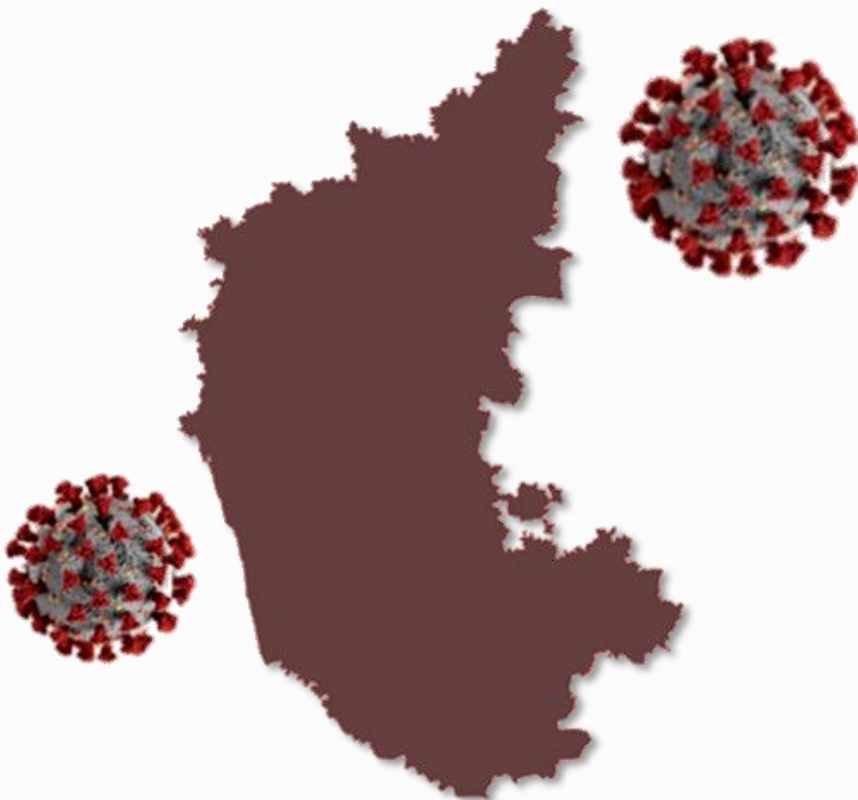


# **Fight against the COVID-19 pandemic**

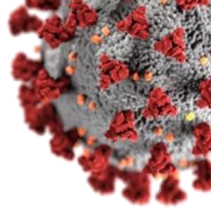
## **Inputs on Revival of Karnataka's Economy and Industry**

**April 2020**



**Knowledge Partner**

# Karnataka State Snapshot



As India's seventh largest State in geographical area (191791 sq. km) Karnataka is home to 6.11 crore people (2011 Census), which is expected to reach 7.07 Crores in 2020. The state also has above average literacy rates and is among the leading urbanised state.



Literacy rate:  
75.4%



**Government  
Hospitals (GH): 414**

**GH Beds per lakh  
Population: 108**

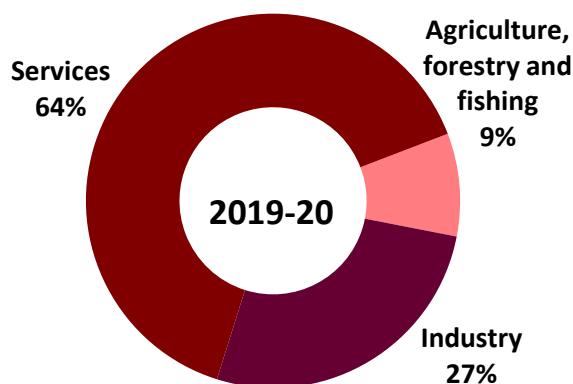
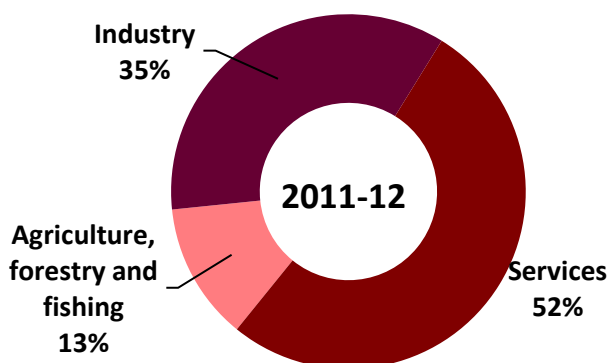
## COVID-19 impact

