ISSN 2321 – 9378

IMI Konnect

Volume 10, Issue 2, 2021

An IMI Kolkata Publication

Highlights

New Code on Social Security | Farm Laws | NPA Scenario | Supply Chain Management 4.0 |

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Recent Farm Laws: Genesis, Current Status and Way Forward

Radha R. Ashrit*

Abstract

It is well established that the agriculture sector and farmers in the country are reeling under an unprecedented crisis. Therefore, an overhaul of the existing agriculture policy framework is the need of the hour. Recently enacted 3 farm laws are the steps in the right direction. However, these laws have created commotion among those who are the prime stakeholders, farmers themselves. Though perceived as reformatory in nature by the Government and a section of agriculture economists, the farmers from Punjab, Haryana, and Western Uttar Pradesh in particular, did not resonate the same. This article explores the genesis of farm laws along with their merits and demerits. The study also indicates that, while these laws have the potential to revolutionize the entire agriculture sector, they should only be implemented after farmers' concerns have been addressed.

Keywords: Farm laws, agriculture sector, farmers, India

1. Introduction

The recently enacted farm laws in India have stirred a debate among everyone - politicians, experts, and ordinary people. Farmers have been agitating and registering their protests across the country peacefully and democratically by organizing massive farmer sit-ins across Delhi borders for more than 6 months to date to demand a repeal of the 3 laws namely, 'The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020', 'The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020' and 'The Essential Commodities (Amendment) Act, 2020'.

Together, these laws aim at bringing massive reforms to the agriculture sector by easing market restrictions and allowing contract farming to boost farmers' income. These laws have been passed by the Parliament in September 2020, replacing the June 2020 ordinances on the same.

However, lately, the protests turned violent on January 26, 2021, injuring more than 300 police personnel and massively damaging public property.

2. Tracing the Genesis of Farm Laws in India

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Soon after India gained independence, the newly-formed government introduced reforms to remedy the prevailing condition of the farmers who had suffered oppression under the repressive British regime. India had inherited a dwindling agricultural economy plagued with recurring famines, food shortages and the need to import food grains to meet its domestic demand. Various laws were enacted to overcome the issues mentioned above in Indian agriculture, such as abolishing intermediaries, the ceiling on landholding and tenancy reforms.

During the mid-1960s, India faced the political and economic crisis due to war with China, Pakistan, and three back-to-back famines (1964-65, 1965-66, and 1966-67). India was forced to import wheat from the US under PL-480[1]. Therefore, to gain self-sufficiency in food and meet its food grains demand, India adopted the *Green Revolution* strategy. Green Revolution is a technology-driven framework focused on the intensive use of integrated farm inputs such as a package of High Yielding Variety (HYV) seeds imported from Mexico and the Philippines, chemical fertilizers for its vulnerability to pest attacks, irrigation facilities for a steady water supply, and tractors to prepare for the next crop on time. These strategies were initially adopted and absorbed by large farmers in Punjab and Haryana because of good infrastructure support. As a result, 1966-71 witnessed a rapid increase in usage of HYV seeds, and the overall food production increased from 72 million tons to 108 million tons (Dasgupta, 1977).

To further encourage farmers to adopt this technology, incentives were given in the form of assured market in terms of Agricultural Produce Marketing Committees (APMCs), food procurement from Food Corporation of India (FCI), and an assured Minimum Support Price (MSP) announced at the beginning of the season. Moreover, subsidies were given on HYV seeds, power, fertilizers and irrigation, so that farmers would be ready to invest in the sector. A major driving force behind the achievements of the Green Revolution has been the Agriculture Produce Market Regulation Act, 1964 (Chand, 2016).

Since the 1960s, the country undertook major reforms towards regulating agricultural markets, market infrastructure and institutions and agricultural price policy (Chand, 2012). The APMC Act was directed towards bringing about defined market areas and infrastructure to sell and purchase agriculture commodities to eliminate the unequal trade relations between the farmers and the traders. Under the newly formed APMC Acts, mandis were established to

[1]After independence, India relied on food crop supplies from the United States under Public Law 480 (PL-480) against rupee payments. For details, please refer:
https://www.epw.in/system/files/pdf/1960_12/39/indous_food_agreementand_state_trading_in_foodgrains.pdf

http://www.fao.org/fileadmin/user_upload/FAO-countries/India/docs/Full_Paper-6.pdf

ensure fair price to farmers, provide reliable market information flow, enforce rules and build trust among different stakeholders to reduce the uncertainties and risks (Reddy, 2018). Mandis are regulated by the state governments and managed by committees consisting of farmers who sold their produce and registered commission agents, arhtiyas who bought the agricultural produce at the auctioned price from the farmers. These APMCs also collected market fees or cess from the commission agents. The mandi system also set a minimum support price system (MSP) for 22 crops to assure minimum price to the farmers for their produce in cases when the market prices fell. However, only 2 crops (wheat and paddy) have been procured by the government under MSP (Kasliwal, 2021).

While the mandi system improved and eased the condition of farmers initially, over time, it failed to enhance its marketing efficiency, improve infrastructure, and discover fair prices. Furthermore, this led to malpractices like cartelization, which inhibited the farmers from getting a reasonable and profitable price for their crops (Reddy, 2018). The economic liberalization which happened across economic sectors during early 1990s, kept the agriculture sector out of its purview (Kotwal *et al.*, 2011). Therefore, to introduce further reforms to the mandi system, a model APMC Act was shared with the states and union territories (UTs) in 2003, for adoption. Further, in 2017, a new model Act, called 'The State/ UT Agricultural Produce and Livestock Marketing (Promotion and Facilitation) (APLM) Act 2017', was introduced. The act aimed to bring forth a competitive marketing system, advising farmers to practise integrated farming, addressing not just field crops, but horticulture, animal husbandry, fisheries, and other allied activities. However, the responses from the states were lukewarm and implementation of the act was fragmentary, sporadic and watered-down. Thus, the reforms could not bring in transformation in the lives of farmers in a pragmatic way.

Subsequently, another model act was shared with the states, for its adoption, which was facilitative in nature namely 'The State/ UT Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018' to address the ambiguity in price and marketing. The model pronounced that above Contract Farming Act covers the entire value and supply chain from pre-production to post-harvest marketing, including services mentioned in the contract of the agricultural produce and livestock. Additionally, National Agriculture Market (e-NAM) scheme, for transparent price discovery for the produce through a competitive online bidding system was put in place to benefit farmers.

Again in 2018, the Government of India introduced an umbrella scheme 'Pradhan Mantri Annadata Aay SanraksHan Abhiyan (PM-AASHA)' to ensure remunerative prices

to farmers for their produce. This scheme had 3 sub-components namely, the Price Support Scheme (PSS) for procurement of pulses, oilseeds and copra; the Price Deficiency Payment Scheme (PDPS) and the Pilot of Private Procurement & Stockist Scheme (PPSS) for all oilseeds notified under MSPs through active involvement with state governments. Procurement of paddy, wheat and nutri-cereals or, coarse grains and cotton and jute shall also be continued as usual through FCI and other official agencies for providing MSP to farmers for these crops (Committee on Doubling Farmers' Income, 2018).

For a smooth implementation, all of the above measures need seamless communication and constructive support at the state level. Only then, the farmers will be able to reap the desired benefits. As previously mentioned, owing to lukewarm support from the states, the centre eventually passed 3 farm laws in 2020 to institutionalise agricultural reforms through legislation.

3. Legality of the 3 Farm Laws

The 3 laws can be put under legal scrutiny on 2 grounds, first, on the scope of the laws and second on the procedural format of the laws. Article 246 of the constitution empowers the parliament to legislate in matters of Union List, listed under the Seventh Schedule, and state legislatures to legislate in cases of State List enumerated under the Seventh Schedule. Further, both the Centre and the states have the power to legislate in matters of subjects listed under the Concurrent List of the Seventh Schedule. However, in case of legislation falling under the Concurrent List, the Centre's laws override that of the state.

As per the constitution, agriculture falls under the State List, which gives the states the power to legislate in agriculture matters, including agricultural education and research, protection against pests and prevention of plant diseases, and allied activities. However, Entry 33 of the Concurrent list allows the Centre to legislate in matters of trade and commerce, production, supply, and distribution of the products of any industry, foodstuffs, animal husbandry, and crop farming. Thus, the acts have legal and constitutional support.

What caused an even more uproar is how the 3 farm laws were passed in the Rajya Sabha. The laws were already in function since June 2020 as ordinances, which would have been passed during the then monsoon session of the parliament to prevent the ordinances from lapsing. The laws were put to vote through voice votes instead of the electronic voting procedure. However, due to COVID-19 protocols and social distancing norms in place due to the ongoing pandemic, members of the parliament were not allowed to sit at their designated areas. In contrast, electronic voting requires the members of parliament to cast their vote from their designated place. Moreover, the laws were not sent to the Parliamentary Committees for further scrutiny, raising further suspicion among the

political parties opposing the bills in general and the farmers.

4. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

The Act provides farmers and traders the freedom of choice related to the sale and purchase of the farmers' produce to facilitate remunerative prices through competitive alternative trading channels. It aims to "promote efficient, transparent and barrier-free inter and intra-state trade and commerce of farmers' produce. It will enable the farmers to trade outside the physical premises of markets or deemed markets notified under various state agricultural produce market legislations. The Act also provides for a facilitative framework for electronic trading." Further, it allows the central government to develop a price information and market intelligence system for farmers' produce and a framework of dissemination of such information.

However, it does not allow for any market fee or cess or levy to be charged by the states on any farmer, trader, or electronic platform in a trade area. The farmers are concerned that over time, APMCs and MSP systems will weaken and that there will be no level-playing field between the APMCs and the alternative trading channels. In the absence of a competitive and well-functioning APMC, farmers would eventually be forced to trade with private traders well below the MSP and be left at large private corporations' mercy. The government must strengthen the APMC market system so that farmers who make sales through the private entities should be based on natural choice, innovation, and attractive offers rather than making distress sales. The central government must ensure adequate compensation to the states for the revenue loss from the prohibition of cess charged in a trade area, or it must allow for cess in private trading.

