

ESI-2021-22 AND OTHER CA 2021-22

INDUSTRY (ESI – CHAPTER-8)

Table of Contents

1. Industry.....	2
1) Current Situation (ESI 2021-22).....	2
2) Indices/ Indicators for Industrial Growth	3
a) Index of Industrial Production (IIP)	3
b) Purchasing Manager's Index (PMI)	4
c) Capacity Utilization (ESI 2021-22)	4
d) RBI's Business Expectation Index (BEI) (ESI 2021-22).....	5
e) Gross Fixed Capital Formation.....	5
f) Credit in Industry	5
g) FDI	5
3) Core Sector.....	6
4) Coal Sector	7
a) Ministry of Coal (MoC) and PSUs under it.....	7
b) Coal Reserves in India	7
c) Opening up of COmmercial Coal Mining.....	7
d) National Coal Index.....	10
e) Prakash Portal	10
f) Measures Taken For Sustainable Development in Coal Sector.....	10
2. Micro Small and Medium Enterprise (MSMEs)	12
1) Significance of MSME Sector.....	12
2) Problems Faced by the Sector.....	13
3) Initiatives Under Atma Nirbhar Bharat Abhiyan (ANBA)	13
g) ANBA 1.0	13
h) ANBA 3.0	13
4) MSME Cluster Development Program of Ministry of MSME.....	14
5) MSME Champions Scheme	14
6) Other Past Steps for Easy Credit Availability	14
a) Interest Subvention Scheme	15
b) MUDRA.....	15
c) MSME sector under PSL.....	15
7) Steps to Increase Production and Demand of MSME Sector.....	15
8) Other Initiatives to Promote Ease of Doing Business for MSME Sector.....	15

a)	Udyam Registration (UR) Portal	15
b)	The Champions Portal	15
c)	GST Composition Scheme	16
d)	Easy Payments to MSMEs	16
9)	Pre-Packaged Insolvency Resolution	16

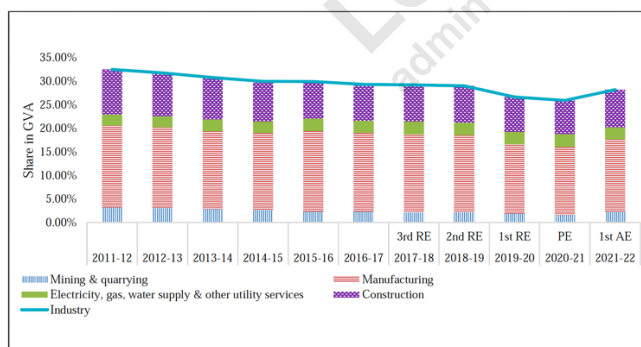
Levelup IAS
admin@levelupias.com

1. INDUSTRY

1) CURRENT SITUATION (ESI 2021-22)

- **Industrial Sector consist of** Manufacturing; Construction; Electricity, gas, water supply & utility services; Mining & quarrying.
- After the strict COVID-19 lockdown of 2020-21, the year 2021-22 saw an **upturn in the performance of Industrial sector**. Several factors contributed to it:
 1. Gradual Unlocking of the economy.
 2. Record Vaccinations
 3. Improvement in Consumer Demands
 4. Continued policy support towards industries by government in the form of **ANBA** and its further reinforcements in 2021-22.
 - Easing of supply side bottlenecks through easier access to credit especially, emergency credit line scheme to MSMEs
 - Relief to real estate sector
 - PLI for 14 champion sectors and other direct tax measures
- The Industrial sector is expected to grow by 11.8% in the FY 2021-22.
- The **Index of Industrial Production (IIP)** grew at 17.4% as compared to -15.3% in April-Nov 2020-21.
- According to RBI- Studies on Corporate Performance, which is based on the results of select listed companies in the private corporate sector, the **net profit to sales ratio of large corporates reached an all-time high despite the pandemic.** Buoyant FDI inflows amid improvements in overall business sentiments, foretells a positive outlook for industry
- **Manufacturing**, with an average share of 16.3% in nominal GVA over the last decade, has a dominant presence within the industrial sector.
- In 2020-21, the share of manufacturing sector fell to 14.4% and is expected to improve to 15.3% in 2021-22. It is expected to grow by 12.5% in 2021-22.
 - **The share of electricity** has been showing an increasing trend since 2012-13 and was **2.7%** in 2020-21.
 - **Electricity, Gas, and Water Supply** and other utility services was the only sub sector that had experienced a positive growth of 1.9%.

Figure 1: Share of Industry and its components in Gross value added



Source: Survey calculations based on MoSPI data. Data at current prices.

Table 1: Growth in Gross Value Added in Industry

Sectors	Year									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
						3 rd RE	2 nd RE	1 st RE	PE	1 st AE
Mining & quarrying	0.6	0.2	9.7	10.1	9.8	-5.6	0.3	-2.5	-8.5	14.3
Manufacturing	5.5	5.0	7.9	13.1	7.9	7.5	5.3	-2.4	-7.2	12.5
Electricity, gas, water supply & other utility services	2.7	4.2	7.2	4.7	10.0	10.6	8.0	2.1	1.9	8.5
Construction	0.3	2.7	4.3	3.6	5.9	5.2	6.3	1.0	-8.6	10.7
Industry	3.3	3.8	7.0	9.6	7.7	5.9	5.3	-1.2	-7.0	11.8

Source: Survey calculations based on MoSPI data.

