

## SIGNIFICANCE OF PARADIGM SHIFT FROM BHARAT TO ATMANIRBAR BHARAT -REVIEW ON LAWS FOR EASE OF DOING BUSINESS

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### *Abstract*

The purpose of writing this paper was to establish the significance of Paradigm shift from Made in India to the very innovative concept of Atmanirbharabhiyan. Ease of doing business is key to entrepreneurship, innovation and wealth creation. The government announced an economic stimulus package of Rs 20 lakh crore and big-bang systemic reforms under the Atmanirbar Bharat Abhiyaan(self-reliant India).

The intended objective of this plan is two-fold. First, interim measures such as liquidity infusion and direct cash transfers for the poor will work as shock absorbers for those in acute stress due to coronavirus. The second, long-term reforms in growth-critical sectors to make them globally competitive and attractive. Together, these steps may revive the economic activity, impacted by Covid-19 Pandemic and create new opportunities for growth in sectors like agriculture, micro, small and medium enterprises (MSMEs), power, coal and mining, defence and aviation, etc. However, there are several challenges, ease in laws that need to be addressed in order to fulfill the vision of this plan.

**Keywords:** Atmanirbhar Bharat Abhiyan, Covid-19, Liquidity infusion, MSME's, Ease of doing business.

### *Introduction*

Ease of doing business is key to entrepreneurship, innovation and wealth creation. India has risen significantly in the World Bank's Doing Business rankings in recent years. As India leapfrogs towards a five trillion-dollar economy by 2024-25, simplifying and maintaining a business-friendly regulatory environment is essential. India has made substantial gains in the World Bank's Doing Business rankings from 142 in 2014 to 63 in 2019.

The outbreak of Coronavirus disease (Covid-19) created global health crisis and WHO declared it as pandemic due to it as a preventive measure lockdowns remain the only way to slow its spread. However, the lockdowns are also pushing major economies to the brink.

**Make in India v/s Atmanirbhar Bharat:**

**Make in India (MII)** in India is an endeavor to attract foreign investors to start manufacturing their products in India, thus creating employment for the local population, boosting the economy with rise in both the imports and exports of locally manufactured goods which ultimately would increase the inflow of funds in the country.

**Atmanirbhar Bharat (AB)** is a call to manufacture all those products in the country itself which are needed for domestic consumption. Or in other words we should be discouraging heavily dependency on imports of the products for the essential commodities.

1. MII emphasizes both Exports and Imports whereas AB indirectly discourages Imports while emphasizing more on exports.
2. MII apparently facilitates big industries whereas AB supports the MSME segment.
3. Distribution of wealth is restricted in MII as the lion's share of revenue will be taken away by the Foreign Investor by just parting with the local taxes and expenditures. Whereas in AB, the distribution of wealth would be relatively even as the supply chain, end users, manufacturers, raw material suppliers were all domestic in nature.

Well, both MII and AB are needed for Indian economy but with COVID-19 pandemic where the global supply chain is under pressure, the Atmanirbhar Bharat endeavor is the call of the moment which will ensure that domestic demand and consumption should be increased and is to be satisfied with the locally manufactured goods and services to support temporary unrest created in the economy due to low demand of goods and services in the Global Market.

**Stimulus Package:** In order to materialise this vision and provide a liquidity boost to the Indian economy for recouping with the loss caused due to the ongoing Covid-19 pandemic, the Government of India, has announced a special economic package of Rs. 20 lakh crores in five

tranches from May 13, 2020 to May 17, 2020 ("*Stimulus Package*") focussing on land, labour, liquidity and law.

The first tranche of the Stimulus Package is dedicated to support micro, small and medium enterprises "*MSMEs*". The reforms introduced in the second tranche are aimed at providing relief to the poor including the farmers and the migrant workers. The third tranche is focused on introducing additional reforms for the agricultural sector. As part of the fourth tranche, the Government announced reforms to provide impetus to sectors including coal mining, minerals, defence civil aviation, atomic energy. The fifth and the final tranche focuses on healthcare and education and certain other reforms including decriminalisation of the Companies Act, 2013, ease of doing business, public sector undertakings.

In this De Jure, endeavour is to highlight certain critical reforms introduced by the Government of India as part of the Stimulus Package.

#### Reforms for MSMEs

- Provision of Rs.3,00,000 crores collateral-free Emergency Credit Line for Businesses including MSMEs.
- Provision of Rs.20,000 crores of subordinate debt for stressed MSMEs requiring equity support.
- Equity infusion of Rs.50,000 crores for MSMEs with growth potential and viability through Fund of funds and encouraging such MSMEs to get listed on Stock Exchanges.
- Disallowance of global tenders up to Rs.200 crores.
- Introduction of a revised definition of MSME, thereby eliminating distinction between the manufacturing and service sector as follows:

Revised MSME Classification with Composite Criteria of Investment as well as Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr and Turnover < Rs.100 cr.

