Immersive Outlook

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Foreword

'Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.' That is the underlying message of an Atmanirbhar Bharat or self-reliant India. Much of this self-reliance could emerge from policies, reforms, regulatory frameworks and incentives founded on trust in an ecosystem in which multiple stakeholders – be it the Government, corporates, industry bodies and citizens – operate. The Union Budget 2023, slated to be presented on 1 February 2023, could be one of the many triggers to action trust.

The Finance Minister, Nirmala Sitharaman, recently emphasised that growth both at the macro-economic and micro-economic levels will be the top priority,[1] and understandably so. If India has to move up the global economy charts from its current ranking as the fifth largest economy in the world, growth priorities will have to take centre-stage, notwithstanding grave concerns around inflation.

In line with these priorities, this edition of our digizine, Immersive Outlook, focuses on ways and means of propelling the nation's growth.

'Our growth prospects, to me, look good,' emphasises **Dr Arvind Panagariya**, Padma Bhushan recipient, author and Professor of Economics and Indian Political Economy at Columbia University in a virtual conversation with **Ranen Banerjee**, Economic Advisory Services Partner and Government sector Leader. 'For India, I am not worried at all,' he adds. 'Our macro remains robust. Fiscal consolidation can begin to proceed. Some bit of depreciation that has happened was much needed, there is still room for a little more. I will not be surprised if the 2022-23 growth rate ends up at 8%.'

Dr. Panagariya further stresses the need to strengthen both imports and exports especially with larger economies, and the importance of decreasing import restrictions and signing free trade agreements to open the floodgates of liberalisation. His insights on macroeconomics, trade, globalisation and self-reliance aptly set the backdrop for the subsequent articles.

1 Growth top priority for FY24 Budget

The first article, ‘Actioning trust to generate sustainable revenue’, offers actionable recommendations for the upcoming Union Budget. Subject matter experts, **Akhilesh Ranjan, S. Ramesh**, **Sanjay Tolia** and **Jitendra Jain**, contend that India’s tax-to-GDP ratio could be increased exponentially from its current significantly low 11.7% by undertaking specific trust-building measures to ensure effective compliance and to plug revenue leakages. The recommendations offered in the areas of widening the tax base, augmenting revenue, effectively managing litigation, strengthening taxpayer services, and aligning with the ESG agenda could contribute significantly to the Government’s continued focus on building trust between taxpayers and the tax administration, and could help accelerate India’s onward journey towards becoming a developed economy in the long term.

India’s transformation and growth have a direct correlation with the education and skills of its 1.4 billion citizens. A critical lever to propel growth, scale up and strengthen the economy, education needs to factor in social and economic inclusion that ensures both access and equity. Accordingly, in the next article, ‘Moving the education needle for the greater good’ **Sanjeev Krishan** PwC India Chairman, and **Ashok Varma**, Social Sector Advisory practice Leader, underline both the investment areas and investments required to ensure education for all. Increased tax revenues can lead to increased investments to educate the masses, and vice versa. With the mammoth budget required to drive transformation in the education sector, the authors outline a framework for both public and private investments in specific sub-sectors of education. This, in turn, feeds into Sustainable Development Goal 4, which focuses on quality education and lifelong learning opportunities for all.

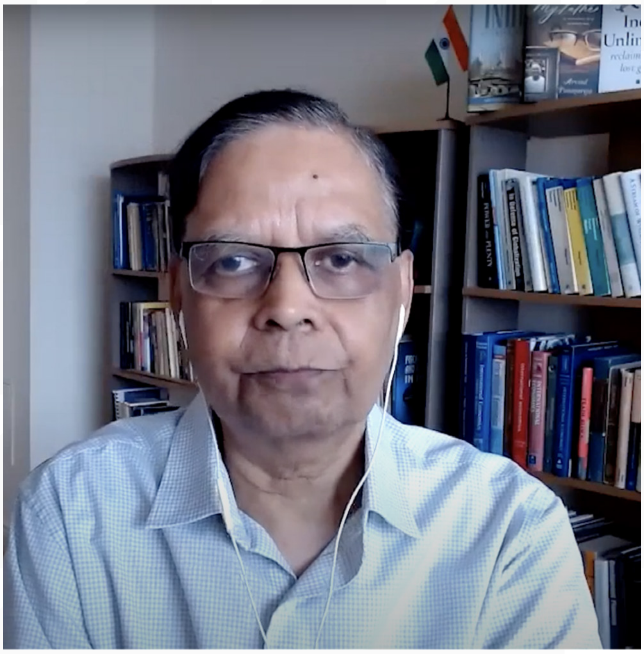
The concluding section has **Manish Sharma**, Chairman, Panasonic Life Solutions India, providing his perspective on pertinent issues ranging from self-reliance to job creation, backward integration to production-linked incentives, smart working to sustainable living. His dialogue with **Venkata Peri**, Research and Insights Hub Leader, and **Sanjay Tolia**, a Chartered Accountant, captures the nation and its narrative strands impactfully, showing how the seeds of success need to be planted by the whole of society in a soil nurtured with trust and belief in one’s full potential.

We hope you find the content thought-provoking and that the articles provide some critical insights into the way forward. Reach out to us if you would like to have a more detailed discussion on any of the aspects we have touched upon.