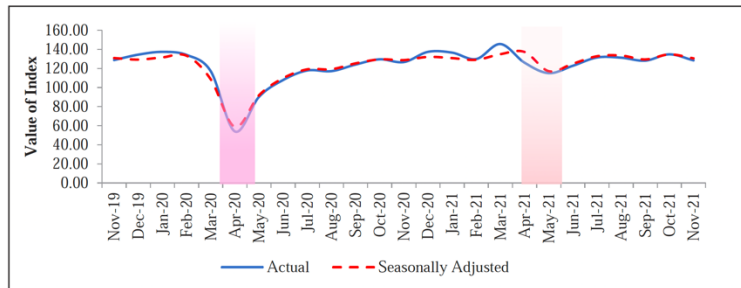
2) INDICES/ INDICATORS FOR INDUSTRIAL GROWTH

A) INDEX OF INDUSTRIAL PRODUCTION (IIP)

- Why in news recently?

- » ESI 2021-22: IIP which grew at **-8.4% in 2020-21** grew at a rate of 17.4% in April-Nov 2021-22.

Figure 3: Value of Index of Industrial Production



Source: Survey calculations based on MOSPI data

- Definition:

- » The IIP is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time. Thus, it is another measure of industrial production.

- » The IIP is computed and published by the Central Statistics Organization (CSO) on a monthly basis.

- Description

- » It classifies industry into Manufacturing, Mining and Electricity Sector and measures growth in production in each industry.
- » In addition, use-based classification of basic goods, intermediate goods and capital goods is also available. This helps in predicting GDP growth as industry is one of the major contributors to growth.

- The weight of the 3 categories of sectors are as follows (after May 2017 revision)

- **Manufacturing** has a higher 77.6% up from 75.6%.
- **Mining (14.4%)** from earlier 14.2%
- **Electricity (8%)** from earlier 10.3%

- The weight of various categories under **user-based classification** includes:

- Primary Goods (34%)
- Capital Goods (8.2%)
- Intermediate Goods (17.2%)
- Infrastructure/construction goods (12.3%)
- Consumer durables (12.8%)
- Consumer non-durables (15.3%)

- » **Base Year**

- Currently IIP figures are calculated considering 2011-12 as the base year.

- Key Changes in the IIP calculation methods (May 2017)

- Base year:** 2011-12 (earlier 2004-05)
- Changes in the list of items included**
 - Number of items in mining and manufacturing sectors have changed
 - The new series has added items like smart phones, tablets, LED televisions, etc.
 - Items deleted include calculators, color tv tubes etc.
- Change in weight of different categories**
 - Increasing them for manufacturing sector and marginally for mining sector, while reducing for electricity sector.

- iv. A **technical review committee** has also been established to identify new items for ensuring that the series remain relevant. The committee will meet at least once a year for identifying new items that need to be included in the item basket and removing those that have lost its relevance in the industrial sector or are no longer being produced.
 - The committee will be chaired by secretary, MoSPI.
 - v. There has been an increase in number of factories in panel for reporting data and closed ones have been removed.
 - vi. The electricity sector now includes data from renewable energy sources.
 - vii. The number of source agencies reporting data for compilation of IIP in the new series will be 14 as compared to 15 in the current series.
 - This is on account of the fact that data on 'lodized salt' in new series will be provided by the Department of Industrial Policy and Promotion (DIPP).
- **Significance of changes**
- Common base year of all the key macroeconomic indicators (CPI, WPI, IIP, National Accounts) will ensure better comparison.
 - The changes are more representative of current structure of the industrial sector.
 - The new series also paints a healthier picture of the economy.
 - Periodic update of the list by technical review committee would also ensure better numbers throughout the period

B) PURCHASING MANAGER'S INDEX (PMI)

- **Why in news?**
 - India's manufacturing PMI falls to 54.0 in March (from 54.9 in Feb 2022) (April 2022)
 - The fall highlighted the joint weakest rate growth since Sep 2021, stated S&P Global India Manufacturing Purchasing Managers' Index (PMI)
- **What is Manufacturing PMI?**
 - An indicator of the economic health of the manufacturing sector. It predicts the level of industrial production in advance.
 - It is based on five major indicators
 1. New orders
 2. Inventory levels (stocks of items purchased)
 3. Backlog of work
 4. Suppliers' delivery times
 5. Employment levels
 - The **purpose** of the PMI is to provide information about current business condition to company decision makers, analysts and purchasing managers.
- How is info collected?
 - Monthly surveys sent to purchasing executives at approximately 400 companies.
- What does the indicator mean?
 - PMI > 50: Expansion of manufacturing compared to previous month
 - PMI = 50: No change
 - PMI < 50: Contraction of manufacturing compared to previous month
- **Famous Manufacturing PMIs of India?**
 - S&P Global's Manufacturing PMI

C) CAPACITY UTILIZATION (ESI 2021-22)

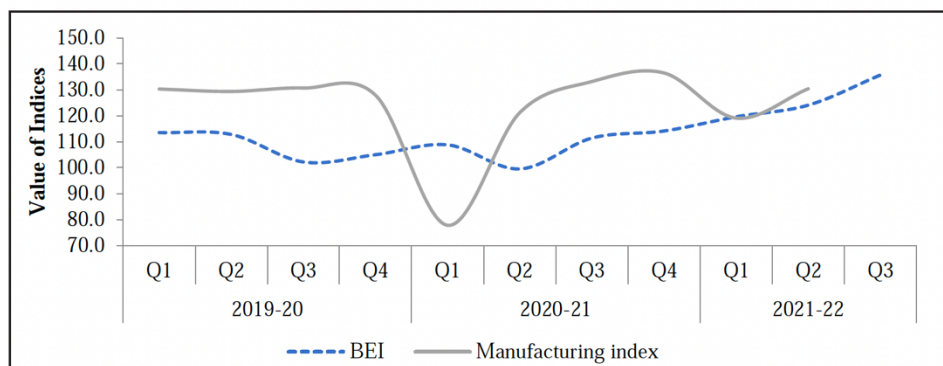
- Capacity Utilization is an important economic indicator to assess demand and investment prospects of the economy. CU rates are largely able to track the pace of manufacturing activities in the economy.