The fear of losing access to a state-regulated mandi system also arises from the experience of Bihar, wherein the state government had deregulated the agriculture sector in 2006 and replaced the APMC system with panchayat-level societies called Primary Agriculture Credit Societies (PACS). These PACS suffer from inadequate funding that does not come on time, difficulty in registration, untimely procurement of farm produce, and corruption. Thus, farmers have often been forced to make distress sales at lower prices (Pandey, 2021).

In case of dispute between farmers and traders, the Act provides for dispute resolution through conciliation by filing an application to the sub-divisional magistrate (SDM), who shall refer such disputes to a conciliation board appointed by the SDM for settlement of the conflicts. Such board of conciliation shall consist of a chairperson and 2-4 members, and the chairperson shall be an officer serving under the supervision and control of the SDM. It bars the jurisdiction of any civil court to entertain any suit or proceedings.

The dispute resolution mechanism must be fair and affordable. The small and vulnerable

farmers with no legal resources cannot be pitted against large companies who can access the best legal expertise. The Centre must ensure adequate legal remedy, and farmers must have an opportunity to approach a civil court for dispute settlements.

Even now, most small farmers are selling their products in their vicinity rather than APMC mandis. Nevertheless, this Act gives the option to farmers who are producing for the market.

5. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

The Act provides a national framework on farming agreements that seek to protect and empower farmers to engage with agri-business firms, processors, wholesalers, exporters, or large retailers. The contract of on-farm services and sale of future farming produce aims at a mutually agreed remunerative price fairly and transparently. It puts the farmers in contact with experts in farm services. It allows access to new technology in farming through The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.

The Act allows a farmer to enter into a written farming agreement with a sponsor who provides the terms and conditions for the supply of such products, such as supply, quality, grade, standards, price, and farm services. Such an agreement cannot be entered into by a farmer in derogation of the rights of a sharecropper. The minimum period of such an agreement shall be for 1 crop season or 1 production cycle of livestock, as the case may be. The maximum period shall be 5 years, except in cases where the production cycle is longer. It also allows the central government to issue necessary guidelines or model farming agreements. However, safeguards must be ensured, implemented, and made compulsory to protect the farmers from exploitation.

The Act prohibits the sponsor from acquiring ownership rights or making permanent modifications on farmer's land in such agreement. However, with the low bargaining power of small and marginal farmers and the need for cash for subsistence, farmers are concerned that the new laws will lead farmers to lose their lands eventually.

In case the price determined and mentioned in the farming agreement of products is subject to variation, the law requires that such agreement must explicitly provide for a guaranteed price to be paid for such produce. Further, a transparent pricing mechanism for any additional amount over and above the guaranteed price, putting forth the method of determining such expenditure, shall be annexed to the farming agreement. It exempts produce from such deals from any state act. However, the government must provide a price assurance system, and a minimum assured price guarantee within the contract. Farmers should be provided with proper legal remedies wherever they have concerns.

6. The Essential Commodities (Amendment) Act, 2020

The Act allows the central government to regulate foodstuffs' supply, including cereals, pulses, potatoes, onions, edible oilseeds, and oils under extraordinary circumstances such as war, famine, unusual price rise, and natural calamity of grave nature. Further, the law states that the order for regulating stock limit may be issued when there is 100 per cent increase in the retail price of horticultural produce or a 50 per cent increase in the retail price of non-perishable agricultural foodstuffs. Such order is not placed if the stock limit does not exceed the overall installed capacity of processing or the demand for export in case of an exporter.

The farmers fear that the law allows for such regulation by the central government only for the stated items and only in extraordinary circumstances of grave nature, and not otherwise. There have been concerns that since there is no limit to the installed capacity of a large processor, it may lead to a shortage in supply of such foodstuffs and hence price inflation. Since farmers are also consumers, a rise in the price of food grains severely affects the subsistence of landless farmers in particular.

To counter price increases, the central government must take appropriate steps. Furthermore, food prices must be checked on a regular basis. Kerala has already expressed concern about the rise in food grain prices, as the state is heavily reliant on agricultural imports.

7. Way forward

All 3 of the laws listed above have enormous potential to transform the agriculture sector and draw significant investments in the long run. It would encourage entrepreneurship and innovation, especially among educated young people. At the same time, the government should take a holistic approach to farmers' concerns. The government's plan to review these laws clause by clause in order to assuage farmers' concerns is a positive step. The government recently agreed to place the 3 farm laws on hold for the next 18 months. Aside from that, the Supreme Court has already formed a committee to submit a report addressing various farmer concerns.

It is necessary to establish a major outreach programme in all vernacular languages, to reach out to the farmers. The reforms in the agriculture sector will be strengthened by debate and discussion among various stakeholders. During this time, the government must ensure that legal sanctity is maintained in order to protect farmers' interests, with appropriate legal provisions and effective implementation on the ground. The laws must be debated democratically in Parliament, and the final laws should be the product of an educated decision-making process involving the farmers. The laws must provide opportunities for farmers to innovate, promote crop diversification, develop cropping patterns, and protect them from exploitation. The state's active engagement is,

of course, a requirement for an effective implementation.

While applauding the laws, the International Monetary Fund called for a "social security net that sufficiently covers those who will suffer adversely during the transition to the new system". Agriculture-related private trading must also be regulated. The lessons learned from Gujarat, Maharashtra, and other states that have already been adopted in the contract farming model could also aid in the improvement of the system.

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Universalization of Social Security Remains Unfulfilled in New Code on Social Security

Kingshuk Sarkar*

Abstract

Code on Social Security 2020 merges existing social security laws of the country and makes an attempt to include informal workers within the ambit of social security administration. However, a closer examination of provisions of the Code reveals that the goal of universalization of social security remains an unfulfilled aspiration in the new scheme of things.

Keywords: Labour Law, Informal Labour, Labour Administration, Labour Codes, Social Security, Working Conditions

1. Introduction

Social protection and social security have very limited coverage in India. The labour force is predominantly unorganized. 91 per cent of the labour force is in the unorganized sector. Remaining 9 per cent has a modicum of social security in the form of provident fund and medical assistance. Even, there is no fixed definition of the unorganized sector. Sometimes, it is defined in terms of the provision of social security only. If a unit is covered under the Employees' Provident Fund Organization (EPFO) and Employee State Insurance Corporation (ESIC), then it is considered to be a part of the organized sector. Rest are unorganized. Lack of any form of social security for this vast majority of unorganized sector workers can very easily lead to a crisis like situation as the outbreak of COVID-19 has already manifested. This article proposes to critically examine the provision of social security for the labour force in India particularly that for the unorganized sector and identify areas that need policy intervention in the context of the introduction of the Code on Social Security 2020.

2. Context

Even after seven decades of attaining independence, India has a huge number of workers in the informal sector. India has witnessed steadily increasing informalization

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Views expressed here are personal and not necessarily that of the organization the author belongs to.

of its workforce over the last three decades. Of India's total workforce of 466 million (or 46.6 crore, NSS 2017-18) only 9.3 per cent have social security; in other words, over 90 per cent of India's workers still do not have access to any social security instruments. Only formal sector employees comprising of the government sector, PSUs, undertakings, listed corporate sector and few private enterprises have an access to certain social security provisions. India's share of informal workers (i.e. defined as those lacking social insurance or, security) makes it comparable to the Sub-Saharan African countries. No other G20 country has such a high share of informal workers in the workforce. Presently, Govt. of India has enacted the Code of Social Security 2020 (Nanda, 2021) which incorporates nine existing social security legislations. It is expected that the Code on Social Security should aspire to provide universal social security for its entire labour force.

The first draft of the Code was introduced in December 2019 and it was subsequently referred to the Parliamentary Standing Committee (THE CODE ON SOCIAL SECURITY, 2020). The committee submitted its report on July 31st, 2020. Thereafter, a fresh Bill was introduced in the parliament in September, 2020, namely the current Code on Social Security, 2020. The stated objective of this Code is to amalgamate and facilitate the implementation of all the existing labour laws relating to social security, reduce the multiplicity of definitions, streamline the number of authorities under various laws and ensure basic concepts of social security to workers particularly in the informal sectors.

The Code on Social Security, 2020 amalgamates and rationalizes the provisions of nine central labour laws namely, The Employees' Compensation Act, 1923; The Employees' State Insurance Act, 1948; The Employees' Provident Funds and Miscellaneous Provisions Act, 1952; The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959; The Maternity Benefit Act, 1961; The Payment of Gratuity Act, 1972; The Cine Workers Welfare Fund Act, 1961; The Building and Other Construction Workers Welfare Cess Act, 1996; and The Unorganized Workers' Social Security Act, 2008.

Out of these nine acts, employees' provident fund, employees' state insurance, maternity benefit and gratuity are entirely for the organized sector workers. This has remained so, even in the new scheme of things. To an extent, in employees' state insurance, existing employee threshold has been withdrawn and now the central government can extend ESI benefits to any organization or, establishment irrespective of the number of workers employed therein. Attempts have been made to include the unorganized sector workers within the ambit of social security in the new Code. However, there are areas of ambiguity and overlapping too.

The important question that is being asked in the present context is whether, the Code on

Social Security 2020 is going to provide universal social security coverage to the vast number of workers in the informal sector. This article tries to find an answer to this.

3. Coverage as Envisaged in the Code

The draft code says the "Central Government shall formulate and notify, from time to time, suitable welfare schemes for unorganised workers on matter relating to life and disability cover; health and maternity benefits; old age protection; and any other benefit as may be determined by the central government".

While framing of schemes, the draft says that the states may also formulate and notify suitable initiatives for the unorganized workers, including schemes relating to provident funds, employment injury benefits, housing, educational schemes for their children, old age and funeral assistance (Nanda, 2021).

