## Weekly Highlights

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MINISTRY OF COMMERCE & INDUSTRY

INDIA-UK affirm shared commitment to a Free Trade Agreement and towards that, Early Harvest deals in a staged manner

India and UK held the 14th Joint Economic and Trade Committee meeting on 24th July, 2020 virtually. It was co-chaired by Minister for Commerce and Industry Shri Piyush Goyal and UK Secretary of State for International Trade, HE, Ms Elizabeth Truss. They were assisted by Minister of State for Commerce and Industry Shri Hardeep Singh Puri and his counterpart, UK Minister of State for International Trade, HE Mr Ranil Jayawardena.

Minister Goyal and Ms Truss affirmed their shared commitment to a Free Trade Agreement and towards that, Early Harvest deals in a staged manner. MOS Puri and Minister Jayawardena will have monthly meetings to intensify the dialogue. It was decided that a meeting led by Minister Goyal and SOS Truss will be held in Autumn 2020 in New Delhi to carry forward the dialogue. The Co-chairs of Business led Joint Working Groups on Life Science and Health, ICT and Food and Drink set up during the last JETCO made their recommendations to the Ministers.

The formal talks were followed by a plenary session led by Minister of State for Commerce and Industry, Shri Hardeep Singh Puri, UK Minister of State for International Trade, Mr Ranil Jayawardena and UK Minister of State for Investment, Mr. Gerry Grimstone interacting with business leaders which included Shri Chandrajit Banerjee DG CII and Shri Alay Piramal, Co-Chair of the India UK CEOs’ Forum.

Both sides approached the talks with open minds and shared commitment to revival and revitalisation of the long standing trade and economic linkages between India and the UK. Both sides also resolved to cooperate in health Sector especially in view of the present Pandemic of COVID-19.
MINISTRY OF COMMERCE & INDUSTRY

Single window system to be set up soon for industrial clearances and approvals

The Government is soon going to set up a single window system for clearances and approvals of industry in the country. Talking to the sovereign wealth funds, the foreign pension funds and others on ease of doing business and investments in infrastructure sector in India, Commerce and Industry Minister Shri Piyush Goyal said that this would be a genuine single window and all the concerned State Governments and Central Ministries are being taken on board for the system.

The Minister also said that the Government is working on creating a land bank, for which six States have already given their consent. He said that the potential investors would then be able to locate and identify the land banks from their distant offices and finalise the location of industries, without frequently visiting the offices of land owning agencies.

On the issue of further easing and speeding up the process of approvals for industry and investments, the Minister also referred to the recent decisions of the Cabinet to set up an Empowered Group of Secretaries led by the Cabinet Secretary to take decisions on various industries’ schemes and projects. He also said that a nodal officer has been appointed in every Central Department and Project Development Cells are being set up which will help in development of investible projects in coordination between the Central Government and State Governments and thereby grow the pipeline of investible projects in India and in turn increase FDI inflows.

The Minister said that the Government had initially identified 12 industrial sectors to focus upon, and the same has been expanded to 20. This will help in scaling up investment, and leveraging the competitive edge of the country. These sectors include furniture – standard as well as special furniture, air-conditioners, leather, footwear, agro-chemicals, Ready to eat food, Steel, Aluminium, Copper, Textiles, Electric Vehicles, Auto-components, TV Set-Top Boxes, CCTVs, Sports goods, ethanol manufacture and bio-fuels, and Toys. He said that Aatmanirbhar Bharat does not mean India is closing the doors for the world but widening its doors for opportunities and Investment with the focus on quality of the Indian products, increasing economies of scale for the production in India. The country will deal the world from a position of strength, become more competitive, and imbibes best technology and equipment. The industry should assimilate artificial intelligence, data analytics,
robotic and all other best practices. He said using technology does not imply loss of lobs in any way, as jump in production in the country will lead to creation of more jobs.

The Minister said that conducive environment will be created for foreign investment in the health and education sectors also. He said that investors will be given full support in terms of policies, processes, regulations and everything will be transparent, open and equitable. Replying to some other concerns of the potential investors, Shri Goyal said the Baba Kalyani Report on Special Economic Zone is under serious consideration of the Ministry. On the labour reform issues, Shri Goyal said that a balance has to be worked out between the interests of the labour and the investors.

Shri Piyush Goyal said that the Government rightly focused on life and implemented one of the strictest lockdown in the world. This proved important in the long run, in better managing the corona pandemic. Now the country is focusing on lives along with the livelihoods and we are into the unlock phase. The economic activity has already reached the respectable level as can be seen in the several indicators. He said that we are now looking forward to growth in the 3rd and 4th quarters. The world has also recognized initiatives of the Modi Government in doing exceedingly well during this crisis time. India was able to create health infrastructure during the lockdown, as could be seen in self-sufficiency in the indigenous production of large number of PPEs and Ventilators, and such a large number of Covid tests being undertaken on daily basis.

