous -

- Wind potential of more than 300 GW
- The solar potential of ~750 GW
- The small hydro potential of ~ 20 GW
- Bio-energy potential of 25 GW

The country also holds sufficient capacity from decentralized distributed applications to meet the hot water requirement for the residential, commercial and industrial sector by solar Energy and the cooking energy needs in the rural areas by using biogas. The cumulative renewable power installed capacity in India by the end of 2019 was 84.84 GW and significant capacity addition of 7.59 GW has been attained in the current year, that is, 2019-20.52

Government of India announced a target for 175 GW cumulative renewable power installed capacity by the year 2022, in the year 2015, and a capacity of 85.90 GW has already been set up by December 2019 constituting more than 23 per cent of the total installed capacity. Every year the renewable energy sector is creating more than 10 million man-days employment and the country’s solar power capacity has increased by more than 14 times in the last five years from 2630 MW to 37505 MW in December 2019.53

The Central Government has adhered to the approach of rolling out numerous initiatives, incentives, programs and policies for the development of the renewable energy sector. This approach encompasses holistically pouring in investments, resolving industry issues on priority, inviting and acknowledging the perspectives of a range of stakeholders in strategizing a policy-roadmap for the growth of the sector, while simultaneously generating employment and creating an infrastructure for youth-skilling and domestic manufacturing.

Table 4.2: Achievement in Grid Connected Renewable Power

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind Power</td>
<td>1879.21</td>
<td>37505.18</td>
</tr>
<tr>
<td>Solar Power (Ground Mounted)</td>
<td>5013.00</td>
<td>31379.30</td>
</tr>
<tr>
<td>Solar Power (Roof Top)</td>
<td>536.88</td>
<td>2333.23</td>
</tr>
<tr>
<td>Small Hydro Power</td>
<td>78.40</td>
<td>4671.55</td>
</tr>
<tr>
<td>Bio Power (Biomas &amp; Gasification + Bagasse Cogeneration)</td>
<td>83.00</td>
<td>9861.31</td>
</tr>
<tr>
<td>Waste to Power</td>
<td>1.50</td>
<td>139.80</td>
</tr>
<tr>
<td>Total</td>
<td>7591.99</td>
<td>85908.37</td>
</tr>
</tbody>
</table>


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National Solar Mission (NSM), under the National Action Plan on Climate Change (NAPCC), initiated to establish India as a global leader in solar Energy and the mission of installing 100 GW grid-connected solar power plants by the year 2022.

The Government of India has been implementing Pradhan Mantri – Kisan Urja Suraksha Evam Utthan Mahaabhiyan (PM-KUSUM) to especially enhance the energy dependence of India’s farmers, along with their income by de-dieselizing the farm sector of the country.

According to the Bureau of Energy Efficiency, the transport sector accounts for 18 per cent of total energy consumption in the country. The transport sector adds an estimated 142 Million Tonnes of CO2 emissions into the environment every year, out of which 123 million tonnes is contributed by the road transport division. The Government of India has thus realized the need to introduce an alternative means of transport- Electric Mobility, keeping in mind India’s rapid economic growth, enormous travel demand and most importantly, country’s energy security.

National Electric Mobility Mission Plan (NEMMP) 2020 puts forth the vision of the then Indian Government (2013) to facilitate faster adoption of electric vehicles and their manufacturing across the country. Primary objectives of the plan include enhancing national fuel security and providing affordable and environment-friendly transportation to the citizenry. The Government also approved a scheme titled ‘Faster Adoption and Manufacturing of Electric (&Hybrid) Vehicles in India’ (FAME India) in the year 2015 for a period of 2 years, and this scheme has been extended from time to time till 2019 with a total outlay to INR 895 crore.

The second phase of FAME Scheme was finalized and notified on 8th March 2019 with the approval of Union Cabinet. The second phase of the FAME India scheme has commenced from 1st April 2019 with an outlay of Rs. 10,000 Crore, for a period of 3 years, primarily for Demand Incentives, charging Infrastructures, and administrative expenditure including Publicity, IEC Activities for the implementation of NEMMP. Furthermore, 1000 charging stations across the country have been sanctioned by the Department of Heavy Industry, along with an issue of ‘fresh expression of Interest’ for inviting proposals from eligible public entities for installation of the charging infrastructure on major identified highways.54

Towards Resurgence, Growth and Innovation in the Sector

Ever since the outbreak of the Coronavirus pandemic, India has suffered an economic slowdown. Despite the positive impact that it had on the environment, several new challenges have emerged for our country’s clean energy transition. India, much like other nations, is grappling with challenges such as liquidity and financing constraints, supply-chain shortages, and disruptions, shifting priorities in the public and private sectors, and job losses. The most recent reforms related to the privatization of coal mining have further affected the shift to renewable Energy as India remains largely dependent on electricity generation from fossil fuels even today. It was highlighted in the Parliament session of September 2020 that during the last five years, power generation from coal-based power plants of 25 MW and above in India has been increasing.16

Coal-dependency of India’s energy sector needs to be reduced in a phased manner, cautiously considering the socio-economic repercussions of the transition.

