Economy

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MSME FUNDING

Niranjan Hiranandani, Assocham president

Medium- to long-term financing is key to stability of the crucial NBFCs which are one of the main sources of funding for the MSMEs, hit hardest by coronavirus. The LIC investment into the NBFCs too would bear dividends for the state-owned insurance giant once fortunes turn for the overall economic cycle.

Quick View

Par panel for faster freight movement

THERE IS A pressing need for better coordination among various ministries for smooth execution of policies and faster freight movement, a parliamentary panel has said in its latest report tabled in Parliament. The report said the Ministry of Shipping, Railways, Civil Aviation, Road Transport and Culture and Tourism should collaborate with each other to ensure better governance.

LIC relaxation for premium payments

TO HELP POLICYHOLDERS who are unable to pay insurance premium on time due to the coronavirus outbreak, state-run insurer LIC has extended the deadline up to April 15, 2020. "... LIC will give relaxation in payment of premiums due on inforce policies up to April 15, 2020, wherever customers are unable to deposit online or otherwise," it said.

TACKLING CORONAVIRUS

From today, bank branches only for essential services

IBA advises customers to use electronic payment options to deposit or transfer money

FE BUREAU
Mumbai, March 22

THE INDIAN BANKS' Association (IBA) announced on Sunday that effective Monday banks will undertake only essential services like cash deposit and withdrawal, cheque clearances, remittances and government transactions. "Other non-essential services during this period may be suspended," the IBA said in a statement. "We appeal to everyone, to visit branch premises only in case of absolute necessity," it said.

The new arrangement is put in place in the wake of Covid-19 outbreak.

Reserve Bank of India's governor Shaktikanta Das has also requested customers to use digital banking to minimise impact of Covid-19. The government urged public to use digital payment modes such as NEFT, IMPS, UPI, etc, from home and avoid cash transactions for minimising gathering at banks or ATMs. Taking a cue from it, the IBA has advised customers to use electronic payment options, instead of visiting branches to deposit or transfer money through cash or cheques. In order to minimise face-to-face meeting, the IBA had urged people to use digital platforms instead for lending.

India's largest lender, State Bank of India (SBI) has set up an emergency credit line for its borrowers in the wake of novel coronavirus as businesses are getting affected. SBI in its departmental circular on Friday stated that the additional liquidity facility Covid-19 emergency credit line will provide funds up to 10% of the existing fund-based working capital limits, up to maximum amount of ₹200 crore. The loan will be offered for a period of 12 months. All the standard accounts which have not been classified as special mention accounts (SMA) 1 and 2 as on March 16, 2020, were eligible to avail this loan.

FE reported on Friday that IBA had written to the RBI with a proposal to consider deferment of term-loan repayments by six months and not to classify working capital loans as non-performing assets (NPAs) for three more months, even in the case of default. The final announcement on relaxations sought by bankers on behalf of the IBA will be made by the RBI and the government. The Prime Minister announced earlier that the government has decided to form a Covid-19 economic response task force to be headed by the finance minister. The first meeting of the task-force was held in New Delhi on Friday.

RBI splits workforce to keep systems running amid Covid

SHRITAMA BOSE
Mumbai, March 22:

THE RESERVE BANK of India (RBI) has come up with a business continuity plan to keep the machinery of the entire financial system running smoothly. The plan includes splitting the central bank's staff into smaller groups operating from separate locations in order to enforce social distancing, sources aware of the development told *FE*. The plan was kicked off on March 19 to ensure continuity of critical services of the RBI.

The prime piece in this is the information technology (IT) infrastructure operated by the RBI, which is necessary not just for the banking system to keep functioning but also for ensuring uninterrupted business and retail payments, as also government tax and other payments. "These systems, operated through multiple data centres, had to stay live notwithstanding any exogenous disruption. The contours of the resultant Business Continuity Plan (BCP) plan is an exercise which was unique to not just the Reserve Bank but for any national IT infrastructure in India," a source said.

The RBI data centres run critical systems like structured financial messaging system (SFMS), real time gross settlement (RTGS), National Electronic Funds Transfer (NEFT), e-Kuber, the RBI website, email, and another 35-odd applications. Around 600 personnel of third-party service providers are generally deployed at the central bank's data centres for various services, besides 60 RBI officials.