- The growth rate of the IIP-manufacturing index and capacity utilization provides a snapshot of the demand conditions for India's manufacturing sector.

D) RBI'S BUSINESS EXPECTATION INDEX (BEI) (ESI 2021-22)

- The index gives a glimpse of the demand conditions in the manufacturing sector by combining parameters which include overall business situation, production, order books, inventory of raw material and finished goods, profit margins, employment, export and capacity utilization.

Figure 10: Manufacturing Index and Business Expectation Index



Source: Survey calculations based on data from MOSPI and RBI

- **Situation in 2021-22**
 - BEI remained stable with only a slight downturn in the second quarter of 2020-21 owing to the onset of the pandemic in the first quarter of that year. Since then it has been on upswing.

E) GROSS FIXED CAPITAL FORMATION

- Gross addition to fixed assets like machinery and equipment, intangible assets and indicates the state of investment in the economy. During 2019-20, the share of industrial sector in total GFCF in the economy (at current prices) was recorded at 30.1%, which is slightly lower than 31% in previous financial year

F) CREDIT IN INDUSTRY

- Gross bank credit to the industrial sector, recorded a growth of 4.1% in Oct 2021 compared to negative growth in Oct 2020.

G) FDI

- Due to various government policies there has been an increase in FDI inflows setting up new records.
 - » In 2014-15, FDI to India stood at \$41.14 billion.
 - » In 2020-21, FDI to India stood at \$ 81.97 billion.
 - » In 2021-22, FDI inflow grew by 4% in the first six months to reach US\$ 42.86 billion as compared to US\$ 41.37 billion a year ago.
- **FDI Reforms which has lead to increase in FDI flow:**
 - Measures taken to allow greater foreign participation**
 - **Defence Sector:**
 - » Through FDI policy amendment (as notified in Sep 2020), FDI in defence sector is allowed upto 74% through automatic route (from earlier 49%) for companies seeking new industrial license. FDI beyond 74% will be permitted under Government route.
 - » For, existing FDI approved holders/defence licensee, infusion of fresh foreign investment upto 49% resulting in change in equity/shareholding pattern can be done by making declaration within 30 days.

- **Insurance Sector:**
 - » In June 2021, in insurance sector, government raised the permissible FDI limit from 49% to 74% in Insurance companies under automatic route and allow foreign ownership and control with safeguards.
 - **Petroleum and Natural Gas sector:**
 - » Foreign investment upto 100% under the automatic route in cases where the government has accorded an 'in-principle' approval for strategic disinvestment of a PSU engaged in Petroleum and Natural Gas Sector.
 - **Telecom Sector:** In Oct 2021, government has released a press note to permit foreign investment upto 100% under automatic route in Telecom service sector.
- ii. **Curbing Opportunistic acquisition/takeovers:**
- In April 2020, government amended the FDI policy according to which an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the government route.
 - Further, in the event of transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of the said policy amendment, such subsequent change in beneficial ownership will also require government approval.
- iii. Measures to improve **transparency and to rationalize processes include amendment of the Standard Operating Procedure (SOP)** to improve ease of processing FDI proposals.
- iv. **'FDI Monitoring Cell'** has been formed which follows up with applicant/ investor, to expedite FDI proposals with a view to identify any hurdles in any.
- An Inter-Ministerial Committee (IMC) has been constituted under the chairpersonship of Secretary, Department for Promotion of Industries and Internal Trade to take appropriate decision on delayed proposals and those escalated by Administrative Ministries/ Departments.

3) CORE SECTOR

- The eight core industries comprise **40.27%** of the weight of items included in the Index of Industrial Production (IIP).
 - These 8 industries include (the list of industries haven't changed)
 - » **Coal, Crude Oil, Natural Gas, Petroleum Refinery Products, Fertilizers, Steel (alloy + non alloy), Cement, and Electricity.**
- **The Index of Eight Core Industries (ICI)** measures the performance of eight core industries.
 - **Recent Changes made in calculation (May 2017)**
 - » **Base Year:** In line with the changes in IIP base year, the DIPP have also revised the base year of Index of Eight Core Industries from 2004-05 to 2011-12.
 - » **Weights of different sectors:** Coal (10.33%), Crude Oil Production (8.98%), Natural Gas (6.88%), **Refinery Products (28.04%),** Fertilizers (2.63%), Steel (17.92%), Cement (5.37%) and **Electricity (19.85%).**
- **ESI 2021-22:**

- The growth rate of the ICI Index during the period of April-Nov 2021-22 was 13.7% as compared to - 11.1% in the corresponding period last financial year. Barring **crude oil and fertilizers** their has been pickup in growth in almost all its components.

4) COAL SECTOR

- **ESI 2021-22:** Coal is the most important and abundant fossil fuel in India and accounts for 55% of the country's energy need.
 - Coal production increased by 12.24% in April-Oct 2021 as compared to negative growth in April-Oct 2020.
 - Overall, the production of raw coal in India during the year 2020-21 was **716.08 million tonnes (provisional)** as compared to **730.87 million tonnes** achieved in the previous year 2019-20.
 - Despite the push for renewables, as per the Draft National Energy Policy of Niti Aayog, the demand for coal is expected to remain in the range of 1.3-1.5 billion tonnes by 2030. Therefore, several initiatives are being taken by coal lignite producing PSUs to reduce their carbon footprints. (See in details below)
 - **Opening up of Coal Mines for private sector** is the most ambitious coal sector reform.
 - » This will bring efficiency & competition in coal production, attract investments & best in-class technology, and help create more jobs in the coal sector.