- As on April 29, 520 confirm cases and 20 death recorded.
- **Hotspots:** Bengaluru Urban, Mysuru, Belagavi, Bidar, Kalaburugi, Dakshina Kannada, Bagalkot and Dharward
- **Green Zone:** Chamrajnagar, Kolar, Koppala, Raichur, Ramanagar, Shimoga and Yadgiri, Chikmagalur, Hassan, Haveri,

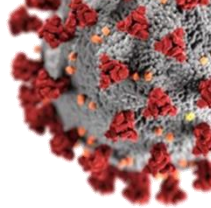
Driving a mission to promote faster and inclusive growth, the state of Karnataka, offers various fiscal and policy incentives under the Karnataka Industrial Policy, 2014-19. The Gross State Domestic Product (GSDP) of Karnataka for 2019-20 at constant (2011-12) prices was estimated to be INR 12,01,031 crores.

Known as the IT hub of India, the state also boasts of a strong automobile, textile & garment, food processing, biotech heavy engineering ecosystem. Karnataka's economy largely dependent on services sector contribution and it has grown from 56.8% in 2011-12 to 62.9% in 2019-20.

## GVA at Constant Price

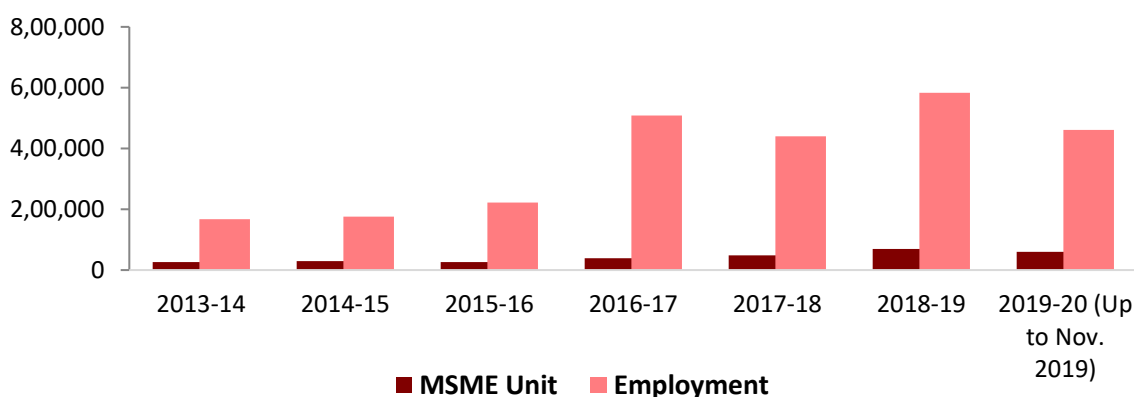


# Karnataka State Snapshot



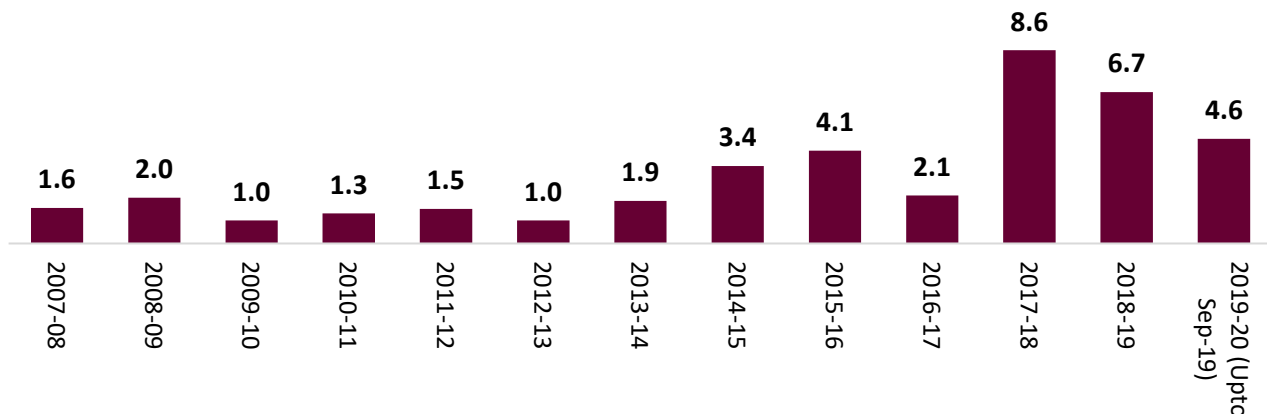
The state has a robust manufacturing base with almost 17,000 factories across sectors. MSMEs are the backbone of the Indian economy and also play a critical role in Karnataka. The state recorded significant increase in terms of number of units in recent years. To improve their global competitiveness, the Karnataka Government offer various incentives and concessions to the MSME sector for technology upgradation / technology transfer. During 2018-19, 69,278 MSME units were registered in the State with an investment of INR1,487,698 lakh, providing employment to 582,943 persons.

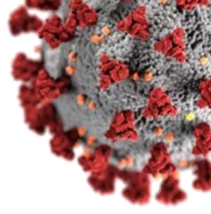
## MSMEs in Karnataka



Karnataka contributes a large share of India's total FDI inflows into India - 15.1% share in India's FDI inflows in 2018-19. During 2000 to 2019 (up to Sep 2019) Karnataka attracted FDI of US\$ 42,320 , constituting 9.5% of the all India FDI inflows.

## FDI Inflow in Karnataka (US \$ Billion)

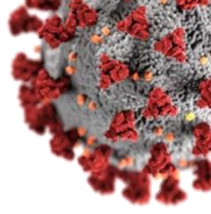




# Recommendations for the revival of Karnataka's economy

## Trade & Economy

- **Start industrial activity in orange zone** with strong checks and balances on health safety implementation
- Kick start various **clusters across the state** for which lot of ground work has already been done
- The state government must open an **interactive portal** with a team of nodal officers to hear all the grievances which establishments in the state of Karnataka for grievances redressal