NITI Aayog presented the second Voluntary National Review (VNR) of India at the United Nations High-level Political Forum (HLPF) on Sustainable Development, 2020, in July this year to review of progress made so far on the 17 Sustainable Development Goals (SDGs). The report highlighted improvements that

54 “Year Ender 2019”, Ministry of Heavy Industry, Press Information Bureau, Government of India
the country needs to make to fully achieve the SDGs, considering the size and diversity of India, including:

1. A major upgrade of the statistical systems and methodologies at the national and state levels.
2. Capacity building of all stakeholders at both these levels.
3. Constant reporting and monitoring to measure progress under the framework and ensure course-correction with the close collaboration of the centre and gram panchayats adopting a bottom-up approach.
4. Enabling governments, civil societies, private enterprises, and citizens to work in close association.
5. An increase in India’s SDG spending by an additional 6.2 per cent of its GDP until the year 2030.55

To ensure reliable, affordable, and sustainable energy to the Indian citizenry, the focus of the sector should essentially be on reducing our reliance on imported oil and coal, to ensure the shift towards electricity. Research and development of advanced technologies (like the recently introduced real-time markets), with significant emphasis on energy storage and scaling up domestic manufacturing of solar cells and modules in sync with Indian Government’s vision of ‘Atmanirbhar Bharat’ is sure to guarantee energy security to our country.

55“Decade of Action Taking SDGs from Global to Local”, India VNR 2020, United Nations High Level Political Forum for Sustainable Development, 2020
As economic activity starts to pick up post the essential lockdown owing to the COVID-19 pandemic, the Government must focus on the wellbeing of its most vulnerable sections and concentrate on the stabilization of the economy with support at micro and macro-levels, through fiscal and monetary policies, for recovery.

In this regard, the Government in late March this year announced an INR1.7 lakh crore package, which included many relief measures including cash transfers to support those most vulnerable segments impacted by the lockdown.

According to the World Bank, the essential lockdown impacted a large proportion of the nearly 40 million internal migrants in the country. It stated that around 50,000–60,000 moved from urban centres to rural areas of origin in a few days due to loss of employment and fears of starvation.

- INR1,500 in three equal instalments were transferred to the Jan Dhan accounts of 20.40 crore women, and INR1,000 in two equal instalments were allocated to around 2.8 crore senior citizens, widows, and disabled.
- The Government also announced the front-loading of cash transfers to farmers under the PM-KISAN scheme.

Besides, the Reserve Bank of India (RBI) announced measures such as the reduction of policy repo rate by 75 basis points and other liquidity measures that would inject liquidity of INR3.74 lakh crore into the system.

The Government announced relief measures related to the extension of the deadline for filing income tax returns for FY19 by three months. The Government decided to reduce the interest rate for delayed payments of income tax to 9 per cent, during this period, from 12 per cent earlier. Under the Vivad se Vishwas scheme, the Government decided not to charge the additional 10 per cent amount if payment was made by June 30, 2020.

**Ayushman Bharat**

Ayushman Bharat has been a big step towards providing universal healthcare in India, but more work needs to be done on that front. It is the largest health assurance scheme in the world which aims at providing a health cover of INR5 lakhs per family per year for secondary and tertiary care hospitalization to approximately 50 crore poor and vulnerable people that form the bottom 40 per cent of the Indian population.

- Through its cover of INR 5 lakh per family per year, the scheme holds the potential to prevent millions from falling into poverty, thereby helping to create a healthier society whose citizens can contribute more effectively to the economy.
- The National Digital Health Mission is a program offering a digital health ID to every citizen, which

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56What India Has Released From Its Rs 1.7 Lakh Crore Relief Package For The Poor, BloombergQuint, 13 April 2020
57Lockdown in India has impacted 40 million internal migrants: World Bank, The Economic Times, 23 April 2020
58What India Has Released From Its Rs 1.7 Lakh Crore Relief Package For The Poor, BloombergQuint, 13 April 2020
59RBI Governor announces comprehensive package to mitigate impact of COVID-19, revive growth and preserve financial stability, PIB Release, 27 March 2020
60COVID-19: Finance Minister Announces Relief Measures, The Outlook, 24 March 2020
61A digital medical ID for everyone: India prepares ground for unique healthcare revamp, The Economic Times, 14 October 2020
can lead to significant benefits to patients. The longitudinal medical history could be correctly recorded, leading to early detection and intervention in managing an individual’s health and helping to reduce healthcare costs by avoiding duplication of tests and multiple consultations.\(^2\)

\(\Rightarrow\) Under Ayushman Bharat, more than 50,000 Health and Wellness Centres are now operational across the country, which is aimed at providing Comprehensive Primary Health Care (CPHC) services to the communities closer to their homes. The Government hopes to establish 1.5 lakh Health and Wellness Centres by December 2022.\(^3\)

While the Ayushman Bharat scheme has been rolled out across most states and has benefited millions of people across the country, problems at the ground level remain. The Government should look at innovative models of financing so that the scheme can be refined and scaled up further to include more vulnerable groups and cover more conditions.

Government officials should also make regular visits and conduct timely inspections to see and learn of any loopholes being exploited of the scheme and take necessary steps to fix those gaps.

**Direct Benefit Transfer**

One of the most successful measures of the Government in providing a safety net to the vulnerable segment has been the Direct Benefit Transfer scheme which resulted in massive savings for the Government by managing to plug leakages and reducing delays in the delivery of government schemes to beneficiaries. The scheme led to the removal of millions of bogus ration cards being used for siphoning funds and to benefits like cash transfers directly reaching the intended targets.