A) MINISTRY OF COAL (MOC) AND PSUS UNDER IT

- MoC has the overall responsibility of determining policies and strategies in respect of exploration and development of coal and lignite reserves, sanctioning of important projects of high value and for deciding all related issues.
- **Three PSUs** come under the Ministry
 - a. **Coal India Limited (CIL)**
 - » A 'Maha Ratna' company under the Ministry of Coal, with headquarter at Kolkata, WB.
 - » It is the single largest coal producing company in the world and one of the largest corporate employers with a manpower of 3,46,638.
 - b. **Neyveli Lignite Corporation Limited (NLC)**
 - » A 'Navratna' with registered office at Chennai and corporate office in Neyveli in TN.
 - c. **Singareni Collieries Company Limited (SCCL)** which is a joint sector undertaking of Government of Telangana and Government of India with an equity capital ratio of 51:49

B) COAL RESERVES IN INDIA

- **Coal Reserves** (308.80 billion tonnes) of coal reserves have been estimated by Geological Survey of India. The reserves have been found mainly in Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, Telangana, and Maharashtra.
- **Lignite Reserves** (44.59 billion tonnes) have been estimated by GSI. The major deposits are located in Tamil Nadu, followed by Rajasthan, Gujarat, Kerala, West Bengal, Jammu & Kashmir, and UT of Puducherry

C) OPENING UP OF COMMERCIAL COAL MINING

- **Background**
 - » **Nationalization of Coal Mines, 1973**
 - Coal Mines (Nationalization) Act, 1973 nationalized all the coal mines in India.
 - **Why?**
 - Adequate investment needs in the coal mining sector was not fulfilled by the private sector.

- Unscientific mining practices adopted by some private miners and poor working conditions of labour in some of the private coal mines became matters of concern for the government.
 - So, since 1970s, **Coal India** had the monopoly over mining and selling of coal in India. It accounted for 80% of the country's coal supply. Another public sector company is **Singareni Collieries**, a venture of Coal India and the Telangana (earlier Andhra) government.
 - The rest of the requirement is met through **import** and **production from captive mines by private players**.
 - These coal mines were allocated on **recommendation basis** (not auction) only for their specific use (also called Captive Mining)
- » **In Sep 2014, Supreme Court cancelled 214 coal block allocations since 1993**
 - The 4 allocation which were not cancelled included government run blocks on non-Joint-venture basis.
- » The ***Coal Mines (Special Provisions) Act, 2015*** passed in March 2015, contained provisions enabling government to allocate coal mines through auction. This thus theoretically opened coal mining sector in theory to private sector.
 - **Objectives**
 - » To provide allocation of coal mines and related rights to successful bidders and allottees to ensure continuity of mining operation and production of coal.
 - » To take **immediate action to auction or allot coal mines** to minimize impact on core sectors such as steel, cement and power, which are vital for the development of the country.
 - » To amend the Coal Mines (Nationalization) Act, 1973 and the Mines and Minerals (D&R) Act, 1957 thereby **removing restriction of end use** from the eligibility to undertake coal mining except in the case of certain specified coal blocks.
- **Key Provisions**
 - » **Classification of coal mines in Schedule-I, Schedule-II and Schedule-III**
 - 204 cancelled blocks have been classified as Schedule-I.
 - 42 producing and ready to produce coal mines out of Schedule-I coal mines are defined as 'Schedule-II' coal mines.
 - Other 32 substantially developed coal blocks out of Schedule-I coal mines are defined as 'Schedule-III coal mines' meant for specified end-use (more mines can be added to Schedule-III).
 - » **Allocation** shall be made through **auction** to a company or a JV.
 - In case of a Government company or their JV, allotment may be made without auction
 - » **No-End Use Restriction:** There shall be no end use restriction on the eligibility to participate in the auction, other than the Schedule II & Schedule III coal mines.
 - » **'Nominated Authority'** shall be appointed for conduct of auction/ allotment and vesting and transfer of all interests of these coal mines in the successful bidder or allottee.
 - » **Proceeds of auction** shall be received by the Nominated Authority and disbursed to respective states.
 - » **Compensation only for land and immovable mining infra** shall be paid to the prior allottee after paying secured creditors.
 - » **Tribunal constituted under the Coal Bearing Areas** (Acquisition and Development), Act, 1957 will adjudicate any dispute arising out of the central government/nominated authority or any dispute between the successful bidder or allottee and prior allottee arising out of any issue connected with the act.

- **So, theoretically, commercial mining was allowed since 2015.** But, due to lukewarm demand and lack of interest from private sector, the ministry delayed the auction.
- **Cabinet approves bidding process for Commercial Coal Mining (Feb 2018)**
 - » **Key Provisions of the approved methodology of auction:**
 - **Ascending forward auction** on an online platform where the bid parameters will be the price offer in rupees per tonne, which will be paid to the state government on the actual production of coal.
 - No share for centre from commercial mining.
 - **No restriction on sale and/or utilization** of the coal from mine.
 - **No cap on price and type** of coal.
- **100% FDI allowed in Coal mining** through automatic route in commercial coal production (Aug 2019)
- **Offering of Coal mines to Private Companies for Commercial Mining and Sale Purpose, thereby moving away from earlier regime of offering mines for Captive (own) use (Jan 2020)**
 - » **Why?**
 - Of the **204 blocks cancelled** by Supreme Court in 2014, **89 have been reallocated** (60 assigned to PSUs and 29 auctioned off), but **only 29 of them are operational**.
 - Steel and power firms have stayed away from the auctions (even after 25% open-market sale allowed in Feb 2019) due to lack of complete independence on end use/sale etc.
 - So, despite having world's 4th largest coal reserves, India import coal worth billions of dollars.
 - » **These** concerns have been resolved **by Mineral Laws (Amendment) Act, 2020**
 - **Allocation of coal blocks for composite prospecting license-cum-mining lease** which will help in increasing of the inventory of coal, lignite blocks for allocation.
 - Repetitive and redundant provision requiring previous approval of Central Government in cases where the allocation or reservation of coal/lignite block has been made by the Central Govt. itself has been done away with.
 - **Flexibility to the Central Govt. in deciding the end use of Schedule II and III coal mines under the CMSP Act.**
 - **Companies which do not possess any prior coal mining experience** in India can now participate in auction of coal blocks
 - » **Significance**
 - These amendments will free the sector from restrictions that were inhibiting its development.
 - This will open up the coal mining sector completely, enabling anyone with finances and expertise to bid for blocks and sell the coal freely to any buyer of their choice
- **Government unveils auction process for Coal Mines (June 2020)**
 - » This marks the **full opening of Commercial coal mining for the private sector through auction** and ends seven decades of restrictions.
 - Commercial Coal Mining Auctions are completely different from the earlier regime of restricted sectors, use and price. Now there is no such restrictions.
 - » **Terms and conditions** of the auction are also **very liberal.**
 - New companies (without prior experience) in coal mining can participate.
 - Reduced upfront amount
 - Adjustment of upfront amount against royalty
 - Liberal efficiency parameters.
 - 100% FDI through automatic route allowed
 - Reasonable financial terms and revenue sharing model based on National Coal Index
 - » Auction of **41 coal blocks**, located across Madhya Pradesh, Chhattisgarh, Jharkhand, Odisha and Maharashtra, have been announced.