- The state government must mitigate financial needs by **releasing all the payments** due from the government to the private sector.
- To encourage the new investment and continuation business, state government should provide **reliefs and cut in state levies such as stamp duties, excise duties, property tax etc.**
- From May 3<sup>rd</sup>, **Open out operations of Exporters and industries** with full value chain by including supplier chain and employee chain without any restrictions and opening an isolation points and stay facility with medical support at every industrial estate or cluster and refrain the movement of common man or family in these zones. Like how hospitals are being considered as Emergency places of needs
- Govt. should procure – based on “FASTEST DELIVERY” rather than based on “LOWEST PRICE”. This will help liquidate the existing stock of over Rs. 6 lakhs crores with Engg. Industries and facilitate circulation of money
- Unlocking unutilized fund including **unclaimed PF to** support the revival of demand and consumption
- **Clarification on import and export** of raw material goods from COVID-19 affected countries.
- **Engage aggressively with global investors** who are looking for an alternate to China and also facilitate investors through quick approvals and handholding service.



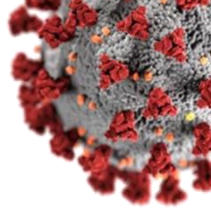
# Recommendations for the revival of Karnataka's economy (Contd.)

## Infrastructure

- The state can take up **infrastructure projects** that have been left incomplete so that economic activity is augmented.
- State government must take initiative to bring healthcare to Length and breadth of the State. It **must identify the districts in which there is a need for augmentation of healthcare infrastructure**. It could be setting up of hospitals recruitment of nurses medical assistants research labs and treatment centres not necessarily COVID-19 centric.
- The logistics & transportation sector is also facing difficulties due to lack of drivers and laborers therefore government should start **awareness drive** to remove the fear from workers who have left to their native.
- Consumption of power supply is a cost factor. State government can provide all establishments coming under the **LT category free power supply** for a period of three months up to the number of units these units and establishments where consuming in the last three months of the calendar year 2019.