An essential component of the DBT scheme is the successful implementation of the JAM (Jan Dhan, Aadhaar, and Mobile phone) trinity. The rapid expansion of JAM led to the Government being able to utilize DBT to its full potential.

\(\Rightarrow\) The number of Jan Dhan Accounts has reached over 41 crores, while over 127 crore Aadhaar numbers have been generated. Over 100 crore mobile connections have been given.\(^4\)

\(\Rightarrow\) The Government has estimated savings of around INR37,000 crore during the financial year 2019-20 through the Direct Benefit Transfer (DBT) mechanism with total cumulative savings since inception till March 31, 2020, standing at INR1.78-lakh crore covering over 337 schemes of 51 Central Ministries under the DBT scheme.\(^5\)

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**One-nation One-ration Card**

The One Nation One Ration Card scheme is a Government Programme aimed at enabling the portability of PDS benefits both within the state and inter-state. It allows beneficiaries to pick up food grains for any ration shop across the country even if they do not have a local ration card.

Though the implementation of the scheme started in 2019, the Government also listed it as part of the reforms announced during the Atmanirbhar Bharat package, linking its completion to an increase in the borrowing limits of states.

The importance of the move amid the COVID-19 pandemic cannot be understated, which saw the mass exodus of workers to their homes. From 2013 to

\(^2\) National Digital Health Mission – Harnessing technology to strengthen healthcare in India, Indian Express Health, 28 August 2020

\(^3\) More Than 50000 Ayushman Bharat Health and Wellness Centres Operational Across Country, Business Standard, 20 November 2020

\(^4\) DBT helped save Rs7,000 cr under various schemes, says government, The Hindu Businessline, 22 November 2020

\(^5\) DBT helped save Rs7,000 cr under various schemes, says government, The Hindu Businessline, 22 November 2020

\(^6\) DBT helped save Rs7,000 cr under various schemes, says government, The Hindu Businessline, 22 November 2020
2018, around 29.8 million beneficiaries were found to be ineligible and removed. The completion of the portability of ration cards will help the states prevent pilferage and diversion and significantly reduce wrongful exclusion. Around 28 states have been brought under the One Nation One Ration Card Scheme benefitting 68.6 crore people who can now lift food grains from any of these 28 states/UTs.

PM Kisan Yojana

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) is a Central Sector Scheme with 100 per cent funding from the Government of India which was introduced in December 2018 to provide direct relief to small and marginal farmers having combined landholding/ownership of up to 2 hectares.

The Government has estimated savings of around INR37,000 crore during the financial year 2019-20 through the Direct Benefit Transfer (DBT) mechanism with total cumulative savings since inception till March 31, 2020, standing at INR1.78-lakh crore covering over 337 schemes of 51 Central Ministries under the DBT scheme.

The scheme has proved to be a handy and efficient tool in providing support to farmers during the lockdown period and during times of agricultural distress. While the scheme has proved effective, it is not reaching all farmer households. A survey conducted by NCAER National Data Innovation Centre in mid-June this year of households from Haryana, Delhi, Rajasthan, and Uttar Pradesh showed that only 21 per cent of the cultivators interviewed, reported receiving the benefit of PM-KISAN with the exclusion being more significant in UP than in Haryana and Rajasthan.

Continuous monitoring and regular evaluation can help bridge any shortcomings in the implementation of the schemes to make sure it reaches all the targeted beneficiaries.

LPG

The Pradhan Mantri Ujjwala Yojana (PMUY) was launched in May 2016 to provide free LPG connections to the woman beneficiary of poor families. The scheme was aimed at safeguarding the health of women and children and was initially started for families below the poverty line but later extended to families above the poverty line and certain other categories.

Figure 5.1: LPG Coverage (per cent)

In 2015, only 56 per cent of the population had a
Supporting the Vulnerable Segment

cooking gas connection. This increased to 94.3 per cent in April 2019 and has risen further to 97.5 per cent as of 1 April 2020.72

The active LPG domestic consumers in the country have almost doubled from 14.86 crores in 2015 to 27.87 crore in 2020.73

- During the lockdown period, the Government provided free LPG refills for three months under the Ujjwala Yojana with an outlay of almost 5,000 crores. In totality, over 11.97 crore LPG cylinders were provided for free.74
- Many northern states including Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, and Uttarakhand have reported 100 per cent LPG coverage.75
- Many northern states including Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, and Uttarakhand have reported 100 per cent LPG coverage.

Jal Jeevan Mission

The Jal Jeevan mission was launched on August 15, 2019, to create a uniform water supply infrastructure across India, so that every rural household has a functional household tap connection by 2024. As part of the mission, villages which are drought-prone and have been given priority. The Government aims to provide drinking water to 19 crore rural households by 2024, at an estimated cost of INR3.6 lakh crore out of which 2.08 lakh crore will be borne by the Centre, while the remaining would be managed by the states.76

- Since the Jal Jeevan Mission was launched, around 2.55 crore households have been provided tap water connections.77
- Compared to 3.24 crore (17 per cent) in August 2019, piped drinking water has reached about 5.74 crore rural households, and according to the official dashboard, tap water has been provided to 92,193 schools, Anganwadi, and Panchayati Raj institutions in FY21.78
- In November 2020, the Government laid the foundation stone for projects costing over INR5,555 crore to provide household tap water connections to all the 2,995 villages in the two districts of Mirzapur and Sonbhadra, benefiting 4.2 million people.79

The proper implementation of the Jal Jeevan mission will have a far-reaching positive impact on the development of the country. It will help to reduce water exploitation, lay the foundation of a more hygienic society better prepared for any future pandemic, and help to significantly reduce the spread of diseases like cholera and malaria, and inculcate more hygienic habits.