- This is expected to attract Rs 33,000 crore in investments, with private miners sharing revenues with the government.

D) NATIONAL COAL INDEX

- **Why in news?**
 - » National Coal Index (NCI) rolled out on 4th June 2020
- **Details**
 - » The NCI is a price index which reflects the change of price level of coal on a particular month relative to the fixed base year. The base year for the NCI is FY 2017-18.
 - » It has been created by **combining the prices of coal from all the sales channels** - Notified prices, Auction Prices, and Import Prices.
 - » The index is meant to encompass all transaction of raw coal in Indian market. This includes coking and non-coking coal of various grades transacted in the regulated (power and fertilizer) and unregulated sector.
 - **Note:** Washed coal and coal products are not included.
 - » It consists of **five subindices**: three for non-coking coal and two for coking coal.
 - The three subindices for non-coking coal are combined to produce index for Non-Coking coal and the two sub-indices for Coking coal are combined to arrive at the Index of Coking coal.
 - **Thus, Indices are separate for coking and non-coking coal.**
 - » The NCI is released every month.
- **Purpose**
 - » Ministry of Coal has started **commercial auction of coal on revenue share basis**. The amount of revenue share per ton of coal produced from auctioned blocks would be arrived by using the NCI by means of defined formula.
 - » Thus, NCI will truly reflect the market price

E) PRAKASH PORTAL

- **Ministry of Power**
- **PRAKASH** (Power Rail Koyla Availability Through Supply Harmony) portal launched in Oct 2019
- It has been developed by NTPC and aims at bringing **better coordination for coal supplies among all stakeholders** viz - Ministry of Power, Ministry of Coal, Coal India, Railways and power utilities.
 - » This is an important step in ensuring adequate availability and optimum utilization of coal at thermal power plants.

F) MEASURES TAKEN FOR SUSTAINABLE DEVELOPMENT IN COAL SECTOR

- Ministry of Coal has moved forward with a **comprehensive Sustainable Development Plan** and has initiated its speedy implementation.
- Some Out of Box (OoB) measures include **Use of Surplus Mine Water for irrigation and drinking purpose**, in and around mining areas, extraction and **use of sand from overburden (OB)**, promoting Eco-Mine Tourism, encouraging Bamboo Plantation etc.

UTILIZATION OF MINE WATER

- » Ministry of Coal has taken steps to promote utilization of mine water for irrigation & providing treated water for drinking to rural population in and around command area of the mining subsidiaries of CIL, SCCL, & NLCIL.
- » **Where is water used in Coal Mining?**

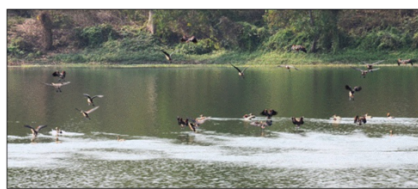
- Huge volumes of mine water released during mining operation is partially utilized for internal consumption by coal mines for providing drinking water in colonies, dust suppression, industrial use, plantation etc. This only constitutes 45% of total mine water and thus a large volume is left for community use.
- » Therefore, a **detailed mine wise plan** has been prepared for all the coal/lignite companies for maximizing supply of mine water to nearby villages in their command areas.

EXTRACTION AND USE OF SAND FROM OVER BURDEN (OB)

- » Use of this sand for construction and stowing material is another unique initiative promoting sustainable development through gainful utilization of wastes generated during mining.
- » **Advantages**
 - Increase availability of cheaper sand for house and other construction. It will thus reduce the adverse footprint of riverbed mining of sand.
 - It will also minimize the land required for OB dump in future projects.

ECO PARKS FOR ECO-MINE TOURISM

- » These are places where people can visit and see mining operation of both Opencast & Underground Mines.
- » Coal companies have already developed 15 eco-parks and a few more are under different stages of development in different mining areas in various subsidiaries of CIL, SCCL & NLCIL.
 - **E.g.,** The **Saoner Eco Park** of WCL near Nagpur is running Eco-Mine Tourism Circuit, a first of its kind in India, in collaboration with MTDC where people can visit and see mining operation in both Opencast & Underground Mines.



Gunjan Park of ECL – An OC mine turned into a beautiful Eco-Park with water body



Mine-I Eco Park in NLCIL, TamilNadu: Boating facility



Gobardhan Eco-Park, BCCL, Dhanbad

BAMBOO PLANTATION

- » Bamboo Plantation along coal transport roads and on the edges of mines will help in minimizing dust pollution.