It seems that both the central and the state governments will formulate schemes for the unorganized sector workers on clearly demarcated areas. There would be dual authority from the perspective of an individual unorganized sector worker. Further, under Rule 50(a) every eligible unorganised worker, or any category or sub-category of the unorganised workers shall be required to be registered with Aadhaar, on self-declaration basis through the form on the portal, as specified by the central government.

Further, the legal framework as proposed in the Code and Rules, imply that the basic onus lies on informal workers pertaining to registration as beneficiaries. Registration is a basic prerequisite for universal coverage. To avail social security benefits to be provided by the central and state governments, an informal worker must register himself or, herself on the specified online portal to be developed and maintained by the central government. Similar provisions are already there in various existing social security schemes run by the state governments under the Unorganized Workers' Social Security Act, 2008. Still, a large number of informal workers are outside the ambit of any social security even after more than ten years of existence of this of act. The absence of definite and unambiguous provisions in the present Code would further complicate the achievement of universal registration.

Also, experiences show that there is an awful lack of awareness among informal workers regarding the existence of social security schemes. Online registration possesses are a further challenge as most of the informal workers lack digital literacy and connectivity. The informal workers also sometime find it difficult to furnish all the documentary papers required as part of the registration process. Most of the informal workers are footloose workers and self-employed. They move from one place to another in search of livelihoods. Furnishing proof of livelihood and income details in absence of tangible employer-employee relations is very difficult. Such

requirements deter informal workers from completing the process of registration and they continue to remain outside the social security ambit.

Also as of now, most of the unorganised sector workers fall within the state's purview rather than the centre's. There may be unorganised sector social security boards, at the central and state levels, but a major part of the organization seems to be with states. The scope of the central board seems to be very limited. But, the state boards have serious constraints of financial resources weighed against the tasks at hand. Now, as a new code is going to be introduced soon, there is a lack of clarity regarding the subject of continuation of the existing social security schemes run by the state governments (Kumar, 2019).

For example, presently in the state of West Bengal, almost 1.5 crores of unorganised workers have registered under the Samajik Suraksha Yojana (SSY) and this includes the construction and transport workers too. Under new Codes, provisions have been made for application for registration through web-portal online and self-registration thereof. The entire process will be prescribed by the central government. In that case, there is uncertainty regarding the continuation of the existing 1.5 crore registered beneficiaries under SSY. Whether the existing data would be transferred to the central government or whether the registered workers are again supposed to register online afresh in the portal to be put in place by the central government, is not clear yet.

Further, as the unorganised sector workers are spread across the entire length and breadth of the country, inter-state arrangement and cooperation become all the more imperative. The Code does not provide for such eventualities. Ideally, the central government should conceptualize a basic structure, which if successful, should be adopted by the states after necessary customizations. Without such a basic structure, the implications of this Code would be too varied across the states to be administered.

The issue of providing holistic social security cover for the entire unorganised sector workforce in a simple and effective manner is something, which is lost in the centre-state labyrinth and jurisdictional or institutional overlapping. The unorganised sector workforce is all encompassing, minus the minuscule regular workers of the organised sectors. This identity should be primal and all unorganised sector workers should have access to basic social security coverage, irrespective of the labour market classifications.

The Code fails to undertake such inclusion in an easy and meaningful way. The concept of universal social security for all is missing, only dealt in bits and pieces in the Code.

3.1 Maternity Benefit

Under the proposed Code on Social Security, the provision of maternity benefits has not been made universal. Maternity benefit is presently applicable for the establishments

employing ten workers or more. The definition of 'establishment' in the proposed code did not include the unorganized sector.

Under such circumstances, women engaged in the unorganized sector (which constitutes about 90 per cent of the workforce) would be kept outside the purview of maternity benefits.

Maternity benefit should be treated as a fundamental entitlement and all women employees irrespective of their status should be brought under this protective legislation.

3.2 Employees Provident Fund

The S. S. Code has maintained the applicability of the Employees' Provident Fund Scheme which will be applicable to every establishment in which twenty or more employees are employed.

The Central Government may establish a provident fund where the contributions paid by the employer to the fund shall be 10 per cent of the wages for the time being, payable to each of the employees (whether employed by him directly or by or through a contractor).

The employee's contribution shall be equal to the contribution payable by the employer in respect of him. The central government, may, by notification, increase the contribution percentages to 12 per cent for both employers and employees of certain establishments. From the perspective of informal sector workers, access to employees' provident fund remains unfulfilled in the new code too.

3.3 Payment of Gratuity

Gratuity shall be payable to eligible employees by every shop or establishment in which 10 or more employees are employed, or were employed, on any day of the preceding 12 months.

Gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than 5 years, on his superannuation; on his retirement or resignation; on his death or disablement due to accident or disease; on termination of his contract period under fixed term employment. However, a continuous service of 5 years shall not be necessary where the termination of the employment of any employee is due to death or disablement or expiration of fixed term employment.

Gratuity under the S. S. Code is payable to employees hired directly or through a contractor.

But, in spite of payment of gratuity being expanded in the new code, it still remains inaccessible for a vast majority of the informal sector workers.

3.4 Employees State Insurance

The Social Security Code allows for voluntary registration under the Employee State Insurance if the employer and majority of the employees agree. Further, the government has the power to extend the Employee State Insurance Scheme to any hazardous occupation irrespective of the number of employees employed.

The S. S. Code also provides for coverage of the gig workers and the unorganised sectors under the Employee State Insurance Scheme. The employer shall pay in respect of every employee, whether employed by him directly or through a contractor, both the employer's contribution and the employee's contribution.

There is no employee threshold for coverage under ESI benefits. The existing threshold has been withdrawn. Thus, it is now possible to extend ESI benefits to any establishments irrespective of number of employees employed therein. Still, it would be difficult to include all the informal workers within the ambit of ESI, as enrolment under ESI is contribution based and for that there must be explicit employer-employee relation. In the case of the informal labour market, it is very difficult to decipher explicit employer-employee relations. The inclusion of informal workers within the ESI coverage remains a distant possibility under such circumstances.

3.5 Cine Workers Welfare Fund Act 1981

Section 163 of the proposed Code on Social Security: The Cine-Workers Welfare Fund Act, 1981 has been repealed. However, no alternative protective provisions have been provided for the cine workers anywhere in the proposed Code on Social Security. The proposed Code on Social Security must safeguard the interests of Cine workers.

4. Inclusion of the Gig and Platform Workers

Under section 113(1) every unorganised worker, gig worker or platform worker shall be required to be registered for the purposes of this Chapter, subject to the fulfilment of the following conditions, namely, completion of sixteen years of age or such age as may be prescribed by the central government; submission of a self-declaration electronically or otherwise in such form and in such manner containing such information as may be prescribed by the central government. Also under section 113(2) every eligible unorganised worker, gig worker or platform worker referred to in the sub-section (1) shall make an application for registration in such form along with such documents including Aadhaar number as may be prescribed by the central government and such worker shall be assigned a distinguishable number to his application.

Under section 114(1) the central government may frame and notify, from time to time, suitable social security schemes for gig workers and platform workers on matters relating to life and disability cover, accident insurance; health and maternity benefits; old age protection; crèche; and any other benefit as may be determined by the central government.

It is a great initiative that unorganized sector, gig workers and platform workers are included within the social security landscape. However, there are certain issues.

First, these three definitions have overlapping parts. Actually, unorganized workers are the whole set and gig and platform workers are sub-sets. Definition of unorganized workers is

exhaustive enough to include the gig and platform workers. For example, an app-based taxi driver can be considered as both gig and platform workers. He or, she also qualifies as an unorganized sector worker. There is no employee-employer relationship. Appointment letters are not issued, social security benefits are absent, work hours are not regulated by the employer, and the driver may choose to work for a competitor taxi aggregator. Therefore, the nature of the work involved may lie outside the purview of a 'traditional employer-employee relationship', making him a 'gig worker'. However, the driver is able to pursue this job only through an online platform. This would meet the definition of a 'platform worker' as well. Such a driver may also be an 'unorganised worker' as he may be self-employed. With such overlap across definitions, it is unclear how schemes specific to these categories of workers will apply. The Standing Committee on Labour examined similar provisions in the 2019 Bill and recommended expanding the definition of 'unorganised workers' to include gig and platform workers.

It seems the term unorganized sector workers take care of both gig and platform workers. As employer-employee relation is fudgy for gig and platform workers, they can be considered as self-employed workers. Self-employed are already included within the unorganized workers fold. To keep things simple, gig and platform workers should be seen as sub-sets of the set that is the unorganized sector. This would have avoided duplication of having separate schemes for three categories of workers. In section 109, social security for unorganized sector workers has been provided. In section 114, social security for gig and platform workers has been provided. This is unnecessary duplication.

Second, so far the state governments were the appropriate governments for the unorganized sector workers. In every state there is an unorganized sector workers' welfare board. Unorganized sector was the responsibility of the respective state governments. Now, there should not be a problem if central government pitches in but Code has got two sets of social security instruments to be provided. But complexities arise when both central and state governments are supposed to be providing different sets of social security measures as postulated under section 109(1) and 109(2) respectively. There is no rationale behind such divisions and it is clumsy from implementation perspective. The simpler way would have been that implementation remained with the state governments with central government sharing a certain portion of the cost for providing social security measures.

Third, as mentioned above, under section 113, every unorganised worker, gig worker or platform worker shall be required to be registered and shall make an application for registration in such form along with such documents including Aadhaar number as may be prescribed by the central government. Making Aadhaar compulsory for registration

is legally not tenable since Supreme Court did not make Aadhaar mandatory in a number of instances (Storey *et al.*, 2018). Under such circumstances, denying social security to a deserving worker on the ground that he or, she does not have Aadhaar would be deemed harsh if not outright illegal. When the objective is to widen the net to include more and more workers under the social security umbrella, exclusion on the basis of something which is still not legally mandatory, does not seem prudent.