Figure 5.2: Active LPG Consumers (Crores)

73India's LPG penetration reaches 97.5 per cent, ET Energyworld, 21 May 2020
74Not Just Pro-women Schemes, It's a Deep Bond That Connects Modi With His Female Voters, News18.com, 23 November 2020
75India's LPG penetration reaches 97.5 per cent, The ET Energyworld, 21 May 2020
78Piped water: Over 50% jump in rural areas in 14 months, Financial Express, 2 November
7926 million families given piped drinking water under Jal Jeevan: PM Modi, Business Standard, 22 November 2020
Remaining Gaps

While all the schemes mentioned above have been effectively rolled out, the key to their long-term success lies in a sustainable implementation plan. This would include facets such as organization structure, the scope of authority and delegation, transparency and redundancy and coordination across levels, and fixing gaps that currently persist among them.

Though over 50,000 Health and Wellness Centres have been established and are now operational under the Ayushman Bharat mission, many of them suffer from limited facilities and remain understaffed.

For effective implementation of PM Kisan, a yearly estimate of the number of farmers in the country, their landholdings, etc. is necessary so that the scheme benefits those most in need of it as currently, farmers in many parts of the country are still not receiving the benefits of the scheme.

For LPG distribution and the Jal Jeevan mission, regular monitoring of the implementation of the scheme at the ground level and coordination between the Centre and the states is a necessity for its sustained success.

All the measures, as mentioned above, have slowly and steadily created a valuable security net that significantly supports the most vulnerable segment in the country. This is expected to provide significant benefits in the future in the form of a healthier and more hygienic society that puts its time and capital to more productive uses. A robust healthcare system and social security net has been a common factor among the most developed nations in the world and is essential for India to achieve its vision of a US$5 trillion economy.
Studies conducted worldwide have shown that training and skilling a workman increases his efficiency from three to twelve times, depending upon the level of training. The purpose of skill development and training institutions in the country is to nurture the potential in youth population and formally enhance their competencies.

The expected outcome is for the workforce to have confidence in better work and increased remuneration for their efforts. In 2019, India had a population of over 136 crore people, of which 67 per cent belonged to the working ages between 15 and 64, and 19.1 per cent people to the ages of 15 to 24. Population trends indicate an increasing number of individuals that will continue to join the workforce each passing year. The National Education Policy (NEP) released by the Ministry of Education earlier this year shows a promising vision for strengthening vocational and technical education offerings and outcomes. Sectors such as construction, automobiles, textiles, retail, transport, healthcare and the unorganised sector generate the most employment. Concurrently, increasing positive trends in growth can be witnessed for the organised retail, healthcare, IT, electronics and media & entertainment sectors.

A young workforce, especially in the manufacturing and services sector, will be the asset that will go a long way in helping India achieve its US$5 trillion vision. Developed countries often have a great demand for low-cost labour, which has resulted in an increase in the number of international and regional skilled migrants from India. The manufacturing and services sector, in particular, need to strengthen their skilled and semi-skilled workforce. The manufacturing sector has the potential to create a multiplier effect for job creation in the series sector, since each job in the manufacturing sector leads to the creation of two-three additional jobs in related activity. India’s focus on manufacturing will need to be supported by skilling. India’s Make in India and Atmanirbhar Bharat dream will need manufacturing to move away from the assembly to value addition, which will entail skilling, Recognition of Prior Learning (RPL) or reskilling and upskilling. The financial package attributed to Atmanirbhar Bharat provides monetary relief for skilling ecosystems in both urban and rural contexts. With the COVID-19 pandemic this year, the closing and reopening of the economy have cost thousands of people their jobs. While the economy picks up, we have a significant opportunity to use skilled and trained manpower to strengthen our capabilities in quality and technical competencies across the industry.

The Ministry of Skill Development and Entrepreneurship (MSDE) has a vision of improving the outcomes of skilling opportunities in India. It also aims to bridge the unemployment gap in the country’s workforce. The Ministry has taken on the initiative to set up multiple State Skill Development Missions (SSDM) and India International Skill Centres (IISC) that will provide skill training to students based on international standards and requisitely prepare them for a life outside the country. Through the Jan Shikshan Santhan or the adult education program, the scheme also aims to increase the vocational education opportunities available to those living in rural areas. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY), launched by the MSDE and implemented by the National Skill Development Corporation (NSDC) was established to provide industry-specific

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80In 5 trillion GDP blueprint, give vocational education its due”, Hindustan Times, March 6, 2020
80World Bank Open Data, 2019
80“India moving forward: Journey towards a US$5 trillion economy”, The Associated Chambers of Trade and Commerce”, 2019
80“India International Skill Centres”, Ministry of Skill Development and Entrepreneurship
India’s Resilience – the Journey Towards Atmanirbharta

skills for skilling, reskilling and upskilling of workers. The achievements for PMKVY are outlined in Figure 6.1 below:

**Figure 6.1: PMKVY achievements as of August 2020**

- Over 68 students certified
- Over 16 lakh students placed
- Over 11 lakh model centres or PMKKs
- Over 1 lakh apprentices enrolled
- Over 5,234 crafts instructors enrolled
- Over 22 lakh craftsmen enrolled

Source: “MSDE Dashboard 2016-20”, Ministry of Skill Development and Entrepreneurship

The NSDC was set up as a Public-Private Partnership (PPP) partly funded by the MSDE and partly funded by the private sector. The NSDE establishes skill development and training institutions and connects them to donors, while also providing support services. Skilling and vocational education institutions enable individuals to prepare for careers across streams and disciplines. While the National Skills Qualifications Framework (NSQF) lists down ten levels of skilling, Figure 6.2 illustrated below synthesizes the economy into four basic levels of skilling.