Reforms for Non-Banking Financial Companies ("*NBFCs*"), Housing Finance Companies ("*HFCs*") and Micro Finance Institutions ("*MFIs*")

- Provision of Rs.30,000 crores Special Liquidity Scheme support for NBFCs/ HFCs and MFIs by creation of a special purpose vehicle as part of which investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/ HFCs/ MFIs.
- Provision of Rs.45,000 crores Partial Credit Guarantee Scheme 2.0 for NBFCs/ HFCs and MFIs with low credit rating and extension of the existing Partial Credit Guarantee Scheme to cover borrowings such as primary issuance of Bonds/ Commercial Papers of such entities.

Reforms for Power Distribution Companies ("*DISCOMS*")

- Liquidity infusion of Rs.90,000 crores through Power Finance Corporation Limited and REC Limited against receivables to DISCOMs.

Taxation Reforms

- Reduction of (i) Tax Deduction at Source for non-salaried specified payments made to residents, and (ii) Tax Collection at Source for the specified receipts, by 25% for the financial year 2020-21.
- Immediate issuance of all pending tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership, LLPs and Co-operatives.
- Extension of due dates of (i) all income-tax returns for financial year 2019-20 to November 30, 2020, and (ii) tax audit to October 31, 2020.
- Extension of the period of 'Vivad se Vishwas Scheme' for making payments without additional amount to December 31, 2020.

Reforms related to Insolvency & Bankruptcy Code, 2016 ("*IBC*")

- Enhancement of minimum threshold limit from Rs.1 lakh to Rs.1 crores for initiation of insolvency proceedings.

- Proposal to notify a special insolvency resolution framework for MSMEs under Section 240A of the IBC.

#### Legal Reforms

- Introduction of ease of doing business reforms including simplification of property registration mechanism and tax regime and faster disposal of commercial disputes.
- Decriminalizing of the Companies Act, 2013 by shifting to an internal adjudicating mechanism and enhancing the powers of the Regional Directors in relation to compounding of offences.

#### *Impact of this Stimulus Package*

- **Primary Sector:** The measures (**reforms to amend ECA, APMC, Contract framing, etc**) announced for the agricultural and allied sectors are particularly transformative. These reforms are steps towards the **One Nation One Market** objective and help India become the **food factory of the world**. Also, the MGNREGA infusion of Rs 40,000 crore may help in alleviating the distress of migrants when they return to their villages.
- **Secondary Sector:** Given the importance of MSMEs for Indian economy, the **Rs 3 lakh crore collateral-free loan facility for MSMEs** under the package will help The finance-starved sector and thereby provide a kickstart to the dismal state of the economy. Also, as the MSME sector is the second largest employment generating sector in India, this step will help to sustain the labour intensive industries and thereby help in **leveraging India's comparative advantage**.
- **Tertiary Sector:** The government has adopted a balanced approach in addressing concerns across sectors. For example: The newly launched **PM e-Vidyaprogramme** for multi-mode access to digital online education provides a uniform learning platform for the whole nation, which shall enable schools and universities to stream courses online without further loss of teaching hours.

#### *Steps to be Taken:*

**Enhancing Demand:** The economic package for the country emerging out of the lockdown requires a stimulus enhancing demand across the economy. The best way for this is to spend on greenfield infrastructure. Infrastructure spending uniquely creates

structures that raise productivity and extends spending power to the section of the population most affected by the lockdown, namely daily wage labourers.

**Mobilising Finances:** For financing of the stimulus package, India's foreign reserves stand at an all-time high which could be strategically used to finance its needs. The rest may have to come from privatisation, taxation, loans and more international aid.

**Holistic Reforms:** Any stimulus package will fail to reflect the trickle-down effect, until and unless it is backed by reforms in various sectors. Thus, Atmanirbhar plan also encompasses the unfinished agenda of holistic reforms which may include reforms in Civil services, Education, Skill and Labour, etc.

**Conclusion:**

The economic crisis triggered by Covid-19 pandemic is much like the 1991 economic crisis, which was a harbinger of a paradigm shift via liberalisation, privatisation and globalisation. The post-Covid-19 era may usher in unprecedented opportunities provided the implementation deficit is adequately addressed.

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**Notes:-**

- 1 See Economic Survey 2018-19 Chapter 5, Volume I.
- 2 See Economic Survey 2019-20 Chapter 9, Volume II.