Overall, recognition of gig and platform workers in the Code on Social Security 2020 and inclusion of these categories of workers within the social security ambit is definitely an impressive effort on the part of the central government. However, keeping three separate categories namely unorganized workers, gig and platform workers is not necessary as there are overlapping categories (Spoke, 2019). Gig and platform workers are sub sets of a larger set of unorganized sector workers. Also, there should not be duality of appropriate governments in certain cases like provision of social security for unorganized sector workers. Further, Aadhaar should not be made mandatory for registration of workers of the unorganized sector. Things can be simpler and devoid of overlapping and ambiguities and more inclusive at the same time.

5. Conclusion

To sum up, the draft social security code is an amalgamation of existing legislations. Most of the laws like the Maternity Benefit Act, Payment of Gratuity Act, Employee's Compensation Act, Building and Construction Workers Cess Act, have their basic provisions intact; but each has been incorporated as Chapters in the Code. It is like clubbing provisions of existing acts into a code without any major tinkering. Hitherto, acts now become chapters. This is simplification to a certain extent. However, it seems an opportunity is lost, as elements of social security could have been interwoven into a holistic social security legislation. The code in its current form appears like a collection of existing legislations without any thread of meaningful integration.

Universalization of social security across sectors as a legislative right has not been explicitly incorporated. Hints are there but it skirted the matter tangentially and trivializes the existing provisions. Suggestions of corporatization of social security funds are regressive given the present state of being. The fact that the provision of social security could have been used towards the formalization of the workforce to a certain extent, is something which is disappointingly missing in the code. Employers should be made to own up the fact that they have the responsibility to provide social security to their workers. The state has a responsibility but the primary responsibility still lies with the employers since they are taking advantage of the workers' productivity. The state can provide the basic eco-system but labour market relation should prevail in specific micro context. Financial constraints are there on the part of state too. Code did not

go into those terrains. At the end this Code remained a collage of existing legislations without that interweaving thread of integration. It provided hints of progression but stopped well short of attaining those aspirations. It promised but could not meet those expectations.

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Non-Performing Assets: Where Do Indian Banks Stand?

Paramita Mukherjee*

Abstract

The Indian banking sector has witnessed a number of interventions to alleviate the impacts of the ongoing COVID-19 pandemic in the recent past. However, the sector, already burdened with poor asset quality, is still struggling to come out from this. This article presents an overview of the current scenario of non-performing loans and tries to figure out the initial impacts of the various measures taken on the solvency of Indian banks.

Keywords: Non-performing assets, Indian banking, Banking in COVID-19 pandemic

1. Introduction

Since quite some time before the COVID-19 pandemic, Indian banking sector has been riddled with rising non-performing assets (NPAs). Managing the rising NPAs has been a challenge on a continuous basis. Whenever the problem turned to be alarming, the Reserve Bank of India (RBI) had to take steps like merging banks or bailing them out through infusion of capital etc. in the past. Similar measures have also been taken in recent times as well, with five State Bank associate banks being merged with State Bank of India (SBI) in 2017, two public sector banks merged with Bank of Baroda in 2019 and six public sector banks (PSBs) merged with four other PSBs in 2021.

At the onset of the COVID-19 pandemic, a number of measures were announced in 2020, e.g. moratoriums on loans have been announced in March 2020 for the period till August 2020, classification of assets as NPAs were extended to 180 days instead of the existing norm of 90 days, etc. The banks were to maintain additional provision of 10 per cent for two quarters starting from April 2020, on all the accounts where moratorium was granted. All these accounts had to be standstill for asset classification[1]. Also, as per the Supreme Court direction, banks are not supposed to charge any compound or penal interest during the six-month loan

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[1]A standstill here implies that an account which was, say, 30 days past due as on 1st March, 2020, should remain 30 days past due by the end of the moratorium period. No aging of standard accounts during the period of moratorium would be there.

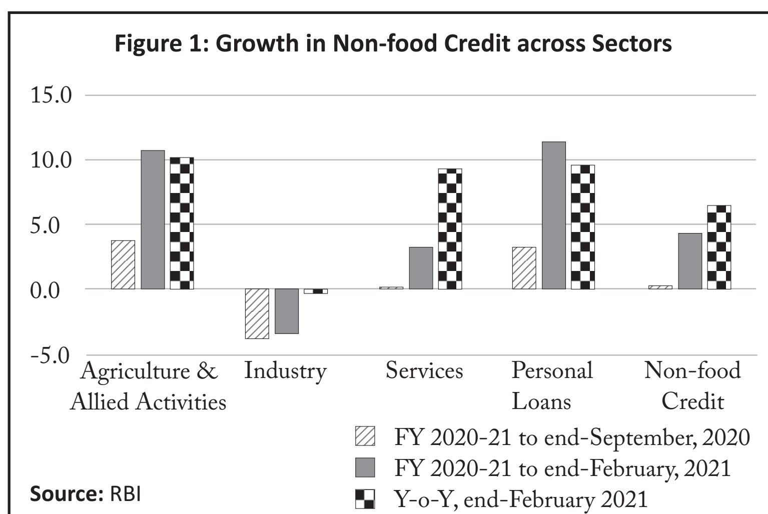
moratorium period announced in 2020 during the COVID-19 pandemic, and the amount already charged shall be refunded, credited or adjusted.

Measures like the loan moratorium and other restructuring initiatives during 2020 and the Supreme Court instruction on barring banks from declaring any borrower as non-performing led to improved NPA scenario even for the third quarter of FY 2020-21. However, with the ongoing pandemic, it is apprehended that this NPA problem is likely to be aggravated to a great extent by 2021. For example, S&P Global Ratings has estimated that NPAs are going to rise to 10-11 per cent of gross loans as on March 31, 2022 from 8 per cent on June 30, 2020.[2] According to ICRA, banks' gross NPAs (excluding write-offs) is to rise to 9.6-9.7 per cent by March 31, 2021 and 9.9-10.2 per cent by March 31, 2022 as the effects of relief measures related to the pandemic wanes off.[3]

This article aims to assess the current scenario of NPAs at the backdrop of the recent pandemic and the mergers that have taken place in the recent past. The rest of the article is structured as follows. The next section presents the background of the NPA problem in the recent past. Section 3 focuses on the steps taken to resolve the issue and the impacts of those measures. Section 4 concludes.

2. Recent Scenario of NPAs

As an aftermath of the pandemic and the consequent lockdown, Indian economy suffered in 2020 and the impact is visible in the decline in the growth rate of non-food credit, especially in the industrial sector, one of the worst affected sectors. From Figure 1 it may be observed that credit growth in agriculture and services is positive even during the period of March, 2020 to end-February,



[2] https://www.thehindubusinessline.com/data-stories/data-focus/how-much-will-banks-npas-rise-once-the-loan-moratorium-restructuring-end/article33195408.ece

[3] https://www.livemint.com/industry/banking/bank-npas-to-climb-to-9-6-9-7-in-fy21-as-covid-impact-surfaces-says-icra-11617624501504.html

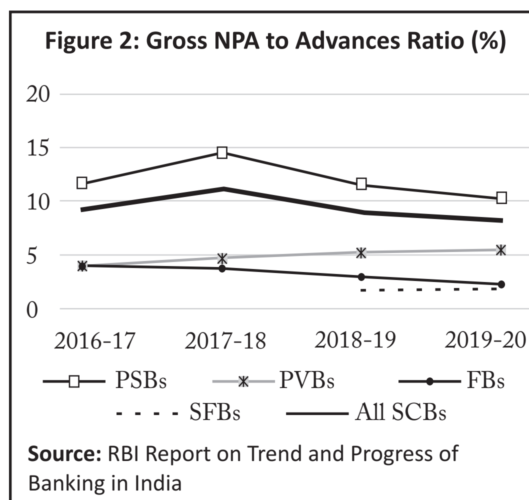
2021, while growth is negative for industry. However, credit growth at the end-of February, 2021 has been much higher across all the sectors compared to credit growth till end-September,2020.

It was also observed that it is the private sector banks (PVBs) whose non-food credit growth slowed to 9 per cent in November 2020 compared to 13.5 per cent a year ago, whereas for PSBs, credit growth was higher, at 5.2 per cent in November 2020 compared to 4.5 per cent in November 2019 [RBI Bulletin (2021)]. Interestingly, while credit growth to large industries was sluggish, credit to micro and small industries have seen a moderate increase.[4]

After the global financial crisis of 2007-08, the turnaround in the NPA scenario during the first decade of this century in Indian banking again started to deteriorate. In 2014, while gross NPA to gross advances ratio for all scheduled commercial banks (SCBs) was at 3.83 per cent, the same ratio for certain banks like United Bank of India exceeded 10 per cent. The recent trend in the last few years shows that the PSBs have a much higher NPA to advances ratio compared to other bank groups (Figure 2). It should be noted that for all the past four years, only the PSBs had this NPA ratio much higher than 10 per cent. Such deterioration in asset quality of banks, PSBs in particular, is attributable to a number of factors, viz.during 2006-2011 there was a credit boom with growth rate of bank lending at over 20 per cent on average. Coupled with that, credit appraisal and monitoring standards post-sanction were lax, there were project delays and the resultant cost overruns and also, absence of a strong bankruptcy regime until May 2016 when the Insolvency and Bankruptcy Code (IBC)was implemented [RBI Report (2018)]. However, according to the RBI Report (2021) on financial stability, gross NPA ratio has fallen to 7.5 per cent by September 2020, compared to 8.2 per cent in 2019-20.