**Figure 6.2: Levels of skilling and the work involved**

- Level 1: 66 per cent Basic skills that require minimal education and short term focussed learning
  - Floor operations, basic equipment use, repetitive machine tasks
- Level 2: 12.6 per cent Complex technical training, machine operation and skill building work
  - Supervisory, maintenance and specialised operations
- Level 3: 18.5 per cent Technical or commercial skills that require longer term experience and degrees
  - Software engineering, quality control and marketing
- Level 4: 8.9 per cent Highly specialized and competitive skills
  - R&D, design, testing

Source: “Skilling the workforce: Skill development initiatives in India”, India Brand Equity Foundation, November 2013.

The percentage of skilled workforce in a nation portrays their technical capabilities and employability. As illustrated in Figure 6.3, India has a long way to go to match up to countries that have a well-established labour force.

**Figure 6.3: Average percentage of skilled workers in various countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Skilled Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>5%</td>
</tr>
<tr>
<td>China</td>
<td>24%</td>
</tr>
<tr>
<td>USA</td>
<td>52%</td>
</tr>
<tr>
<td>UK</td>
<td>68%</td>
</tr>
<tr>
<td>Germany</td>
<td>75%</td>
</tr>
<tr>
<td>Japan</td>
<td>80%</td>
</tr>
<tr>
<td>South Korea</td>
<td>96%</td>
</tr>
</tbody>
</table>

Source: “Explained: Gap between Skill India goals and current status”, Financial Express, March 19, 2019

In its journey towards enhancing skilling, the Government of India has taken inspiration from and collaborated with countries that have a high percentage of skilled workforces. India has in the past and continues to leverage its relationships with these countries. For instance, the Government of India collaborated with the Government of Japan to set up a Technical Intern Training Program (TITP) that involves the sharing of human capital, knowledge, skills, and technology between the two countries. The governments of India and the United Kingdom have also decided to work together to improve apprenticeship, capacity building and technology skills in India.

With the nation-wide lockdown, the ensuing interruption of economic activities for a large section of the population included both white and blue-collar workers. India witnessed a surge in the unemployment rates during the months of April and May in 2020, as illustrated in Figure 6.4.

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84“MSDE Dashboard 2016-20”, Ministry of Skill Development and Entrepreneurship
85National Skill Development Corporation
86“Technical Intern Training Program”, National Skill Development Corporation
87“India-UK cooperation on skill development to make a way forward”, Skill Reporter, June 19, 2019
Skilling for the Future

The industrial and manufacturing sector has also experienced a slowdown due to an overall reduction in trade and investment. While spending has come close to normal, the impact on the economy has been fairly significant. Skilling and vocational institutions have been closed since the beginning of the pandemic, and all enrolled students had their classes dropped overnight. Several were depending on the courses for their career development and a source of employment. The pandemic ended up delaying the career goals of many that have had to drop out to financially support their households. The pandemic has also resulted in losses for the institutions, leaving behind an even greater monetary crunch for those that are completely or partially funded by private companies. Since the funding of most training and skilling institutions are outcome-based, the slow pick up of the economy may prove to be financially challenging for those hoping for easy employment post-training.\(^8\)\(^8\) While the pandemic has certainly had its disadvantages, there is sufficient potential for growth. The pandemic has promoted and highlighted the advantages of and our dependence on technology, digitization and the internet. A new culture of completion of all activities remotely from one’s home has further spurred the demand for innovation and technology adoption. There is hope that such advancements would lead to an increase in employment, self-sufficiency and locally sourced goods and services under the aegis of the “Make in India” and “Atmanirbhar Bharat” missions.

**Challenges for the Sector**

There are a number of challenges that plague skill development and vocational education in India. As indicated by the figures presented from Government sources above, only a quarter of individuals certified through government schemes have been placed. The low rate of placements and lack of opportunities has exposed the crevice between the demand of industry and the supply of training institutions. These issues point to opportunities for change in the institutional mechanism and support provided to training schools. Skill development and vocational education courses are also often capital-intensive, and training often requires the use of heavy machinery and equipment. Institutions that do not wish to make such a large investment into the education infrastructure often prefer providing their students with less capital-intensive courses, greatly limiting their scope.

Another challenge for institutions is an incidence of low female participation in skilled jobs where a majority of women in India participate in the informal sector. According to a study, less than 25 per cent of skilled women remain employed for a period longer than three months and are more likely than men to not receive any job offers than men due to family commitments and problems in commuting or migrating for work.\(^8\)\(^9\) While the Government has been attempting to increase the number of certified apprenticeships and has received significant interest, there is a gap in terms of employment opportunities.