## Labor & Employment

- Prepare and implement a **detailed plan for skill availability given** the uncertainties of migrant labor and setting up of nodal team who can assist the industry with requirement of labor.
- State should make arrangements wherever possible to create **temporary shelters for migratory workers near industrial areas in cooperation with industry association**
- Government should introduce **new scheme** to support the industries and service providers by offering them Grants and subsidies based on new employment generation in the financial year 2020-21.
- Across the state of **Karnataka free bus passes** can be provided to workers who were working in various establishments registered with the Department of industry and commerce including establishments registered under the shops and establishments act.



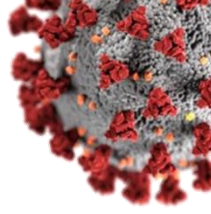
# Recommendations for the revival of Karnataka's economy (contd.)

## Banking & Finance

- **Hold on all legal actions under SARFASI ACT, NPA classifications** and allow One Time Settlement at the value of the due principal amount to entrepreneurs by waiving all interest and penal interest charged, till 31.3.2021.
- Raise money by **Issuing bonds backed by State Govt and extend state guarantee to Banks to extend loans to MSMEs.**
- As chance of losses are high during lockdown, loan alone would add to the woes of SMEs. Hence, **grants or default guarantees on loans by state government should be the preferred ask.**
- Release from **interest on EMI moratorium and OCC limits, PF/ESI, EB payments, Rents payable to Government-owned premises extend till Sept 2020**
- For start-ups approved by DIPP who do not enjoy any bank facility – **offer a loan at zero interest Rs.15 lakhs** to survive as otherwise they are bound to get completely wiped out as all their plans have been derailed completely at nascent stage itself
- **Reduce Interest of all loans in the market extended to 5%** and govt can offer the subsidy for the same till 31.3.2022
- **Bill discounting facility** for 100% value of bills raised even on private parties
- WC loan equivalent to 3 months employee costs as of April 1, 2020 made available. **Very soft interest rate**, 3 month moratorium on loan repayments

## Taxation

- **Exemption Or concessional Rate of GST** for units with sales turnover up to Rs. 5.0 crores so that businesses between SMEs will grow and service companies saved from 18% additional tax.
- The state government can provide **financial support in the form of refund of GST paid up to 50%** which will be operating as a substantial support to the industrial and service establishments on a verifiable basis. This financial support can be recovered without interest after 2020-21.

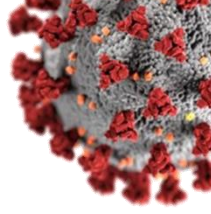


# Recommendations for the revival of Karnataka's economy (contd.)

## MSMEs

- Corona Virus corporate **Revival Loan Scheme for MSME** : [ Maximum of Rs 10 crore per unit for working capital purposes ]- Loan at 4.5% interest – repayable in 10 year period after a moratorium of 6 months. [ Each month 10 lakhs per month from Oct 2020 onwards], and those who are repaying early can claim waiver of entire interest already paid.
  - Eligibility [ combination of any / all of the following ]:- All MSME registered units prior to 1<sup>ST</sup> JAN 2020:-
  - MSME unit – 30% of net worth as per the last audited Balance sheet; and /or
  - MSME unit – 50% of GST payment in the last 6 months; and / or
  - MSME export Units – 10% of last 3 year Export turnover; and /or
  - 10 times of PF Contribution of last 3 years by MSME Units; and /or
  - 10 Times of highest MAT paid in the last 5 years by MSME units; and/or
  - 25 Times of IT payment made in the last year; and /or
  - 50% of working capital limits of its existing bank loan in the last 12 months; and /or
  - 40% of the firm purchase orders pending as on 1<sup>st</sup> April 2020; and /or
  - 100% of promoter's contribution and unsecured loan of promoters as per last audited balance sheet; and /or
  - 50 times of gross salary of women employees as at 31<sup>st</sup> March 2020
- GOVT to float Corona Virus Corporate Revival of MSME [ CVCRL Bonds, bearing 5% interest , repayment by 10<sup>th</sup> Year ] of Rs. 1 lakh crore for MSME and SSI units revival:-
  - make all banks to contribute 1% of the Deposits as at 31<sup>st</sup> March 2020;
  - make it open for CSR contribution by Corporates;
  - all venture funds received in the last 6 months to contribute 5% of its capital receipts and all future venture contributions will share 10% to this Bonds
  - All corporates having secured loan or net worth in excess of Rs. 100 Crores to contribute 10% of its sanctioned Secured loan limit [ banks can grant this as special fund to all such companies and collect interest ]