Shri Goyal said that the risk-reward matrix is one of the most favourable in India, as the country is a great destination, has a much upwardly mobile population, with an aspiration for a better lifestyle. He assured all the support for facilitating the investment in India. He invited the foreign investors to take part in the country’s growth story. The participants in the meeting gave various suggestion for the furthering the ease of doing business in India, and Shri Goyal assured them that they will be suitably examined at the earliest.
MINISTRY OF FINANCE

New Form 26AS is the Faceless hand-holding of the Taxpayers

The new Form 26AS is the faceless hand-holding of the taxpayers to e-file their income tax returns quickly and correctly. From this Assessment Year, taxpayers will see an improved Form 26AS which would carry some additional details on taxpayers’ financial transactions as specified in the Statement of Financial Transactions (SFTs) in various categories.

It is stated that the information being received by the Income Tax Department from the filers of these specified SFTs is now being shown in Part E of Form 26AS to facilitate voluntary compliance, tax accountability and ease of e-filing of returns so that the same can be used by the taxpayer to file her or his income tax return (ITR) by calculating the correct tax liability in a feel-good environment. This would also bring in further transparency and accountability in the tax administration.

The earlier Form 26AS used to give information regarding tax deducted at source and tax collected at source relating to a PAN, besides certain additional information including details of other taxes paid, refunds and TDS defaults. But now, it will have SFTs to help the taxpayers recall all their major financial transactions so that they have a ready reckoner to enable them while filing the ITR. It is further explained that the Department used to receive information like cash deposit/withdrawal from saving bank accounts, sale/purchase of immovable property, time deposits, credit card payments, purchase of shares, debentures, foreign currency, mutual funds, buy back of shares, cash payment for goods and services, etc. under Section 285BA of Income-tax Act, 1961 from “specified persons” like banks, mutual funds, institutions issuing bonds and registrars or sub-registrars etc., with regard to individuals having high-value financial transactions since the Financial Year 2016 onwards. Now, all such information under different SFTs will be shown in the new Form 26AS.

It is stated that the Form 26AS for any taxpayer, from now onwards, will display in part E of the Form, different fields such as, type of transaction, name of SFT filer, date of transaction, single/joint party transaction, number of parties, amount, mode of payment and remarks etc.

Furthermore, this would help the honest taxpayers with updated financial transactions while filing their returns, whereas it will desist those taxpayers who inadvertently conceal financial transactions in their returns. The new Form 26AS would also have information of transactions which used to be received up to Financial Year 2015-16 in the Annual Information Returns (AIR).
MINISTRY OF FINANCE

Finance Minister holds 2nd review meeting on CAPEX of CPSEs

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman held Video Conference with Secretaries of the Ministries of Civil Aviation, and Steel, and the Chairman Railway Board (CRB), along with the CMDs of 7 Central Public Sector Enterprises (CPSEs) belonging to these Ministries, to review the Capital Expenditure in this Financial Year (FY). This was 2\textsuperscript{nd} meeting in the ongoing series of review meetings that the Finance Minister is conducting with various stakeholders to accelerate the economic growth in the background of COVID-19 pandemic.

The combined CAPEX target for FY 2020-21 for these 7 CPSEs is Rs. 24,663 crore. In FY 2019-20, against the CAPEX target of Rs.30,420 crore for these 7 CPSEs, the achievement was Rs. 25,974 crore i.e. 85 %. During Q1 of FY 2019-20, achievement was Rs. 3,878 crore (13%) and achievement of Q1 of FY 2020-21 is Rs. 3,557 crore (14%).

While mentioning the significant role of CPSEs in giving a push to the growth of the Indian economy, the Finance Minister encouraged the CPSEs to perform better to achieve their targets and to ensure that the capital outlay provided to them for the financial year 2020-21 is spent properly and within time. Smt. Sitharaman said that better performance of CPSEs can help the economy in a big way to recover from the impact of COVID-19.

The Finance Minister asked the concerned Secretaries and the Chairman Railway Board to closely monitor the performance of CPSEs in order to ensure capital expenditure of 50% of capital outlay by the end of Q2 of FY 2020-21 and make appropriate plan for it. Smt. Sitharaman stated that unresolved issues should be flagged immediately to the DEA/DPE/DIPAM for immediate action on them. The Finance Minister said that she will hold such review meetings on the performance of CAPEX of CPSEs every month.

The CPSEs discussed constraints being faced by them especially due to COVID-19 pandemic. The Finance Minister stated that extraordinary situation requires extraordinary efforts and with collective efforts, we will not only perform better but also help the Indian economy to achieve better results.
MINISTRY OF FINANCE

Restrictions on Public Procurement from certain countries

The Government of India amended the General Financial Rules 2017 to enable imposition of restrictions on bidders from countries which share a land border with India on grounds of defence of India, or matters directly or indirectly related thereto including national security. The Department of Expenditure has, under the said Rules, issued a detailed Order on public procurement to strengthen the defence of India and national security.

As per the Order any bidder from such countries sharing a land border with India will be eligible to bid in any procurement whether of goods, services (including consultancy services and non-consultancy services) or works (including turnkey projects) only if the bidder is registered with the Competent Authority. The Competent Authority for registration will be the Registration Committee constituted by the Department for Promotion of Industry and Internal Trade (DPIIT). Political and security clearance from the Ministries of External and Home Affairs respectively will be mandatory.