**Growth Drivers**

This year promises a fresh start for the skilling sector with the release of the NEP 2020 earlier this year. To begin, the policy recognizes the echelons that often exist between different academic areas and aims to provide equal weight to all professional, technical or vocational courses. As per the new policy, all types of courses will be included in the credit-based system of HEIs, and students have sufficient options to choose

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\(^8\)NSDC Funding Guidelines”, National Skill Development Corporation, 2016

\(^8\)“Vocational training programs in India are leaving women behind”, International Growth Centre, February 23 2018

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![Figure 6.4: Rate of unemployment in India from February to July, 2020](image)
between disciplines. The approach is to increase the integration of vocational and general education courses in all Higher Education Institutes (HEIs) in order to promote holistic education. The courses offered will be aligned to international standards and incubation centres set up in the institutions will offer industry connects. The NEP has also set out a vision for vocational and technical skill courses to be taught in regional languages, opening up the way for greater attrition at the local level. As the country increasingly moves towards gig or contract employment, the requirements for specialized education and skills increase. Due to COVID-19, there is also a current potential and a projected demand for essential commodities workers. Those trained in the fields of e-medicine, digital financial systems e-commerce, logistics and I-ITES have skills that would be leveraged in the forthcoming years. Manufacturing and service sector worker profiles also need to adapt to the industry demand of digitization, and an increasing number of future technologies use cases. There is a great scope for MSMEs in the manufacturing and services sectors to leverage this shift to become independent and future-ready.

Our Outlook

There is immense potential for skilling and vocational workers in India to drive growth towards reaching its ‘US$5 trillion’ goal. With the added vision of the Atmanirbhar Bharat Abhiyaan, a trained and efficient workforce will be instrumental in ensuring that the goal is met. There still need for policy and regulatory interventions that stimulate the sector. Infrastructure, future skills, soft skills and stakeholder interactions play a key role in the strengthening of people, institutions, technology and finances:

1. Infrastructure

Skills and vocational education providers are looking to upgrade and improve the efficiency of their institutions. Investments in educational technology involve solutions for administrative processes, phygital learning with ICT and digital infrastructure support and tools and appropriate e-learning content. Expected outcomes also include improved quality of teachers and the training experience. The manufacturing value chain needs to integrate digitization, connectivity, research and innovation in order to remain relevant. The services sector too needs to leverage data intelligence and analytical tool infrastructure to produce complex insights. Investments in infrastructure may be supported by public-private partnerships (PPPs) that can also be leveraged for design and implementation.

2. Future Skills

We have already reached a point in time where technology has been integrated into each and every cog of the value chain mechanism, and in one form or the other is an integral skill. India has already established its position in the highly specialized information technology sector. However, we still have scope for improving the skills and capabilities of the more populous section of lower-wage earners. By investing in future skills in technology and automation, skill development, and training institutions contribute to the overall growth story of India. The digitization of services has led to a reliance on technology such as blockchain, artificial intelligence (AI), cloud computing, machine learning, robotics, the internet of things (IoT), cybersecurity, big data analysis and augmented reality. Individuals that undergo technology-related skilling invest in themselves stay relevant and are ensured jobs of the future. This would also result in fewer incidences of outsourcing and an increasingly self-reliant market. A leading tech player has revealed that out of the top AI-led firms, 93 per cent were consciously hiring AI skilled workers while 97 per cent were willing to promote or provide financial incentives to their employees to be certified in AI skills.

3. Soft Skills

Another key intervention for growth would be a greater emphasis being paid to the improvement of soft skills in education. Apart from technical and vocational skills, soft skills such as quick learning, flexibility, social skills, emotional intelligence, conflict management, and communication skills are highly desired by employers. Improved interpersonal skills also make a significant impact on career growth as
it allows individuals to take on more managerial positions and rise up the ranks in their workplace.

**Stakeholder Involvement**

For India to become the skill capital of the world, there is an urgent need to reimagine the skill strategy vis-à-vis market requirements. Vocational and skilling students need to be successfully integrated into the workforce post-training. To fast track that vision, there is a need for involvement and collaborations between industry stakeholders and training institutions. The active participation of industry players in education and skilling will enable better matches between the supply of skilled individuals and the demand of the relevant sector. Supplemental counselling or placement support will guide students towards industry absorption. In addition, the encouragement of entrepreneurship and IP development will also increase the rate of attrition and job satisfaction. There is also much scope in improving the research capabilities of skill development and vocational education institutions via linkages with professional research and analytics firms. Strategic local investment in relevant skilling sectors will ensure alignment with *Atmanirbhar Bharat*.

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**Conclusion**

There is great potential for the population of India, especially in the vast unorganized or informal sector that can benefit from quality training and recognition. Through its Aatma Nirbhar Bharat financial stimulus, the Government has envisioned a faster economic recovery across all sectors and demographics. The package provides monetary relief for skilling ecosystems in both urban and rural contexts. An increase in the number of skilled workers matched by higher barriers to entry will enhance productivity and efficiency. Gradually, as international borders open and labour begins to migrate internationally, the competitive advantage of skilled workers will be increasingly considered favourable. With the directives provided by the NEP 2020, there is hope for improved institutionalized standards and structural reforms that will lead to increased placements and attrition rates for graduates. Last-mile support provided to trainees post-training would also be a motivating factor for workers. A climate that therefore encourages vocational employment and provides higher wages for skilled workers will attract more people towards skilling and vocational jobs.