FIRST MILE CONNECTIVITY

- » First Mile Connectivity (FMC) is another major sustainable initiative by coal companies, where coal is being transported through conveyor belt from Coal Handling Plants to Silo for loading. This process eliminates movement of coal through road and thus not only minimizes the environmental pollution, but also reduces the carbon footprint.
- » Taking a big step, 35 such projects have been planned to be commissioned by 2023-24 handling more than 400 million tonnes of coal with an investment of Rs. 12500 Crore

RENEWABLE ENERGY

- » CIL has set a target to establish 3 GW of Solar PV projects by FY24 to become self-reliant in electricity.

BIO-RECLAMATION AND TREE PLANTATION

- » This has become a key thrust area of coal companies in promoting environmental sustainability.
- » New techniques such as **seed ball plantation** have been adopted in many mines for providing green cover on OB Dumps

2. MICRO SMALL AND MEDIUM ENTERPRISE (MSMES)

- MSMEs are considered **pillar of economic growth/ engine of growth** in both developed and developing countries of the world. They have played a prominent role in the economic development of India too.
- There are more than 6.34 crore MSMEs in India and around 50% of them are situated in rural areas.
- The revision of the definitions of MSMEs brought in w.e.f. 1st July 2020 as part of the AtmaNirbhar Bharat Package introduced a **composite criterion of investment and annual turnover** - and **identical limits for manufacturing and service sector**.

Table 5: Definition of MSMEs - Old and New

	Old Definition		New Definition	
	Manufacturing	Services	Manufacturing	Services
Micro	Investment in Plant and Machinery: Does not exceed Rs. 25 Lakh.	Investment in Equipment: Does not exceed Rs. 10 Lakh.	Investment in Plant and Machinery or Equipment and turnover: The investment in plant and machinery or equipment does not exceed Rs. 1 Crore and turnover does not exceed Rs. 5 crores.	
Small	Investment in Plant and Machinery: More than Rs. 25 lakh but does not exceed Rs. 5 crore	Investment in Equipment: More than Rs. 10 Lakh but does not exceed Rs. 2 crore	Investment in Plant and Machinery or Equipment and turnover :The investment in plant and machinery or equipment does not exceed Rs. 10 crore and turnover does not exceed Rs. 50 crore.	
Medium	Investment in Plant and Machinery: More than Rs. 5 crore but does not exceed Rs. 10 crore	Investment in Equipment: More than Rs. 2 crore but does not Rs. 5 crore.	Investment in Plant and Machinery or Equipment and turnover: The investment in plant and machinery or equipment does not exceed Rs. 50 crore and turnover does not exceed Rs. 250 crore.	

- **Significance of the change**
 - The change in definition will facilitate expansion and growth of these enterprises.
 - The resulting economies of scale can enhance productivity without MSMEs losing out on several government incentives including market support, export promotion, preferential procurement in the public sector, and incentives through various government initiatives (MSE-CDP, PMEGP, SFURTI).
 - This change will also **align MSMEs with GST regime** and would prove to be a good tool to assess the contribution of the MSMEs to GDP. It will also **avoid unnecessary inspections** and enable authorities to verify claims of businesses using GST network sales data
 - **Same criteria for both** manufacturing and Service SME will simplify the classification.

1) SIGNIFICANCE OF MSME SECTOR

- **Economic:**
 - Share of MSME in the country's GVA is approx. **33.08 percent** (current price, 2019-20 (as per ESI 2021-22)).
 - It **employs** around **11 crore people** in India.
 - High Labor to capital ratio
 - It provides maximum opportunities for self-employment and wage employment outside the agri-sector.
 - **Manufacturing** -> 45% of the total manufacturing output.
 - **Exports:** Around 40% of the total manufacturing exports
- **Curtailing Regional Disparity**
 - Geographical distribution of MSME's are more even.

2) PROBLEMS FACED BY THE SECTOR

- Covid-19 Pandemic; Poor Access to Institutional Credit; Delayed Payments; Poor State of Infrastructure and Logistics; Lack of skilled workforce; Lack of Proper Market Linkages; Excessive Regulation etc.

3) INITIATIVES UNDER ATMA NIRBHAR BHARAT ABHIYAN (ANBA)

G) ANBA 1.0

- **Emergency Credit Line to Businesses/MSMEs** from Banks and NBFCs upto 20% of entire outstanding credit as on 29.2.2020.
 - It is a collateral free loan scheme, under which a total of **Rs 3,00,000 lakh crore** is expected to be disbursed.
 - **100% credit guarantee** cover to Banks and NBFCs on principal and interest.
 - Borrowers of upto 25 cr outstanding and upto 100 cr revenue were eligible.
 - The loan will have a tenure of 4 years and they will have a moratorium of 12 months.
- **Rs 20,000 crore** of subordinate debt to stressed MSMEs.
 - Government will provide a partial guarantee of Rs 4,000 Cr to CGTMSE.
- **Rs 50,000 crore** equity infusion for MSMEs through Funds of Funds with a corpus of Rs 10,000 crore.
- **New Definition of MSMEs**
- **Global Tenders** to be disallowed in government procurement tenders of upto Rs 200 crore -> To prevent MSMEs from facing unfair competition.
- **E-Marketing linkages** of the MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- **MSME receivables** from Gov and CPSEs to be released in 45 days.