If we look into the recovery of NPAs through various channels, we observe that traditional channels like Lok Adalats and Debt Recovery Tribunals (DRTs) are recovering less amounts of NPAs of the total amount involved with them, over the last few years. On the other

Figure 2: Gross NPA to Advances Ratio (%)

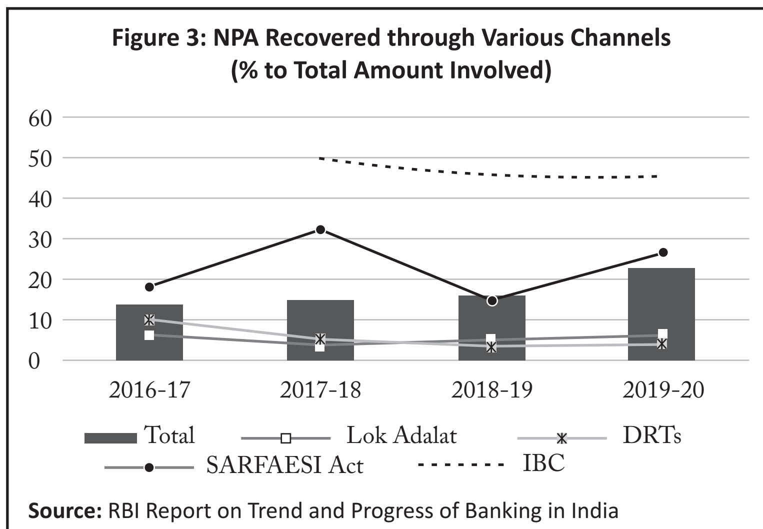


Source: RBI Report on Trend and Progress of Banking in India

[4] https://www.livemint.com/industry/banking/risk-averse-private-lenders-behind-india-s-declining-credit-growth-11614669115051.html

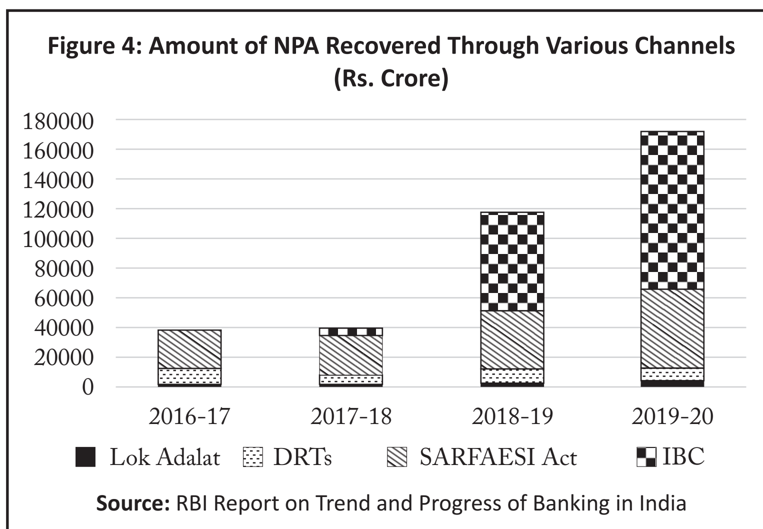
hand, the percentage of recovery of NPAs through SARFAESI Act and IBC are way higher, around 15 per cent to 32 per cent and 45 per cent to 50 per cent, respectively during 2017-18 to 2019-20 (Figure 3). The increasing role of SARFAESI Act and IBC in recovery of NPAs is also observed in Figure 4. Interestingly, out of the total amount of NPAs recovered through all these channels during 2016-17 to 2019-20, the share of DRTs has significantly fallen from 26.8 per cent to 5.8 per cent and the share of SARFAESI Act has also fallen from 67.3 per cent to 30.5 per cent; however, the share of IBCs has increased substantially, from around 12 per cent to 61 per cent.

Figure 3: NPA Recovered through Various Channels (% to Total Amount Involved)



Source: RBI Report on Trend and Progress of Banking in India

Figure 4: Amount of NPA Recovered Through Various Channels (Rs. Crore)



Source: RBI Report on Trend and Progress of Banking in India

Given this scenario the banking sector is facing the pandemic for the last one year and several measures have already been taken. Though it is too early, the consequences need to be assessed so that the problem may be tackled appropriately.

3. Impact of the Measures Taken

India has been facing the COVID-19 pandemic since more than a year now and though the economy was on the recovery path, the second wave of the pandemic has further aggravated the

apprehension of a complete lockdown and the resultant hit on different sectors of the economy. And, it is no denying the fact that along with other sectors, the banking sector has to bear the brunt of this setback, the consequences of which is not likely to be limited in the short run only.

3.1 Effect of Moratorium

Regarding the moratorium announced last year, initially 60 per cent of borrowers availed it and gradually with the easing of lockdown restrictions, the percentage went down to 40 per cent. For corporates, this was as low as 25 per cent for public sector banks.[5] Interestingly, according to RBI Report on Trend and Progress of Banking in India 2019-20, majority of the sectors reported lower outstanding loans under moratorium in August 2020 compared to April 2020, with an exception of Micro, Small and Medium Enterprises (MSMEs) registering a marginal increase. The number of MSMEs customers availing moratorium increased to 78 per cent in August 2020. Moreover, the distribution of moratorium sought in MSME loans indicates that urban co-operative banks (UCBs) had to bear the brunt of incipient stress. Around 89.6 per cent of the total outstanding loans within the segment opted for the moratorium. UCBs were followed by PSBs and non-banking finance companies (NBFCs) with 75.4 per cent and 67 per cent of the loans opting for moratorium. On the other hand, in the case of moratorium availed for individual loans outstanding, the share of Small Finance Banks (SFBs) is the highest (at 69.39 per cent of the total due within the segment opting for the moratorium), followed by UCBs (57.64 per cent) and NBFCs (56.51 per cent).

Nearly two-thirds of the total customers of PSBs and half of the total customers of PVBs exercised the option to defer payments in April 2020. But interestingly, this trend reversed as on August 31, 2020, with PVBs accounting for a larger customer base under moratorium than other categories of lenders. This happened because there was almost a four-fold increase in their MSME customers availing moratorium, and also there was a sizeable customer base across categories (majorly individuals) opting out of moratorium in case of PSBs. As a matter of fact, the financial performance of commercial banks was better in the first half of 2020-21 owing to the moratorium and the standstill in asset classification.

3.2 Effect on NPAs

The declining trend in the gross NPA ratio continued till September 2020 [RBI Report (2021)]. For instance, asset quality improved noticeably in sectors like industry, agriculture and services in September 2020 over March 2020, with a decline in GNPA ratio. However, it may be noted that the gross NPA ratio is

[5] https://www.livemint.com/news/india/loan-moratorium-psu-banks-may-have-to-take-rs-2-000-cr-hit-due-to-sc-order-on-interest-waiver-11617514834826.html

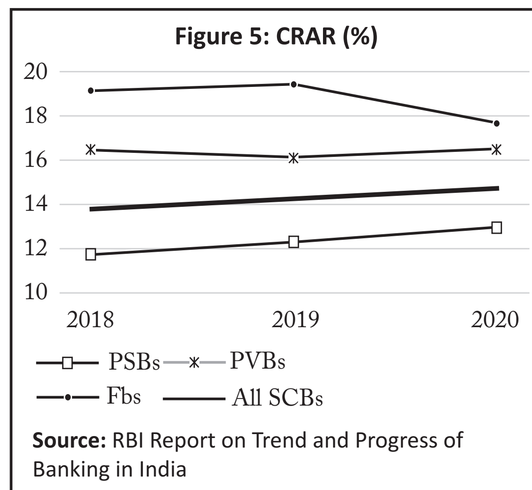
more or less the same or a little higher in September 2020 compared to September 2019, except for industry. As on September 2020, the gross NPA ratio in agriculture, industry, services and retail sectors are 9.6 per cent, 12.4 per cent, 6.9 per cent and 1.7 per cent respectively. Within the industry, gems and jewellery has the highest gross NPA ratio (24.1 per cent), followed by construction, engineering, mining etc.

As the banks have to keep aside provisions against non-performing loans, after the onset of the pandemic, such provisions have increased in the last year, as expected. The provision coverage ratio of SCBs improved to 66.2 per cent in end-March 2020 and 72.4 per cent by September 2020 and had negative impacts on profitability of banks. However, macro-stress tests conducted by RBI for credit risk indicate that SCBs' gross NPA ratio, under the baseline scenario, may increase from 7.5 per cent in September 2020 to 13.5 per cent by September 2021 and it may escalate to 14.8 per cent under the severe stress scenario [RBI Report (2021)]. Stress tests also indicate that even in the severe stress scenario, though SCBs have sufficient capital at the aggregate level several banks may fall below the regulatory minimum.

3.3 Effect of Mergers

The indicator of soundness of banks, viz. the capital to risk-weighted assets ratio (CRAR), has improved by 1.1 per cent from March 2020 levels to 15.8 per cent in September 2020. While PSBs recorded an increase of 60 basis points, the improvement was more noticeable for PVBs and Foreign Banks (FBs), by 170 basis points and 100 basis points, respectively. CRAR was already on a rising trend during the last few years (Figure 5). With the budgeted capital infusion of INR 70,000 crores in 2019-20 for PSBs, 3.16 lakh crore worth of capital infusion in the last five years has been made by the Government. Apart from internal capital generation and such capital infusion in public sector banks, the banks raised capital from the market as well, through instruments such as public issues, preferential allotment, qualified institutional placement (QIP) and by sale of non-core assets. PSBs, however, abstained from public issues owing to depressed valuations.