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92“Is cross-sector collaboration the key to the successful implementation of skill development in India?”, National Skills Network, July 25, 2018
Over the years, India has made consistent efforts to promote a more business-friendly environment, to attract global companies and investors. The Government has undertaken various reform measures to improve the Ease of Doing Business (EoDB) in the country and promote and encourage domestic manufacturing.

The COVID-19 pandemic has inflicted great damage upon the global economy, with India witnessing negative growth in two successive quarters. While the emergency measures have helped to ease the burden to a certain extent, the fear of rising cases and a second wave sweeping the country has forced many companies to put any plans for expansion on hold and being conservative in business as usual.

With the Government focusing on reviving economic growth and long-term reforms, many experts are optimistic about the future growth of the economy.

**Regulatory Complexity**

The Indian regulatory landscape consists of 1,536 Acts, around 69,200 compliances and more than 6,600 regulatory filings across the Centre and states. At the central level, there are more than 25,000 compliances for businesses to deal with while there are more than 43,000 compliances at the state level.

The Government should also aim to reduce the compliance burden on companies, especially on MSMEs. India has 6.33 crore MSMEs out of which 6.30 crore or 99.4 per cent are micro-enterprises.

As the majority of MSMEs in India are in the micro category, the cost of compliance is not only a major expenditure for many but also an extremely time-consuming process that acts as a hindrance to growth.

Clarity on regulatory and tax issues such as retrospective taxation, along with consistency and certainty in policies will go a long way in further boosting investor confidence in the country and will be for the benefit of global as well as local businesses. For small businesses, rationalising regulatory requirements will go a long way in easing the compliance burden. Despite the improvements made, the GST too, has a high compliance cost for businesses. A high compliance burden also dis-incentivises smaller firms from expanding, and while interest and tax rates have been reduced, the high cost of compliance remains and should be looked at.

**Labour**

Traditionally, India has had one of the most complex labour laws in the world, and these restrictive labour laws have long been blamed as being hindrances to the development of mass employment. These laws have also deterred many foreign investors from setting operations in the country - leading India to lose market share to neighbouring nations.

Out of the 1,536 regulatory acts, around 463 acts comprising of 32,542 compliances come under the labour category.

The labour law reforms initiated by the Government have assimilated 44 Union labour laws into four codes and 1,458 sections into 480. These include The Code on Wages, 2019, The Industrial Relations Code, 2019, The Occupational Safety, Health and Working Conditions Code, 2019 and The Code on Social Security, 2019. India’s restrictive labour laws have also been a key reason for the majority of Indian enterprises being in the Micro category. The new labour laws, coupled with the changes in the definition of MSMEs, will incentivise businesses to scale up and led to bigger, more efficient enterprises employing more people.

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93 "Ease of doing business? India still has 1,536 Acts, 69,233 compliances for firms to follow", The Print, 8 July 2020
94 "Ministry of MSME Annual Report 2019-2020 released on 28 July 2020
95 "Labour reforms: Future-ready but devils of detail lie in states", ORFOnline.com. 3 October 2020
**Atmanirbhar Bharat**

The INR20 lakh crore *Atmanirbhar Bharat* package was announced to help tackle the economic damage caused by the COVID-19 pandemic and included a mix of stimulus measures and long-term reforms to make Indian industry more globally competitive and a part of the global value chains.

The package announced contained reforms in sectors such as agriculture, space, defence, coal, power, and MSMEs, among others. These reforms were introduced to help make India self-reliant in all its essential needs and presenting itself as a viable alternative to China for manufacturing companies.

India ranked at 134th position in 2014 in the Ease of Doing Business rankings of the world bank and has since jumped up places to come up to the 63rd rank in 2019. The reforms announced since then will further help India rank higher in the coming years.96

**PLI**

The Production Linked Incentive (PLI) scheme was introduced by the Government to reduce the country’s dependence on China. It aims to give companies incentives on incremental sales from products manufactured in domestic units and has been a huge success in the electronics sector where India has managed to attract global players to manufacture mobile phones in the country.

Buoyed by the success of the PLI scheme for the electronics sector, the Government extended the PLI scheme to 10 other sectors for five years totaling to INR2 lakh crores with a financial outlay of INR1,45,980 crores to encourage domestic manufacturing, reduce imports, and generate employment.97

These sectors included the pharmaceuticals, automobiles and auto components, telecom and networking products, advanced chemistry cell battery, textile, food products, solar modules, white goods, and speciality steel.98

According to the Government, the PLI scheme will provide a huge export opportunity to the above ten sectors over the next 4-5 years.

**Outlook**

Certain measures that will support the next phase of growth for the Indian economy.

- **Bringing down logistical costs** from the current 13-14 per cent of GDP99 to around 10 per cent of GDP is another crucial task for the Government. The development of major expressways, rapid rail transport, an emphasis on freight, the implementation of e-way bills and a national logistics policy are all measurers towards achieving this goal.

- India must also move towards the path of sustained and well-planned urbanisation. Indian cities have been the major drivers of growth. They also employ the most people and the high number of people moving to cities in search of jobs have led to them being very densely populated. The building of newer and better-planned cities will be key to achieving a US$5 trillion economy.

- The Government must work to ease the process of land acquisition. While several state governments have brought in amendments to ease the process for land acquisition, it remains a major hurdle in the development of infrastructure projects and setting up of Industries. The creation of land banks, digitisation of land records at all levels are steps towards making the process of land acquisition less cumbersome.