MSMEs



Collateral free loans, subordinate debt, equity infusion, expanding ambit through change in definition

IMPACT: These measures will breathe life into 45 lakh units through equity and debt support, help them restart, safeguard jobs, and grow big

₹3.7 lakh cr

H) ANBA 3.0

- **Emergency Credit Liquidity Guarantee Scheme 2.0**

- The ECLGS 2.0 will provide collateral free, additional credit at capped interest rates to firms in 26 stressed sectors identified by the **KV Kamath Panel in October** plus **Healthcare** sector, including Aviation, Power, Construction, Steel, Roads, Auto, gems & jewellery, hotel and restaurants, and Real Estate. It is only applicable on establishment with credit outstanding between Rs 50 crore and Rs 5,00 crore.
- The scheme has also extended the deadline of loan moratorium from **December 2020 to March 2021**.
- The **tenor of additional credit under ECLGS 2.0 will be five years**, including one-year moratorium on principal repayment available till March 31, 2021.
- Under this stressed sector can avail themselves of debt moratoriums for upto five years.

4) MSME CLUSTER DEVELOPMENT PROGRAM OF MINISTRY OF MSME

- MSME is running two cluster development programs
 - i. Micro and Small Enterprises - Cluster Development Program (MSE-CDP)
 - ii. Scheme for upgradation of rural and traditional industries (**SFURTI**)
- **Advantages of such cluster programs**
 - Quicker dissemination of info allows easy sharing of knowledge and best practices
 - Better cost effectiveness due to distribution of common cost
 - Focuses on holistic development covering infra, common facility, testing, technology, & skill upgradation, marketing, and export promotion.
 - Weaves the fabric of networking, cooperation, and togetherness in the industry

5) MSME CHAMPIONS SCHEME

- It has been formulated through Standing Finance Committee (SFC) by merging all 6 components of erstwhile Technology Upgradation Scheme (TUS).
 - It is a holistic approach to unify, synergize, and converge various schemes and interventions with a single purpose. The end objective is to pick up clusters and enterprises and modernize their processes, reduce wastage, sharpen business competitiveness, and facilitate their National and Global reach and excellence.
 - There are **3 components under the new MSME champion's scheme**:
 - A. MSME-Sustainable (ZED)**
 - » MSME Sustainable (ZED) certification is an extensive drive to create awareness amongst MSMEs about Zero Defect Zero Effect (ZED) practice and motivate and incentivize them for ZED Certification while also encouraging them become MSME Champions.
 - B. MSME-Competitive (LEAN)**
 - » It is for enhancing the competitiveness of MSME sector through implementation of Lean Tools and Techniques. Lean tools and techniques are a tested and proven methodology for improving the competitiveness of MSME sector.
 - C. MSME-Innovative** (for incubation, IPR, Design, and Digital MSME)
 - » It is a new concept for MSMEs with a combination of innovation in incubation, design intervention and by protecting IPR in a single mode approach to create awareness amongst the MSMEs about India's innovation and motivate them to become MSME Champions.
 - The Digital MSME will be linked to all the other components of the MSME Champions Scheme.

6) OTHER PAST STEPS FOR EASY CREDIT AVAILABILITY

A) INTEREST SUBVENTION SCHEME

The scheme was launched in 2018 and provides a 2% interest subvention to GST Registered MSME sector.

B) MUDRA

- It focuses on collateral free loans of upto 10 lakh for non-farm sector.

C) MSME SECTOR UNDER PSL

- Brought under PSL in July 2016

7) STEPS TO INCREASE PRODUCTION AND DEMAND OF MSME SECTOR

- Reservation of items to be manufactured by MSME sector** -> provided in the Industries (development and regulation) Act, 1951.
- Purchase Preference Policy:** All CPSUs/Central Government Departments are required to procure **25% of their annual procurement** from MSMEs (including **4%** from MSEs owned by SC/ST and **3%** from MSEs owned by women entrepreneurs) and there is a sub-target of 20% for procurement of MSMEs owned by SC/STs under the Procurement Policy launched in 2012.
 - **MSME SAMBANDH Portal** - To monitor the implementation of the public procurement from MSEs by Central PSUs.
- Price Preference Policy:** For selected items a price preference of 15% premium over the lowest quotation of the large-scale unit is provided to MSME.
- Benefits in tendering:** MSMEs are provided benefits such as exemption from payment of security deposit etc.
- Marketing Assistance Scheme:** Provides assistance to MSMEs for the following activities: Organization of exhibitions abroad, co-sponsoring of exhibitions organized by other organizations, organizing buyer seller meets etc.

8) OTHER INITIATIVES TO PROMOTE EASE OF DOING BUSINESS FOR MSME SECTOR

A) UDYAM REGISTRATION (UR) PORTAL

- It provides faceless, fully online, paperless, and transparent MSME registration process fully integrated with Income Tax and GSTIN system. It is also integrated with government e-market place to make end to end MSME registration paperless.
- **Impact:** New Registration process has boosted the ease of doing business for the MSME sector by reducing transaction time and costs. As on 17th Jan 2022, 66,34,006 enterprises have registered on the Udyam Portal, out of which 62,79,858 are micro; 3,19,793 are small; and 34,355 are medium enterprises.
- **In July 2021**
 - » Government has included Retail and Wholesale trade as MSMEs. They are allowed to be registered on Udyam Registration portal. But benefits to them is restricted to PSL only.
- **From 2nd Aug 2021**, the Government has included Street Vendors as Retail Trades as MSMEs. They are allowed to be registered on Udyam Registration Portal. Benefits to them are restricted to PSL.

B) THE CHAMPIONS PORTAL

- It is an ICT based technology system for making the smaller units big by helping and handholding them. A network of control rooms is created in a Hub & Spoke Model where hub is situated in the Ministry of MSME, New Delhi, whereas 68 spokes are located across the country in various offices and institutions of Ministry.
 - » As of Jan 2022, more than 42K grievances have been received and more than 99% of them have been resolved.
 - » **Key features of the Portal:**
 - **Information Dissemination:** Regular updates on recent development in MSME sector
 - **Onboarding of Banks:** With a view to resolve the grievances in a fast-track manner, all Nationalized Banks, a good number of Private/Regional Rural Banks, State Financial Corporations, Central Government Ministries/ Departments/ State Governments, and CPSEs have been onboarded on the portal.
 - **Scheme/Program wise mapping** of officials of the Ministry for fast-track response of the grievances
 - **Integration with various portals** such as MSME Samadhan, Udyam Scheme, CPGRAM etc.