# Recommendations for the revival of Karnataka's economy (contd.)

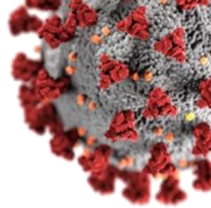
- Incentive
  - Income tax relief of 100% for all prepayment of the special loan within the first 3 years.
  - Reduction of Interest rate by 1% on all existing bank loan for three successive years after the prepayment of the special loan.
- Release **all dues payable to MSME** from Government and private companies immediately
- To help these small businesses, State Government and local bodies should **procure from MSMEs and startups thus, helping them sustain.**
- Setting up an **independent Fiscal Council** with focus on SMEs

## Miscellaneous

- **Start industrial activity in orange zone** with strong checks and balances on health safety implementation
- Kick start various **clusters across the state** for which lot of ground work has already been done
- The state government must open an **interactive portal** with a team of nodal officers to hear all the grievances which establishments in the state of Karnataka so that once in a week all the grievances from across the state could be tabulated and government can reach out to resolve the issues which will be an encouragement for industry and help to bring back the economy on wheels.
- The state government must float tenders for purchasing goods and services in all the areas of need so that the drive helps the drivers of the economy.
- The state government must mitigate financial needs by releasing all the payments due from the government to the private sector.



# About ASSOCHAM



ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 250 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Our legacy has helped build a strong foundation for future endeavors wherein we serve as the Knowledge Chamber for the industry and become the conduit between them and the Government to foster development of a New India. Seen as a proactive and forward looking institution, ASSOCHAM is fully equipped to meet the aspirations of Corporate India in the new world of business.

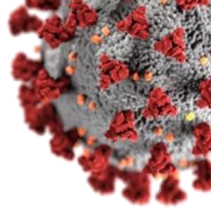
ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. We aim to empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the technology-driven global market and helps them upscale, align and emerge as formidable player in respective business segments.

Aligned with the vision of creating a New India, ASSOCHAM works as a conduit between the industry and the Government. ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally.

As a representative of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

# About Primus Partners



Primus Partners has been set up to partner with clients in ‘navigating’ India, by experts with decades of experience in doing so for large global firms. Set up on the principle of ‘Idea Realization’, it brings to bear ‘experience in action’.

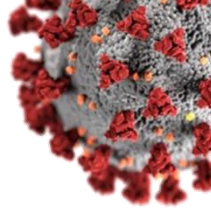
‘Idea Realization’— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

India is and will continue to be a complex opportunity. Private and Public sector need trusted advisory partners in order to tap into this opportunity. Primus Partners is your go-to trusted Advisory for both public and private sector organizations involved intricately with nation building, and the creation and growth of robust corporations as engines of progress.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc), and with varied specialization (engineers, lawyers, tax professionals, management, etc).

Primus Partners brings experience of working in more than 30 countries with private and public sector, including working with Government of India, building and leading large consulting teams at the leadership level, and creating one of the largest public sector consulting practice in India. They also represent 200 person years of experience in leading global and Indian consulting firms and the public sector.

The founding team is supported by a distinguished advisory board that includes experts with leadership experience across government, large corporate and notable civil society organisations.



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