The business continuity playbook lays down the process to ensure effective social distancing and isolation of RBI's core personnel to run the data centres and other operations. "Under the minimum staffing plan, two batches were formed, with the second batch kept on ready standby to take over when required. A backup replacement pool was also prepared," said a person aware of the plan. A team of 37 officials has been formed, comprising key personnel from important functions such as debt management, reserve management and monetary operations.

A hotel was also hired in the vicinity of the primary data centre was hired exclusively to accommodate around 150 personnel of RBI and its service providers. The support staff of the hotel were also isolated within the hotel on a continuous basis. All residents in the hotel were asked to be prepared for the separation, while being assured that one can leave the group in case of any family or other emergency.

Similar arrangements have been made at the other data centres in order to run the systems and offer the maximum number of services possible whenever the team is required to shift operations from their current location.

IT ministry asks social media companies to remove false news from their platforms

PRESS TRUST OF INDIA
New Delhi, March 22

TAKING COGNISANCE OF fake news reports on the internet, the IT ministry has asked all social media companies to immediately remove false news spreading misinformation about coronavirus from their platform. The ministry of electronics and IT issued an advisory on March 20 asking social media companies to inform their users about not posting false news that can create panic among the public and disturb social tranquillity.

"Intermediaries are urged to... take immediate action to disable or remove such (false news) content hosted on their platforms on a priority basis," Meity cyber laws and e-secu-

rity Group coordinator Rakesh Maheshwari said in the advisory note issued to all social media companies.

The advisory said that the coronavirus outbreak has become a global concern with Wolrd Health Organisation declaring it a global health emergency. It said that as per media reports there is a trend of circulation of misinformation/false news and sharing anonymous data related to coronavirus in social media platforms creating panic among the public.

The advisory asked social media companies to initiate "awareness campaign on their platforms for the users not to upload or circulate any false news or misinformation concerning coronavirus..."

From the Front Page

Centre's Budget plans may go haywire as Covid-19 wreaks havoc

The GTR growth targeted for FY21 is 12%, as against 4% (RE) in FY20 and 8.4% growth achieved in FY19. The Centre's tax buoyancy dropped from 1.5 in FY17 to 1 in FY18 and further to 0.7 in FY19 and 0.5 (RE) in FY20. The FY20 buoyancy could be even lower given the shortfall in receipts being witnessed.

Amit Maheshwari, leader of international tax practice at Ashok Maheshwary & Associates said: "The impact of pandemic would result in closing down of businesses and massive lay offs. In these conditions, the government would be well advised to focus on providing a fiscal stimulus, not stick to prescribed fiscal deficit as revenue collection is sure to fall short of target next fiscal."

"In normal circumstances, the government focuses on collecting taxes and making social/infrastructure spending with such expenditure. However, in the heat of the disruptions by the pandemic, it is equally important to provide relaxation to the taxpayers who are already facing the heat by reduced business activities," Shailesh Kumar, director at Nangia Andersen Consulting said.

He added that government may also take several steps including monitoring the payment of advance tax by top taxpayers, early disposal of applications under the Vivad se Vishwas Scheme to maximise tax collections under the scheme.

Vishal Raheja, DGM, Taxmann, said: "At this juncture, it is difficult for any agency to quantify the adverse impact of the Covid-19 calamity on the Indian economy. The Economic Survey for 2019-20 forecast growth of 6-6.5% for next year, which seems to be hard to achieve in the current situation. Undoubtedly, there is need of swift fiscal-monetary response to revive the crippling economy."

"Recently, the government decided to not pass the benefit of slump in international oil prices and hike excise duty on petrol and diesel which would certainly help to increase revenue collections. The government should raise import duty on non-essential commodities and there could be levy of additional cess on luxury items for healthcare infrastructure, similar to health and education cess in Income-Tax laws. This cess would raise revenue collection and provide adequate fund for required infrastructure facilities," Raheja opined.

Centre's FY20 revenue seen ₹75k crore less than budgeted

The Centre's share from the indirect tax dispute resolution scheme, that was under implementation between October 2019 and January 15, 2020, is estimated to be ₹20,000 crore.