Now if we look at the CRARs of the banks concerning recent mergers, post-merger the CRARs have improved significantly (Table 1). Some banks were facing problems in



Source: RBI Report on Trend and Progress of Banking in India

Table 1: CRAR, Net NPA and PCR for Merged Banks (%)

	CRAR		Net NPA Ratio		PCR	
	Pre-Merger 31-Mar-20	Post-Merger 30-Jun-20	Pre-Merger 31-Mar-20	Post-Merger 30-Jun-20	Pre-Merger 31-Mar-20	Post-Merger 30-Jun-20
Punjab National Bank	14.1		5.8		62.4	
Oriental Bank of Commerce	11.6	12.6	5.0	5.4	62.8	64.5
United Bank	5.6		4.9		66.9	
Canara Bank	13.7	12.8	4.2	4.1	50.2	56.3
Syndicate Bank	11.5		4.6		63.4	
Union Bank of India	12.8		5.5		64.4	
Andhra Bank	11.1	11.6	4.9	4.8	72.8	69.6
Corporation Bank	11.5		5.1		66.3	
Indian Bank	14.1	13.5	3.1	3.8	53.1	66.9
Allahabad Bank	12.0		5.7		70.2	

Source: RBI Report on Trend and Progress of Banking in India, 2020

meeting the regulatory requirements related to CRAR and the merger has helped ease that stress. Not only that, the net NPA ratio also has gone down for the merged banks, e.g. except for Punjab National Bank, the ratio has gone down to below 5 per cent. The consolidation has helped to increase the provision coverage ratio, too.

4. Conclusion

During the pandemic, it was observed that in September 2020, banks continued to have the largest bilateral exposure in the financial system. Pertaining to inter-sectoral exposures, asset management companies/ mutual funds, followed by insurance companies, remained to be the dominant fund providers in the system, while NBFCs were the major receivers of funds, followed by housing finance companies (HFCs). Going forward, given the uncertainty and panic created by the second wave of the pandemic in India, the asset quality of the banking system may deteriorate sharply in near future if the economic recovery stops gaining pace. It has now become extremely important for banks to assess their respective stress conditions appropriately and adopt measures to raise capital proactively.

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Marketing in the New Normal

Saurabh Bajaj*

Impact of the Pandemic

The pandemic has had a disruptive impact across all sectors of the economy. When the pandemic started in the Q1 of FY2020-21, then SBI estimated a contraction of over 40 per cent of GDP according to their research[1]. They however estimated that the contraction will not be uniform; rather it will differ according to various parameters such as state and sector.

Then on September 1, 2020, when the Ministry of Statistics released the GDP figures for Q1 (April to June), they showed a contraction of 24 per cent over the same period in the previous year. However by September 13, 2020 the economic activity was nearly back to pre-lock down. And, by the final quarter of the year the growth of India's GDP was at 3.1 per cent according to the Ministry of Statistics. Hence, while the economic outlook is still not buoyant, we did see most of the sectors recovering.

However, what we would like to uncover is how marketers have viewed this crisis and adapted their campaigns along the lines of new consumer passion points that have arisen. We will also talk about the new tools of marketing that have grown during this time and hence reflect on the tool kit of the modern marketer in the new normal that we are now experiencing.

Consumer Behavior

In order to create a successful marketing strategy, the first thing that any marketer needs to decode is how the consumer is feeling and hence what she is likely to be doing. The consumer behavior across the pandemic varied with the stage of the pandemic that we saw from the announcement of the lockdown to the eventual unlocks that were announced by the government. For the sake of simplicity, we can divide the pandemic into 4 phases – 'Breach', 'Crisis', 'Resilience' & 'Renewal'.

The first phase of the pandemic was the 'Breach' phase, which possibly lasted from March to May'20, where there were dire predictions of 40 per cent GDP contraction and a state of anxiousness across the

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[1](May 26, 2020). 'Data Revisions Suggest an Entrenched Slowdown Pre Covid: Intelligent Exit from Lockdown a Must', *Ecowrap, State Bank of India Research Desk.* Retrieved from: https://sbi.co.in/documents/13958/3312806/2605201152-Ecowrap_20200526.pdf/491c89f8-21c2-76be-07e9-5477db06efb9?t=1590474178349

The views of the writer are personal and do not reflect the opinions of his employer

industries. It was a time when unemployment in the Indian economy grew from a pre-lock down level of 6.7 per cent on March 15, 2020 to 26 per cent on April 19, 2020, and back to pre-lock down levels by mid-June. It was also the time when most manufacturers decided to cut costs and pulled off their advertising off air and cancelled their media campaigns. The consumers and manufacturers alike were in a state of disbelief and confusion on what they should do and what they shouldn't. Hence consumers were seeking out information and hence it led to the creation 'Spreading Awareness' as a passion point that many brands decided to hook on to.

The second phase of the pandemic can be loosely termed the 'Crisis' phase, between May to June, 2020. On May 12, 2020, the Prime Minister announced an overall economic stimulus package worth ₹ 20 lakh crore, 10 per cent of India's GDP, with emphasis on India as a self-reliant nation. In Dec'20, a Right to Information petition revealed that less than 10 per cent of this stimulus was actually disbursed. So despite positive messages from the government the consumer remained anxious and concerned, realizing that neither she nor the government was really prepared for a crisis of this magnitude. By this phase consumers had started understanding the need for cleaning and sanitization. Home stocking of groceries became a norm, social distancing was a buzz word and the nation started working from home.

The third phase of the pandemic was the 'Resilience' phase, which perhaps started from the "first unlock" on June 1, 2020 and extended till November 2020 by when the fifth and the final unlock was completed. On June 1, 2020, Delhi allowed all industries and markets to reopen including barber shops and salons, curfew time was changed to 9pm to 5am. Educational institutes, gymnasiums, cinema halls and the Delhi metro were to remain closed. By June 8, 2020 religious places, malls and restaurants were permitted to open all over India except in the containment zones. Consumers through the resilience phase had now grown an acceptance for the changed scenario. There was a sense of gratefulness for the emotional and financial stability and an optimism that things will now start getting better. During this phase several new consumer passion points arose including finding new ways to pass time indoors, enjoying family time at home through cooking at home and indulging in new forms of entertainment including fitness and online entertainment.

The final stage of the pandemic started in November and continues into current time, which is the phase of 'Renewal', or as is often called the 'New Normal'. This is the phase where health and hygiene remain key priorities and the consumer continues to believe that home is safer than outside. In the renewal phase, there is an acceptance and appreciation of what we have gone through in our personal and professional lives. The role of the digital platform in terms of entertainment

and e-commerce as a go to medium for shopping has grown in relevance. New forms of marketing including over-the-top (OTT) and web streaming have grown. Social interactions remain limited and an overall focus on health and hygiene remains.

As we understand the changes in the consumer behavior through the pandemic, what is interesting are the 7 consumer passion points that have been successfully activated by the brands through the pandemic and the 7 new tools that have grown to become an integral part of the modern marketers tool kit.

Consumer Passion Points

The first passion point that emerged during the early days of the pandemic was that of 'Spreading awareness', which was leveraged most powerfully by brands like Dettol and Lifebuoy. These brands not only made it their task to educate consumers on how to inculcate hygiene in every part of their lives, but they were also the first to launch a series of products including hand sanitizers, sanitizing sprays and even tools to clean the groceries that people bring into the house.

Before the pandemic one key worry that parents had was that their kids were spending too much time at home in front of their screens. This insight was leveraged by brands like Surf Excel over the past decade through an extremely successful campaign of 'Daag Acchay Hain'. The pandemic over turned this paradigm and suddenly brands realized that 'Things to do at home', was suddenly a far bigger passion point. This was smartly leveraged by Surf Excel through an all new advertising campaign on Hotstar OTT through 'Daag ghar par rahaingay'. The brand empathized that with kids at home, the parents will now have the mess on their walls. But luckily they still have the support of their favorite detergent brand in cleaning up the mess.

As consumers entered the resilience phase, the craving for small celebrations and restaurant like food grew and this led to the emergence of the next big passion point, which was 'Celebrating home time', which was best done through restaurant like cooking at home. We then saw a slew of cooking shows from Tata Sky, ITC 5 Star Kitchen, Amul and Britannia Cheese Star Chef, investing in this new consumer reality.

Of course as consumers started feeling grateful for their emotional and financial stability, knowing that some of them were safe while many were affected, 'appreciation and gratitude', became a huge consumer passion point. The television commercial (TVC) made by Amazon recognized the effort put by their employees at a time when the only form of shopping consumers felt safe doing was online.

This was followed by the consumer passion point of 'support and solidarity', where a number of brands partnered with the government, NGOs and even Bollywood stars to lend a hand. India Gate Basmati Rice and Parle G stand out for their contribution while

they were joined by a lot of brands including Unilever and P&G.

As the subsequent 'open ups' started taking effect, the quick service restaurants (QSR) wanted to get back into the business. This was when the next consumer passion point of 'assurance of safety', came into force and Swiggy, Zomato, Dominoes and Mc Donald's assured consumers that the only hands touching their food would be their own and hence it was now safe to resume ordering in and feasting on their favorite dishes.

The final passion point that brands deployed all through the pandemic is what I call, 'free riding on topicality', where a number of themes caught the attention of the entire country at the same time. Be it 'Vocal for Local', or the appreciation to doctors, on 'Doctors Day'. There was so much of digital buzz around these topics, that brands stepped in to participate in the conversation.

The key learnings for brands through the pandemic has been that even through times of distress it's important to keep the consumer engaged in a manner that's sensitive and relevant. Of course one parallel stream of competency that also became important to marketers was the knowhow of consumer activation will be discussed next.

The Modern Marketer's Toolkit

As we saw in the previous section, brands adapted to the consumers' new reality through the identification and activation of consumer passion points. However what was also important was the understanding of the changes in how the consumer was behaving and this led to the new tools that marketers are now working to perfect to keep pace with the ever changing consumer.

The first big change that must be acknowledged is the rise of e-commerce and this segment has grown between 200 to500 per cent across categories. Categories like cosmetics, apparel and retail have seen online shopping often being the only way for them to grow their business by offering convenience to the consumer. This changed reality is now leading most manufacturers to set up new business verticals and take help of consultants to prepare their organizations for the changes yet to occur.

Over the past decade, while there was growth of video streaming, brands were constantly challenged on how to reach out to the millennials who rarely watched the television. However, the pandemic offered the first such opportunity with Hotstar OTT becoming open to advertisers for the first time.

In a similar way, while advertising on Youtube and Facebook have become common place over the past decade, the pandemic saw the rise of platforms like Spotify, Gaana and Podcasts. Over the past decade marketers have learnt that video assets on the mobile are often viewed on mute and the attention spans are much smaller. Accordingly, advertisers tried to uncover the right creative assets that work on these new media devices.