The Order takes into its ambit public sector banks and financial institutions, Autonomous Bodies, Central Public Sector Enterprises (CPSEs) and Public Private Partnership projects receiving financial support from the Government or its undertakings.

State Governments too play a vital role in national security and defence of India. The Government of India has written to the Chief Secretaries of the State Governments invoking the provisions of Article 257(1) of the Constitution of India for the implementation of this Order in procurement by State Governments and state undertakings etc. For State Government procurement, the Competent Authority will be constituted by the states but political and security clearance will remain necessary.

Relaxation has been provided in certain limited cases, including for procurement of medical supplies for containment of COVID-19 global pandemic till 31st December 2020. By a separate Order, countries to which Government of India extends lines of credit or provides development assistance have been exempted from the requirement of prior registration.

The new provisions will apply to all new tenders. In respect of tenders already invited, if the first stage of evaluation of qualifications has not been completed, bidders who are not registered under the new Order will be treated as not qualified. If this stage has been crossed, ordinarily the tenders will be cancelled and the process started de novo. The Order will also apply to other forms of public procurement. It does not apply to procurement by the private sector.

The relevant orders can be accessed here.

Annexure 1

Annexure 2
RESERVE BANK OF INDIA

RBI released the Financial Stability Report, July 2020

The Reserve Bank released the 21st Issue of the Financial Stability Report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability, and the resilience of the financial system in the context of contemporaneous issues relating to development and regulation of the financial sector.

Highlights:

- In response to COVID-19, a combination of fiscal, monetary and regulatory interventions on an unprecedented scale has ensured normal functioning of financial markets.
- The overleveraged non-financial sector, simmering global geopolitical tensions, and economic losses on account of the pandemic are major downside risks to global economic prospects.
- Actions undertaken by financial sector regulators and the Government to mitigate the impact of COVID-19 eased operational constraints and helped in maintaining market integrity and resilience in the face of severe risk aversion.
- Bank credit, which had considerably weakened during the first half of 2019-20, slid down further in the subsequent period with the moderation becoming broad-based across bank groups.
- The capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks (SCBs) edged down to 14.8 per cent in March 2020 from 15.0 per cent in September 2019 while their gross non-performing asset (GNPA) ratio declined to 8.5 per cent from 9.3 per cent and the provision coverage ratio (PCR) improved to 65.4 per cent from 61.6 per cent over this period.
- Macro stress tests for credit risk indicate that the GNPA ratio of all SCBs may increase from 8.5 per cent in March 2020 to 12.5 per cent by March 2021 under the baseline scenario; the ratio may escalate to 14.7 per cent under a very severely stressed scenario.
- Network analysis reveals that total bilateral exposures among entities in the financial system declined marginally during 2019-20; with the inter-bank market continuing to shrink and with better capitalisation of public sector banks (PSBs), there would be reduction in contagion losses to the banking system under various scenarios in relation to a year ago.
- Going forward, the major challenges include pandemic-proofing large sections of society, especially those that tend to get excluded in formal financial intermediation.

(Yogesh Dayal)
Chief General Manager
The Reserve Bank of India released on its website (https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics#12_43) data relating to the performance of non-government non-banking financial and investment (NGNBF&I) companies (excluding insurance and banking companies) for 2018-19.

The study covered audited annual accounts of 15,206 NGNBF&I companies accounting for 83.3 per cent of the total paid-up capital (PUC) of all NGNBF&I companies as on March 31, 2019. Explanatory notes to the data statements are given in the Annex.

Highlights:

- Financial income recorded a robust growth of 21.9 per cent (Y-o-Y) in 2018-19 on the back of increased lending and investments activities (Statements 1, 2 and 3).
- Combined balance sheet of the NGNBF&I companies expanded by 17.6 per cent during 2018-19 over and above 24.5 per cent increase in the previous year: asset finance companies had the largest share (45.5 per cent). (Statements 4A and 4B)
- Long-term loans had over half the share in total assets in March 2019; investments and short-term loans together accounted for another one-fourths of the assets. (Statement 4B)
- Nearly 57 per cent of total expenditure during 2018-19 was account of interest payments: share capital and borrowings had around 20 per cent and 60 per cent shares, respectively, in total liabilities of the NGNBF&I companies in March 2019. (Statement 3 and 4A)
- Net profit growth (Y-o-Y) moderated to 2.6 per cent in 2018-19 (5.3 per cent in the previous year) and profitability ratio (net profits to total net asset) also declined: asset finance companies as well as share trading and investment holding companies made good profits whereas loan finance companies continued to report losses due to write-off of bad debt. (Statements 1, 2 and 3)
- Business expansion during 2018-19 was largely funded by external sources in the form of bank borrowings, bonds and debentures, share capital and premium (Statement 5A).

Note: The Ministry of Corporate Affairs (MCA), Government of India, is the primary source of these data

(Yogesh Dayal)
Chief General Manager