- Rapid digitalisation and formalisation also have a very big role to play in India, achieving the goal of a US$5 trillion economy. All major sectors of the economy have embraced digitisation, from education to health to manufacturing and reaped great benefits. Schemes such as PM SVANidhi have brought street vendors into the fold of the formal economy with private players, especially start-ups collaborating with the Government to onboard more than 35,000 Street Food Vendors onto the scheme.
The COVID-19 pandemic and the essential lockdown imposed to curb its exponential spread have left an indelible mark on the way of life and business. The Government of India did not just provide a direct stimulus, as many other countries did, but prepared a calibrated response that included a mix of stimulus measures, liquidity support to MSMEs and structural reforms across many sectors. The clarion call for an Atmanirbhar Bharat aims to strengthen the country’s domestic manufacturing ecosystem, make the Industry globally competitive, and embed the country as an integral hub in global value chains. The Atmanirbhar package has been further complemented through measures announced in Atmanirbhar 2.0 and 3.0 packages and various supportive actions by the Central Bank.

For India to emerge as an attractive manufacturing destination for the world, Atmanirbhar Bharat should be seen as the start of a renewed reform momentum on which the Government must further build on. While focussing on self-sufficiency, the aim is to improve India’s positioning in the global arena, through increased investments and exports.

Enhancing global investments to support development:

The consistent inflow of FDI into the country acts as a cushion for the economy, aiding economic growth and development, generating employment, and providing exchange rate stability among other uses. Continued investments will promote progress towards becoming a US$5 trillion economy, supported by a progressive regulatory environment.

Over the years, India has received large amounts of FDI with data from the Department for Promotion of Industry and Internal Trade (DPIIT) showing Foreign direct investment (FDI) equity inflows into India crossing the USD 500 billion between April 2000 to September 2020.100 Despite the pandemic, India managed to attract US$38 billion of foreign direct investment (FDI) into the country.101

Improving India’s competitiveness by creating a progressive regulatory regime:

The Government should also aim to reduce the compliance burden on companies, especially on MSMEs. As the majority of MSMEs in India are in the micro category, the cost of compliance is not only a major expenditure for many but also an extremely time-consuming process that acts as a deterrent to growth. Better clarity on regulatory and tax issues, along with consistency and certainty in policies as we advance will go a long way in further boosting investor confidence in the country and will be for the benefit of global as well as local businesses.

Promoting inclusive socio-economic development across the country:

As India moves ahead on the journey towards a US$5 trillion economy, it needs to balance the social needs of its vast population. The pandemic has highlighted the gaps in the social infrastructure across the world, as Governments struggled to manage the health crisis. With the pandemic undoing many years of social progress as a global level, developing countries such as India need to strengthen their focus on the health and education infrastructure.

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100FDI equity inflows into India cross US$500 billion milestone, The Economics Times, December 2020
101India Received US$38 Bn Inflow Of FDI During the Pandemic: Amitabh Kant, Entrepreneur, 9 December 2020
While technology has led to the emergence of various new models of operation, giving way to online education and Telehealth, it has also furthered the rural-urban divide. Creating a robust base infrastructure will be vital to ensure that rural and semi-urban areas can leverage these technology-driven models effectively.

At the same time, the country will have to focus on enhancing focus on sustainable growth, wherein the impact on the climate and the environment are embedded in all business and economic plans.

**Boosting economic recover through infrastructure investments:**

The building of modern infrastructure is a necessity for any country aims for sustained high economic growth. To achieve a GDP of US$5 trillion, India would need to make significant investments over the next five years in the development of adequate infrastructure in the country.

It was keeping this in mind that the Government announced a National Infrastructure Pipeline which envisages investments amounting to Rs 111 lakh crore over the next five years in the infrastructure sector. About 7,000 projects from different sectors have been identified for execution. The Government is working on priority towards building and finishing massive infrastructure projects on time.

Increased investments in infrastructure will have a cascading impact on the economy, thereby raising consumer demand and promoting inclusive development. Improved infrastructure will also go a long way in boosting the growth and competitiveness of various sectors, through the improved cost of logistics.

**Leveraging technology to support differentiated business models:**

The past few years have also seen a digital revolution take place in the country whose pace is only expected to hasten due to the COVID-19 pandemic. As educational institutions remained shut and hospitals remained inaccessible to many, digital tools helped millions study online with online education start-ups now thought of as the future, and policies like Telehealth and National health mission hold the potential to revolutionise healthcare.

Businesses too are finding it difficult to survive without digitising. While India has made considerable efforts to find solutions to age-old problems with innovations, the focus of leveraging technology will now have to encompass the MSMEs. These organisations are now facing an increasing consumer demand for contactless payments, online platforms and the need for technology to allow for business continuity.

India has strong macro fundamentals that will help it weather the tough times it is currently facing. With crucial reforms initiated in multiple sectors like agriculture, labour, coal, EODB, space, defence, etc., India is poised for a strong recovery and growth moving forward.

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102 Centre unveils plans for ₹102 lakh cr. infra projects, The Hindu, 19 June 2020
103 Government to spend Rs 100 lakh crore on revamping country’s infrastructure, says PM Modi, CNBCTV18.com, 15 August 2020
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India's resilience – the journey towards Atmanirbharta