In terms of the overall revenue receipts, the shortfall would be reduced further thanks to some ₹20,000 crore to be raised additionally as 'communication services' receipts, a major head of non-tax revenue, thanks to the AGR payments made by telecom companies recently. While the AGR payments so far have been to the tune of ₹27,000 crore, the excess over RE will be about ₹20,000 crore only. This is because the RE was some ₹7,500 crore higher than the BE, in anticipation of the modest expectations of AGR revenue at the time when the Budget was finalised. The Supreme Court's firm stand on AGR has since led to higher than expected AGR inflows in FY20.

The residual overall shortfall in revenue will alter the Centre's deficit numbers. The fiscal and revenue deficits for FY20 may turn out to be worse than the RE, as total revenue receipts are expected to be lower than the RE level of ₹18,50,100 crore by at least ₹75,000 crore or 4%.

If revenue expenditure remains the same as RE, the revenue deficit could be around ₹5,75,000 crore in FY20 compared with RE of ₹4,99,544 crore. Similarly, the actual fiscal deficit in the year could be ₹8,42,000 crore against RE of ₹7,66,846 crore, if overall spending is equal to the respective RE and other receipts like non-debt capital receipts stick to the REs.

Of course, when expressed as fractions of the Gross Domestic Product (GDP), the deficits are also to be impacted by the change in the FY20 nominal GDP, as computed in the second advance estimate released by the National Statistics Office on February 28. On the revised GDP base, the Centre's fiscal deficit for FY20 could therefore be around 4.1% of GDP, compared with RE of 3.8%. Also, the revenue deficit could turn out to be 2.8% of GDP against RE of 2.4%.

It is not yet known whether the Centre would further compress the budget size (budget estimate was cut by 3.15% in RE to ₹26,98,552 crore) to stick to the fiscal deficit target. Given the sagging economy, this is definitely not going to be preferred option for the government, but given the spread of coronavirus and the threat of it becoming a pandemic affecting the global economy, the government's ability to spend the budgeted amount will likely be circumscribed. In such a situation, the slippages from deficit targets (REs) would reduce.

Last year, the RBI gave an interim dividend of ₹28,000 crore to the Centre in March, allowing it to prevent the deficits from enlarging from the RE levels. It is possible that RBI could issue an interim dividend by March 31.

In August last year, the decided to transfer ₹1.76 lakh crore to the Centre in 2018-19 (July–June), the entire net disposable income of ₹1.23 lakh crore and an additional ₹52,637 crore of 'excess provisions' identified as per the Bimal Jalan committee, which reviewed the central bank's economic capital framework (ECF).

Going by the trend in gross tax receipts till January, the biggest shortfall is expected from the personal income tax collection, which is likely to miss the FY20 target by nearly 12% or ₹66,000 crore. About ₹36,000 crore shortfall in corporate tax and about ₹20,000 crore in customs duties are also expected. Excise duty collections could also meet only 93% of the revised estimate, missing the target by over ₹17,000 crore. Even though GSTc collections have some improvement recently, there could still be a shortfall of ₹14,400 crore in the Centre's GST receipts (CGST and compensation cess).

While the revenue garnered from the indirect tax disupute resolution scheme was about 10% of the total amount stuck in litigation, Vivad Se Vishwas could better, as under the scheme the taxpayer is offered waiver of interest and penalty only and the disputed tax amount requires to be paid. Analysts say it is safe to assume that 20% of the stuck amount of ₹9.3 lakh crore would be collected. This would add ₹1.8 lakh crore to gross tax receipts and net of transfers to states, the centre will likely lay hands on some ₹1 lakh crore.

Telcos, OTTs quarrel over floor price

The Trai, which has received responses to its consultation paper needs to hold open houses, at least, at four different centres in the country, which cannot be done now because of the pandemic.

Internet Society, which has 67,287 members globally including Comcast, Oracle, Juniper, Nokia, Microsoft, Google, Facebook etc, said that tariff control is a poor method to enforce fair competition in the mobile market. "Such changes reward inefficient players and risk delivering windfall profits by boosting margins of players who have lower costs. They also do not have any proven positive impact on consumer welfare," Amrita Choudhury, president of Internet Society India Delhi Chapter said.