Demonetization had given a huge thrust to

digital payments and during the pandemic it has now become an essential way of doing business. Any new service that impacts consumer behavior offers new opportunities to brands and today we see a number of brands offer consumer promotions through cash backs on digital payment platforms.

Over the past decade we have seen the emergence of digital agencies that understood topicality far keenly than regular creative agencies and now there has been an emergence of a new form of marketing which is moment marketing, which is something that requires capabilities of spotting and turning around creative assets even faster than the conventional digital agencies. An example of this is how so many brands have leveraged the Suez Canal blockage for humorous engagement. Also, one significant change that has occurred through the pandemic is the blurring of differences between influencers and celebrities. Perhaps, due to the fact that consumers are still uncomfortable venturing into cinema halls, a number of Bollywood A listers are open to the idea of digital campaigns.

Finally, with consumers still preferring the safety of their societies, there has been a rise of hyperlocal services like FoodyBuddy, Pop up Stores in societies and advertising screens in society lobbies.

Conclusion

As we venture into the new normal, marketers continue to see the landscape, evolving and offering new passion points and services that would be the key for the success of brands and marketers in the coming times.

Supply Chain Management 4.0 – How Gainful Is It?

Joydeep Gupta*

Joydeep Gupta is currently working in the regional capacity in the Asia Pacific region based in Singapore for a Japanese oil company. His current role involves data analysis and implementation of efficient logistics management for the ASEAN countries. He has handled hard core SCM since 1995. Other verticals handled by him include managing pan India distribution network in transportation and warehousing in manufacturing companies with multiple production plants, management of stevedoring and commercial of big ports and SEZ handling chemical, petrochemical, coal and fertilizers.

In conversation with IMI Konnect, he is candid about the pros and cons of SCM 4.0, how it is relevant in today's world and how beneficial it may be for an emerging market like India.

IMI Konnect: *What are the key factors that affect the supply chain management in any organization?*

JG: The key factors affecting the supply chain is a very broad topic and there can be various reasons for which a supply chain may get affected. First would be the lack of optimization of resources. It is a common thing in most of the organizations that resources are available but they are not being used optimally. For example, suppose an organization needs to send a material from location X to location Y in a vehicle which has a capacity of 2.5 metric tonne. Now the optimum utilization of the available volume of 2.5 metric tonne, if not used effectively, will affect the supply chain management of the organization. Generally, in logistics we use the thumb rule which says that capacity utilization must be between 90 to 95 per cent. 100 per cent utilization is not realistic as there would be different shapes and volumetric materials that are being carried by the vehicle. Sometimes if the cargo is too heterogeneous, 85 per cent volume utilisation is good enough however that decision should be consciously taken and monitored. In case of materials like coal, 100 per cent utilization of carrier capacity may be attained. So, we need to focus on the monitoring of capacity utilization whether it is a vehicle or a warehouse. Unless that factor is taken care of, any logistic model will not work as per plan.

Second, would be scientific distribution of work between the manpower allocated. Say, to execute a particular activity, we need X

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number of people. Now a manager would do a rough calculation basis the expected orders to ascertain the total manpower needed to execute the expected number of orders. In reality, the order pattern does not follow a straight line path; there may be many curves basis the variations. So in such scenarios, optimum utilization of the manpower affects the supply chain. For example, say the number of orders received on day 1 which need to be delivered on day 2 are more than the number of orders received on day 2. Then on day 2, the people who were working on the inbound process earlier, may be shifted to enable on time delivery of the orders of day 1. On day 2 the inbound process can work well with lower manpower as there are lesser orders to be processed. Many organizations may not facilitate such transfer of people from inbound to outbound processes owing to their laid down norms. However, in absence of such allowance to shuffle manpower as per the need of the hour, inefficiency sets in and optimal output may not be attained. This may hinder attainment of the KPIs. So ideally, to maintain the KPIs related to supply chain well and ensure they are never in high alert zone, close monitoring and scientific distribution of work are essential.

The third significant factor could be overdependence on the existing service providers. An organization may have a tie up with a service provider who might have been serving over a long period of time. In such a scenario owing to the trust factor, evaluation of service lags may get overlooked. The organization should therefore lay down the evaluation parameters and in case of a service lag, there should be proper justification from the service provider's end. These justifications must then be properly evaluated and recorded. Such a process would make the service provider alert and eliminate service lag owing to complacency.

Next, policies are drafted in the board rooms but the ideas may not percolate well at the grass root level which may hinder the supply chain management. It is extremely important that even an individual who picks up materials in the warehouse must know the essence of the organizational policies. A single training session may not help to get it into their muscle memory so the education has to be an ongoing process along with rotation of manpower into the various departments involving semi-skilled workers.

Another vital factor in the present scenario is the level of information technology (IT) support existing in an organization which can affect its supply chain management to a great extent. In absence of proper support the entire supply chain may crush down.

Lastly, for efficient supply chain management it is essential to stay abreast of market developments and changes. For example, say a 10 kg material needs to be sent from location A to location B. The vehicle charges might have been ₹100.00 over a period. But a supply chain manager must be aware whether that charge has reduced to ₹98.00 or, increased to ₹102.00 at present. So, periodically quotations

need to be called for, to understand the market dynamics. There is a myth that if fuel charge increases then carrier charge might also increase and hence, a yearly increment of carrier charges is accepted to be justified. However, actually it may not be so. This is because the sundry market mostly works on the economics involving demand and supply. Hence, although an increase in fuel price might have an impact on the carrier charges, the changes in price might be more dependent on demand and supply at times. So price may rise with higher demand and vice versa. Thus, for a supply chain manager it is essential to evaluate each component that drives the supplier's service charges and ensure that any rise in service charge is justified. Precision related to cost sensitivity can actually help in attaining a competitive advantage.

IMI Konnect: *Within the context of Industry 4.0, how is the Supply Chain Management (SCM) 4.0 defined?*

JG: Let us go a little backwards and recollect the industrial revolution which started with the mechanisation of systems using water, steam etc. So, that is how industry 1.0 started. During the second phase, we started with mass production, assembly line etc. In the third phase, computers started being used in the systems. Now, in industry 4.0, there is further enhancement and modifications on the processes developed in the third phase with the use of robotics, smart devices and so on. These devices work on the Programmable Logic Controller (PLC), Quick Response (QR) code fundamentals. SCM 4.0 according to me is a sub set of Industry 4.0 and both have to fall in sync and work in amalgamation to enhance organizational efficiency. For example, we may consider an automobile company based in location A manufacturing cars. Now, in one car there are about 6000 plus components starting from a small nut to the outer shell. Also, every car model has few things that are different while many components which are common like the nuts, bolts, steering wheel, brake pedal etc. So there are few stock keeping units (SKUs) which are similar and few which are different. The plant decides to manufacture a particular brand of car for the next 10 days. The model would be changed on the 11th day. The automobile manufacturing process starts on a conveyor which starts with assembling of the different parts on one side and then finally the complete built-up unit (CBU) is the output at the other end. So the responsibility of the supply chain person is to arrange for the right parts to reach the right position on the conveyor at the right time. While manufacturing car X, if the component of car Y is sent, then the manufacturing process would get disrupted. Monitoring the supply of the right components is therefore very critical and needs precise supervision. The organization might have industry 4.0 implemented in its warehouse where equipment like robotics or ASRC (Automated Storage and Retrieval System) are being used to bring in efficiency. However, there will still be dependence on a supplier for a component which will be

required in the manufacturing process. Let us suppose, an item I requires 10 days to reach the warehouse. The truck carrying the component is GPS enabled and the components within have radio frequency identification (RFID) tags on them. But, unfortunately the truck breaks down at a place where there is no network connectivity. Under such circumstances, attributes of SCM 4.0 fails to provide the desired information. SCM 4.0 is not only about the technological developments implemented by the manufacturing or logistics company but it also involves the supporting service providers. In this case, if the tower of the telecom service provider who operates in the location of the breakdown is out of order then although the truck is GPS enabled, it cannot be tracked. However, there are also examples where an organization may be industry 4.0 enabled but its service providers are conventional and are not SCM 4.0 enabled. So the requirements may vary from organization to organization and from industry to industry. But, largely the tuning up of industry 4.0 and SCM 4.0 becomes imperative for the proper functioning of the overall supply chain.

IMI Konnect: *What are the key pillars on which SCM 4.0 thrives?*

JG: In my perspective, there are three key pillars on which SCM 4.0 thrives. First is the infrastructure. Second is the manpower and third is the information management. Infrastructure includes the mobile network and likewise covers all support frameworks not only of the organization but also of its service providers. Manpower in logistics predominantly focuses on human intelligence to predict fallouts. If the logistics manager is able to predict whether a material can get stuck and may not reach the destination on time and under such a scenario s/he is able to make an alternative arrangement for the procurement of the same material within the given deadline then disruptions in the supply chain can be mitigated. This predictive power of the supply chain manager and procurement manager will depend both on experience and algorithms. For example, seasonal disruptions like storms in summer, heavy rainfall in the rainy season in an area can be predicted basis historic climatic data and experience of being a local and so on. Lastly, the information needs to be managed well. So, under normal circumstances if the vehicles in transit are monitored on a stipulated time period, during a rainy season or with a probable storm, increase in the frequency of monitoring may help in mitigating any fallout during force majeure situation. This way the managers can arrange for alternatives basis the available information to mitigate supply chain disruption.