C) GST COMPOSITION SCHEME

- Scheme allows MSME firms, irrespective of their age, to pay GST at a flat rate. The turnover limit for businesses availing of the GST composition scheme is set at Rs 1.5 crore (75 lakhs in case of NE states).
- **Applicable Tax Rate:** 1% of turnover in case of manufacturers and traders, 5% in the case of restaurants (not serving alcohols), and 6% for other service providers.
 - The tax is to be paid from taxpayer's own pocket without charging it to the customer.
- **Some exceptions:** Businesses with inter-state supplies, manufacture of ice cream, pan masala and tobacco, and e-commerce players can't opt for the composition scheme.

D) EASY PAYMENTS TO MSMES

- Steps towards onboarding PSBs and corporates on **TReDS** (Trade Receivable Discounting System)
 - » The government has mandated all companies with a turnover of over 500 crores shall be required to get themselves on the TReDS platform.
 - » **Budget 2020-21:**
 - Necessary amendments will be made to the Factory Regulation Act 2011 to **enable non-banking financial companies (NBFCs) to extend invoice financing to the MSMEs through TReDS** thereby enhancing the economic and financial sustainability.
- **MSME Samadhan Portal** was launched in 2017, which allows MSMEs to register online complaints against delayed payments.
 - » A Special sub-portal within SAMADHAAN portal, an online reporting system developed for reporting the dues and monthly payment by GoI Ministries and CPSEs to the MSMEs was launched in June 2020.

9) PRE-PACKAGED INSOLVENCY RESOLUTION

- **Why in news?**
 - » The Insolvency and Bankruptcy (Amendment) Bill, 2021 - Passed by Parliament in Aug 2021 - proposed 'pre-packs' as an insolvency resolution mechanisms for MSME. (Aug 2021)
 - The bill replaces the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, which was promulgated in April 2021.
- **What are pre-packs?**

- » It is an alternate insolvency resolution process. It envisages resolution through a direct agreement between secured creditors and the existing owners or outside investors, instead of public bidding process.
 - Unlike CIRP, PIRP may be **initiated only by debtors**. The debtor should have base resolution plan in place. During the PIRP, the management of the company will remain with the debtor.
 - Application for initiating PIRP may be filed in the event of a default of at least one lakh rupees. The central government may increase the threshold of minimum default upto one crore rupees through a notification.
 - **Debtors eligible for PIRP:** PIRP may be initiated in the event of a default by a corporate debtor classified as an MSME under the MSME Development Act, 2006.
 - **Approval of Financial Creditors:** The approval of at least 66% of financial creditors that are unrelated to the corporate debtor would be required before a resolution plan is submitted to the NCLT.

- **Proceedings under PIRP:**

- » The debtor will submit the **base resolution plan to the RP (Resolution Professional) within two days** of the commencement of the PIRP.
- » **A committee of creditors** will be constituted within seven days of the PIRP commencement date, which will consider the base resolution plan. The RP may also invite resolution plans from other persons. Alternative resolution plan may be invited if i) the base plan is not approved by the committee, or ii) is unable to pay the debt of operational creditors (claims related to the provision of goods and services).
- » A resolution plan must be approved by the committee (with at least 66% of the voting share) within 90 days from the commencement date of PIRP. The resolution plan approved by the committee will be examined by the NCLT. If no resolution plan is approved by the committee, the RP may apply for the termination of PIRP. The **authority must either approve the plan or order termination of PIRP within 30 days of receipt**. Termination of PIRP will result in the liquidation of the corporate debtor.
- » Under this, financial creditors will agree to terms with the promoters or a potential investors, and seek approval of the resolution plan from the National Company Law Tribunal (NCLT).
 - This method has become increasingly popular in UK and Europe over the last decade.

- **Advantages of pre-packs:**

- » **Time:** One of the major criticism of CIRP is the time it takes for resolution. At the end of March 2021, 79% of the 1,723 ongoing insolvency resolution proceedings had crossed 270 day threshold. This is mostly due to prolonged litigations by erstwhile promoters and potential bidders.
 - **The pre-pack** in contrast, is limited to a maximum of 120 days with only 90 days available to stakeholders to bring a resolution plan for approval before the NCLT.
- » **Another key difference** between pre-packs and CIRP is that the existing management retains control in the case of pre-packs; in the case of CIRP, a resolution professional take control of the debtor as a representative of financial creditors. Experts note that this ensures minimal disruption of the operations relative to CIRP.
- » Thus, pre-packs are largely aimed at providing MSMEs with an opportunity to restructure their liabilities and start with a clean slate while still providing adequate protections so that the system is not misused by firms to avoid making payments to creditors.
 - The pre-pack mechanism does however, allows for a 'Swiss challenge' to any resolution plan that provides less than full recovery of dues for operational creditors. Under the swiss mechanism, any third party would be permitted to submit a resolution plan for the distressed company, and the original applicant would have to either match the improved resolution plan or forgo the investment.

- **Challenges of Pre-Packs:**

- » **Timeline may be difficult to meet** for lenders and distressed firms, and the forensic audits were particularly important in cases where the control of the firm remains with the same management.
- » Further, if a firm restructures its outstanding debt through a PIRP with the existing management retaining control, the NPA status of the company's account with lenders may not be automatically upgraded under the RBI guidelines.
- » **Debtor-in-possession** model may militate against the swiss challenge option, as the existing management may create hurdles for an outside investor seeking information to potentially invest in the company.
 - Under CIRP, a resolution professional is in charge of running the company and providing information to potential investors.