The Trai's consultation process on fixing floor price of mobile tariffs came as a result of the demand by mobile operators. All the operators like Reliance Jio, Vodafone Idea, Bharti Airtel, BSNL and MTNL have supported the move. But consumer organizations are opposing setting up a floor price for mobile tariffs. For instance, Consumer Guild, which is an advocacy group, said that the policy of forbearance is the right way and no floor fixation is required. "Telecom operators are increasing their tariff, no need to fix the floor price right now. Telecom operators should focus on network coverage and data speed," Consumer Guild said.

Consumer Protection Association said there is no requirement for policy intervention and prices under forbearance should continue. The association termed the floor price as anti-competitive. "The idea of price floors is retrograde and lowers price flexibility in the market place. Price floors will hurt consumers," it said in its submission. Similarly, Citizen consumer and civic action group said that fixing of floor price cannot be the solution to the issues faced by telecom operators. "Fair play in the market place is the basis for a healthy competition and it is important for the telecom operators to recognize this and act accordingly," the consumer group said.

Apart from the associations, start-ups involved in new age technologies like internet of things and machine to machine communications, feel the floor price should not be enforced. Kloudq Technologies said any steps taken by Trai in setting a floor price for data plans will have an adverse impact on their business and on the IoT and M2M industry as a whole. "In the present situation any increase in the data prices will significantly affect viability of the IoT/M2M business in India," the start-up said.

Tata Communications also opined against setting up a floor price.

Covid-19: Rupee slide no relief, as exporters see crash in orders

The exporters that *FE* spoke to had last week warned of a 10-15% drop in merchandise exports in FY21 if the situation persisted until the first half of the next fiscal. The decline may be more pronounced if the situation worsens, they warn now.

Global supply chain has been hit hard, cargo movement has been affected, shipping lines altered and warehouse capacity stretched, they say.

Ferro alloys, steel, automobiles exporters have reported a halt in shipments, according to EEPC's Sehgal. "In the face of continuing uncertainty as to how long the global crisis would last, no fresh orders are forthcoming and even if some odd enquiries are made, prices being quoted are very low." Engineering goods are the largest segment, making up for over a quarter of the country's export basket.

According to Phamaceuticals Export Promotion Council director general Udaya Bhaskar, several consignments of exporters are getting held up at ports. The US makes up for over a fourth of India's pharma exports. Up to February this fiscal, pharma exports grew by 10.8% year-on-year, when overall goods exports contracted by 1.5% to $293 billion. Analysts say goods exports this fiscal may fall to around $320 billion, against $330 billion in the previous year.

Already, as many as 58% of the 103 respondents in a survey by CARE Ratings suggest exports will contract in FY21 following the covid-19 outbreak, with sectors such as tourism, aviation, auto, electronics and metals facing the maximum risk. The Federation of Indian Export Organisations (FIEO) has already projected a $5-billion loss in earnings from foreign tourist arrivals in 2020 following travel bans imposed by India and others.

FIEO president Sharad Kumar Saraf said: "The MSMEs particularly in employment intensive sectors like carpets, handicrafts, apparels, footwear, gems and jewellery, marine and perishable with their major market in Europe and the USA are likely to be worst affected particularly in first quarter of FY21, as per the current trend."

Lack of adequate credit flow to exporters remains a sticky issue. Export credit contracted almost 23% y-o-y as of January 31, even though overall priority-sector lending rose 4%.

Meanwhile, both the World Trade Organization and the IMF have said global goods growth will remain weak in 2020, mirroring the broader slide in economic growth.

India could see close to a million deaths: Expert

His projections did not take into consideration lockdowns and other restrictions of the type that have now been put in place.

Elaborating on this, Laxminarayan said in a video interview with Barkha Dutt, "I don't think the PM would believe that the country should be warned about something like the World War II if he thought that there were only 200 cases and 3 deaths."

While some have argued that the lockdown should have begin much earlier — that was a mistake in countries like the US, UK, Italy, etc — the testing done so far showed no community spread. Some have, though, questioned the ICMR testing, suggesting that it was too limited.