IMI Konnect: *In the ongoing pandemic situation how relevant is supply chain management in various industrial sectors? How has the pandemic affected the supply chain ecosystem globally?*

JG: It is in a challenging situation that SCM is always tested. In the domestic scenario with

more manpower getting infected in the ongoing pandemic situation, the efficiency of the supply chain has reduced with lesser manpower. Also, owing to lockdown in certain places, vehicles may not be able to move and as such the delivery time of essential commodities have also got affected. In the global scenario, SCM has been affected to a great extent. There have been scarcities of containers to load materials to be sent to other countries at the load ports. There have also been cases of excessive increase in transit time owing to excessive congestion at the destination ports. This has definitely affected the global supply chain. Now with existing demand for commodities in the market, factory production cannot be stopped so organizations are still trying to cope with the situation by increasing the stock, even though that is increasing their inventory cost. As such organizations know that in the present scenario, maintaining the stock to ensure seamless supply is essential to build brand image as a service provider in the long run. So in the pandemic situation on one hand the cost is increasing thereby affecting the supply chain and also providing the organizations with an opportunity to emerge as a better competitor by ensuring a continuous supply through optimum management of its supply chain.

IMI Konnect: *How can the Indian MSME sector benefit from SCM 4.0?*

JG: Let us first understand how things run in Indian market or how things are in Indian logistics. The Indian logistics market is worth about 160 billion US$. In it, around 75 to 85 per cent is constituted of the unorganized sector. Predominantly most of the MSMEs are dependent on this unorganized market. To understand how the Indian MSME sector can benefit from SCM 4.0, we need to consider the e-commerce module. In an e-commerce platform the services and infrastructure get shared so that MSMEs can afford it. Otherwise, SCM 4.0 in general is meant for the cash rich businesses or, high end businesses. So, SCM 4.0 can actually be afforded by the large players in the e-commerce platform who deal with huge number of SKUs and as such need such robust systems to deal with their large number of stakeholders. If we consider a manufacturer in a remote location in Rajasthan employing a camel to transport its goods from one point to the another then, it is a cost effective mechanism employed by the manufacturer who may not need a high end process like SCM 4.0 and may not be able afford it either. However, the changing scenario in customer demand also needs to be considered and as such to stay in tune with the changes, the MSMEs can tie up with the e-commerce platforms to take advantage of SCM 4.0 implemented by the shared platforms to deliver their goods not just from one place to another within its own state but to any part of the country and even abroad. This way the MSMEs can get the benefit of the robust infrastructure of SCM 4.0 at a reduced cost owing to the advantage of sharing of services.

IMI Konnect: *What is your take on the technological evolution of India in implementing Supply Chain Management 4.0?*

JG: Definition of technology says that it is the application of scientific knowledge for the practical purposes. We may add to it the concept of cost effective utilization of resources in a given scenario. In India, 13 per cent of GDP is spent on the logistics sector which is quite high even in comparison to any developed country. But, since a major part of the Indian logistics industry is constituted of the unorganized sector, the effect of implementation of SCM 4.0 is not so prominent. So, although the conventional logistic mechanism is running quite well, however, considering the scope for implementation of SCM 4.0, the country has a long way to go. A number of factors dominate the country's capability to increase the impact of SCM 4.0. First being the infrastructure. Even today, the rate of conversion of road infrastructure into national highways is only between 2 to 2.5 per cent. Second factor is related to the toll taxes. A private survey result showed that the fuel efficiency of a vehicle reduces by 7 per cent owing to its waiting time at the toll tax collection centres which is definitely a big amount. So, the operational efficiency at the toll taxes needs to be improved drastically to address this concern especially for the heavy vehicles. For example, if the fuel efficiency of a heavy vehicle carrying vegetables for daily consumption reduces, then obviously it would impact the cost of the vegetables being carried by the vehicle to make up for ever increasing cost of fuel. As such the cost of the commodity will increase. Again, if the waiting time at the toll tax collection points reduce, the vehicle's fuel efficiency will increase and thereby the price of the commodity being carried by the vehicle will reduce. Lastly, the average speed of a vehicle in India is only 30-35 km/hr which is much lower in comparison to even other developing countries. So, the infrastructure needs to be improved to increase the speed of vehicles. Only then the supply chain can become more cost effective. Hence, it is essential that both the state and central governments assume a more non bureaucratic approach to address these factors for better technological evolution to support the implementation of SCM 4.0.

IMI Konnect: *How can Supply Chain Management 4.0 boost the 'Make in India' initiative?*

JG: SCM 4.0 has to be more effective at the ground level. The speeds of the servers that support the huge data exchange have to be faster manifold from the existing level. Development of the national highways is also a major area which needs to be focused upon. The third thrust area would be reduction of waiting time at the toll tax collection centres. Next the safety measures need to be strengthened. Over a period of many years the long route drivers have been educated regarding the benefits of defensive driving. However, there is still scope for enhancing safety awareness because any accident would

disrupt the supply chain. So measures need to taken to further build safety awareness. In terms of manpower, Indians are quite skilled and there is a big pool of well educated smart workers who need to be retained. The incidents of the best brains relocating to other countries are a common affair. Measures need to be taken to retain them. Also, the railway network needs to be utilized better. India has the fourth largest railway network in the world but we still depend on roadways for the movement of sundry materials. A big reason for the same is the higher cost involved in availing railway services for movement of sundry items in comparison to roadways. A probable solution for this could be outsourcing the loading unloading activity to a private player in order to make the service more competitive.

IMI Konnect: *In an intensely competitive global e-commerce market, how can supply chain management be a differentiator?*

JG: Supply chain management can definitely be a differentiator in an intensely competitive global e-commerce market. This is because the e-commerce platforms are generally shared between varied levels of businesses and as such even a small player can avail and serve a wider customer network at a competitive cost. The moment the exposure of a small business widens, it would definitely create a difference in terms of profitability in comparison to another small business which only follows the conventional logistic system. This is because the supply chain management used by an e-commerce platform offers a package wherein not only logistic support is being offered but also a wider customer base can be catered to.

IMI Konnect: *What are the main challenges towards building a resilient supply chain?*

JG: If we talk about only supply chain then there are no challenges. This is because most of the organizations work upon building up a resilient supply chain. The organizations are mostly sensitive to the market and as such ensure that every level of the supply chain gets efficiently managed, be it the procurement of raw materials or procurement of services or ensuring production efficiency and so on. However, when we consider the big unorganized logistics sector in India we will discover that it is highly dependent on the mental efficiency of its manpower or in other words the systems are mind driven. There are specified persons in such organizations who are in charge of the stores and know the location of items. In the absence of these specified people the supply chain may collapse. Even against such constraints, the fact remains that a large part of the logistics sector in India is unorganized and thrives on their own mechanism of running a resilient supply chain system. This is because SCM 4.0 is an expensive affair and cannot be afforded by all.

Also, for the bigger organizations it must be kept in mind that maintaining the key performance indicators (KPIs), monitoring the KPIs, monitoring the service levels of the

organization and having a sound overall plan are essential to retain the resilience of the supply chain system. Any negligence in any of these areas can lead to disruption and thereby create a challenge.

IMI Konnect: *What are the advantages of Supply Chain Management 4.0 in mitigating supply disruption? What may be the disadvantages?*

JG: First, we need to understand that SCM 4.0 involves factors like planning, physical flow, performance management, order management, collaboration and the supply chain strategy. SCM 4.0 runs on predictive analysis data. Basis the algorithm fed into the system, the plan gets executed. Physical flow deals with the efficiency of the goods flow without human intervention in an automated warehouse operated with robotic arms which shift commodities from one place to another within a stipulated time. These process flows bring in the efficiency. In SCM 4.0 there is an automated root cause analysis system which takes care of performance management. So if a material gets delayed in reaching from a particular supply point the system automatically takes a counter measure to acquire the product from an alternative source. In such a scenario with minimum human intervention, the chances of delay get minimized or rather eliminated. Next, the entire order management system is automated. An example can be whenever a customer orders for a commodity on any e-commerce platform the estimated delivery time gets displayed. This happens because at the backend all the data are fed into the system which enables the system to calculate the delivery time within a few seconds. Similarly, data of stock availability or, non availability can also be displayed by application of predictive analysis on the huge data fed into the systems. Collaboration is a factor because the supplier and the service provider like in case of the e-commerce platforms share the infrastructure cost. Supply chain strategy deals with the means used for micro-segmentation of data which involve defining the attributes on the basis of which the system analysis runs.

So, in case of a supply disruption, SCM 4.0 can definitely provide an advantage through its in-built root cause analysis mechanism which auto initiates the counter measure for procurement of the specific product whose supply has been disrupted from an alternative supplier.

The most prominent disadvantage could be the high cost owing to which it can be availed by the rich countries or organizations only other than in case of the e-commerce platforms where the cost gets shared. Also, the efficiency of this kind of a robust system can actually be realized only if the numbers of SKUs are very high. Otherwise its implementation may not be cost effective at all.

IMI Konnect: *How can an organization ensure its supply chain sustainability?*

JG: First of all, an organization needs to set up

its policy framework. This policy framework has to fall in sync with its planning to ensure that the policy can be channelized well through its execution plan. Next the policy needs to be communicated to the employees so that they have a clear understanding regarding the organizational expectations from them in terms of their execution of the individual orders assigned to them. Proper communication enables in raising the overall efficiency of the organization. Third comes the monitoring of the KPIs of the suppliers through supplier evaluation. Periodically, suppliers not only need to be evaluated but the good performers need to be recognized to morally boost them and to develop a sense of partnership in them. Lastly, a slightly debatable way would be to uphold joint industry collaboration which may not be welcomed by all. However, this can also have its own advantages when the database and resources are shared between the players in similar industry to facilitate better supply chain management. For example, if organization A needs to supply a commodity but does not have a free vehicle while organization B has a free vehicle and allows organization A to avail the same for delivery of its material then both may exchange favours likewise in hours of need and enable mutual sustainability of their respective supply chains.

IMI Konnect: *Which industrial sectors according to you would be most benefitted by the implementation of Supply Chain Management 4.0 and why?*

JG: I think the e-commerce sector, the automobile sector and any industry which has a wide range of SKUs can be most benefitted by the implementation of SCM 4.0. This is because SCM 4.0 implementation is a costly affair and a long term investment.

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