Following a 14-hour janta (voluntary) curfew announced by the PM that ended at 9 pm on Sunday, a total of 16 states have announced partial or total lockdowns, shutting offices, public transport, etc. Indeed, while talking about measures to contain the spread of the SARS CoV-2 virus, Laxminarayan had said, "If we had to do a lockdown, it would be now. We should lock down now."

Report of Covid-19 cases growing exponentially — it took five days to reach 100 cases from 50, three days to reach 150 from 100, two days to reach 200 (on March 19) from 150 and stood at 345 on March 22 — could be a sign of community infection (stage III of an outbreak). Indeed, while Indian Council of Medical Research (ICMR) tests suggested no community infection so far — nearly a 1,000 random tests among cases showing Covid-19-like symptoms have been found negative — ICMR itself changed its testing regime on March 20 to include all hospitalised patients with severe acute respiratory illness (fever and cough, and/or shortness of breath), apart from those covered earlier (individuals who have undertaken international travel in the past 14 days, who turn symptomatic in the home quarantine period, all symptomatic contacts of laboratory-confirmed positive cases, and all symptomatic healthcare workers).

The government has also now allowed private labs certified by the National Accreditation Board for Laboratories to conduct testing, a sign of how India needs to rapidly ramp up testing. Given how under-equipped the country's healthcare system is in case of a Covid-19 scale that Laxminarayan estimates—for instance, it has just 100,000 ICU beds—Laxminarayan suggests using stadiums across cities to set up hundred of thousands of beds with critical-care instruments, including ventilators; with India simply not having that many number of ventilators, he urged the government to support the private sector to ramp up production.

To that end, the private sector can take a cue from Anand Mahindra of the Mahindra Group, who tweeted about immediately beginning work at Mahindra facilities to make ventilators, and offering Mahindra Holidays resorts as temporary care facilities.

A related issue will be the country's healthcare workforce's capabilities in handling critical care, including intubation in use of ventilators. McKinsey, which had earlier developed a protocol to train healthcare personnel on this in Italy, is learnt to be approaching the government to offer such training pro bono.

Checking corona: More states announce lockdown

It was noted that several state governments have already issued orders in this regard. The state governments may expand the list depending on their assessment of the situation.

In the meeting, it was decided to suspend all train services till March 31, including suburban rail services. However, goods trains are exempted. All metro rail services were also suspended till March 31, officials said.

The railways reported three incidents on Saturday, where people asked to remain in quarantine were found travelling on trains. Of those detected in the three instances, 12 tested positive for COVID-19.

The railways trimmed down its services on Friday by cancelling a majority of trains. However, it had allowed all trains that had already started the journey to continue.

"No train, except goods trains, will run till 2400 hrs of March 31. However, a bare minimum of suburban services and the Kolkata Metro Rail service will continue to run till 2400 hours of March 22. Thereafter, these services will also be stopped till 2400 hours of March 31," a spokesperson of the Indian Railways said.

Railways runs around 13,523 daily services which include 5,881 Electric Multiple Units (EMUs), 3,695 mail-express trains and 3,947 passenger trains.

From March 23 to March 31, an estimated 49,000 passenger services will remain suspended, according to official figures.

The national transporter said in continuation of the measures taken in view of the coronavirus outbreak, it was decided that all passenger train services, including premium trains, mail and express trains, suburban trains, Kolkata Metro Rail and Konkan Railway will be cancelled till the midnight of March 31.

The total number of novel coronavirus cases in India rose to 360 while the death toll climbed to seven on Sunday.

Millions of people across the country stayed indoors and streets wore a deserted look on Sunday following Prime Minister Narendra Modi's appeal for a 'janta curfew' to contain the spread of the pandemic, which has claimed over 13,000 lives worldwide.

Debt ETF: PSUs to mop up ₹20k crore in FY21

The ETF's new fund offer (NFO) of ₹7,000 crore was over-subscribed by nearly 1.8 times.

"The market has given a thumbs-up for the instrument... We will be coming out with a 5-year ETF under scheme keeping in mind the demand from stakeholders," an official told *FE*. While the Dipam and fund manager Edelweiss would firm up the borrowing calendar via the ETF after deliberations with the CPSEs and based on their requirements, the annual calendar size could be over ₹20,000 crore in FY21 and gradually increase to ₹50,000 crore in subsequent years, the official added.