Vishnupriya Sengupta
Director, Markets

‘**Self-reliance** doesn’t mean self-sufficiency’

For **Dr Aravind Panagariya,** Padma Bhushan recipient and Professor of Economics and Indian Political Economy at Columbia University, India has arrived. In a freewheeling virtual conversation with **Ranen Banerjee**, Economic Advisory Services Partner and Government sector Leader, he emphasises that India will become the third largest economy in six to seven years. Upbeat about India’s growth story, Dr Panagariya holds forth on the rupee depreciation, India’s free trade agreements, globalisation and his own upbringing in a middle-class family.



Ranen Banerjee (left); Dr Arvind Panagariya (right)

Excerpts from the interview

Ranen Banerjee: You are the former Chief Economist of the Asian Development Bank and have worked with the World Bank, IMF and UNCTAD in various capacities. What are your views on the global economy, impending recession and the geopolitical scenario?

Arvind Panagariya: This is a very wide-ranging question. The Fed Reserve has been raising interest rates and that is creating some turmoil. So that has led to some depreciation of the currencies. In fact, the rupee has depreciated less, the euro has depreciated quite a bit and some of the weaker currencies have depreciated quite dramatically. Even the Chinese yen has depreciated more than the rupee. I think we are handling our macro reasonably well. The Reserve Bank of India actually was quite vigilant and unlike the Fed Reserve, which was extremely slow to begin responding, the Reserve Bank did act on time. So for India, unlike a large number of observers that I see in the media, both in the print as well as electronic, I'm not worried at all. Actually, I think, our macro remains robust, fiscal consolidations can begin to proceed and some bit of depreciation that has happened was much needed. There is room for a little more. Prospects to me look good. Our month-on-month inflation has remained relatively stable. Both the IMF and World Bank have lowered India's GDP growth rates for 22–23. I think the growth rate will turn out to be higher than what's predicted by both of those institutions. I will not be the least bit surprised if the 22–23 growth rate actually ends up at 8%.

Ranen Banerjee: India is in an economic partnership with the UAE and has signed a trade pact with Australia. Advanced negotiations are also under way to sign free trade agreements with the UK and the EU. Do you think that is the way ahead for India?

Arvind Panagariya: It is absolutely essential that Indian products remain competitive against foreign products because that helps us both on the import side as well as on the export side and particularly from the export viewpoint. It is even more critical that we don't want our export markets on account of the exchange rate, which puts our products in the world markets at a disadvantage. For me, actually it would be important to also lower our own external trade barriers.

I'm very pleased that the government has embarked on signing free trade agreements. At least that opens one avenue to liberalisation. What we really need to do is to sign such an agreement with very large economies. What we really need for liberalisation to really pay us in some way is to sign an agreement with the European Union. I hope we continue to advance in that direction.

Ranen Banerjee: Clearly, we need to grow our exports and, and you said that we need to also lower our barriers now. How does one then reconcile this so-called new-found enthusiasm for FTAs with India's trade-policy stance with the self-reliant India initiative that believes in promoting domestically produced goods over imported goods?

Arvind Panagariya: There is always a fallacy here. It is that self-reliance is not self-sufficiency. I'm self-reliant because I pay all my bills, but I'm not self-sufficient. I mean, I have to sell my services to Columbia University and then get my salary and then I buy a number of different things based on my needs and depending on who sells – wherever I can find better prices is where I purchase my goods. So as long as I'm not incurring any debt, I am self-reliant. That goes for countries as well. As long as they are not counting on too much foreign debt, they are self -reliant. But that doesn't mean that you don’t trade; trading is not going to disappear. Also when you are exporting, you are producing domestically. This is an incredible kind of illusion that people have – that only when we stop imports and start producing domestically, then we’re producing products at home.

When you export, you’re producing at home and you are producing those products at which you are the best, because you won’t be able to export them unless you are actually best at producing them. For example, automobiles, the robust industry that it claims to be: Let it compete. Why are you punishing customers who have to pay one and a half to twice the price that anybody else buying the same automobile outside India has to pay?

In the interest of the country itself, produce what you are best at, and that is the set of products that you are going to export. When you are going to cut the imports through protection, you are going to encourage the less efficient industries, and you are going to punish your exporters, because ultimately, capital is going to flow out of the more efficient industries into these less efficient industries. Ultimately, the capital has to come from the other industries, which are more efficient, but unprotected.

It is important to move your resources, move capital into industries where we are the best, and globally best, that is.

Ranen Banerjee: It has been a while since we are seeing major disruptions in the global supply chain space. And that clearly brings in risks to the local economy. Any measures that you believe India should be undertaking towards mitigating the risk that it faces from such disruptions?

Arvind Panagariya: If you look at the disruptions in the supply chains, they are largely the result of the pandemic that disrupted a lot of things. And I won’t worry too much on that account, because, you know, in the end, whenever there is such a massive global shock, supply chains will get disrupted and they will be restored, and they will rebuild themselves. Now, I think it can nevertheless work to India’s advantage and have longer-term significance because the confidence in our neighbours has decreased. That actually opens up an opportunity for India and most multinationals are looking for another location for their production activity.

One last thing in this context, I would say is that – and that gets a lot of play in the media – is that deglobalisation is happening. I think this is again completely nonsensical because if you look at what is happening, hardly any deglobalisation has happened.

Determined exporters find ways to send their products to other countries. Importers who need their products find their ways to get the products. For the first quarter of 2022, trade has expanded over 16% over the first quarter of the previous year. Trade is growing, and going to continue to grow.

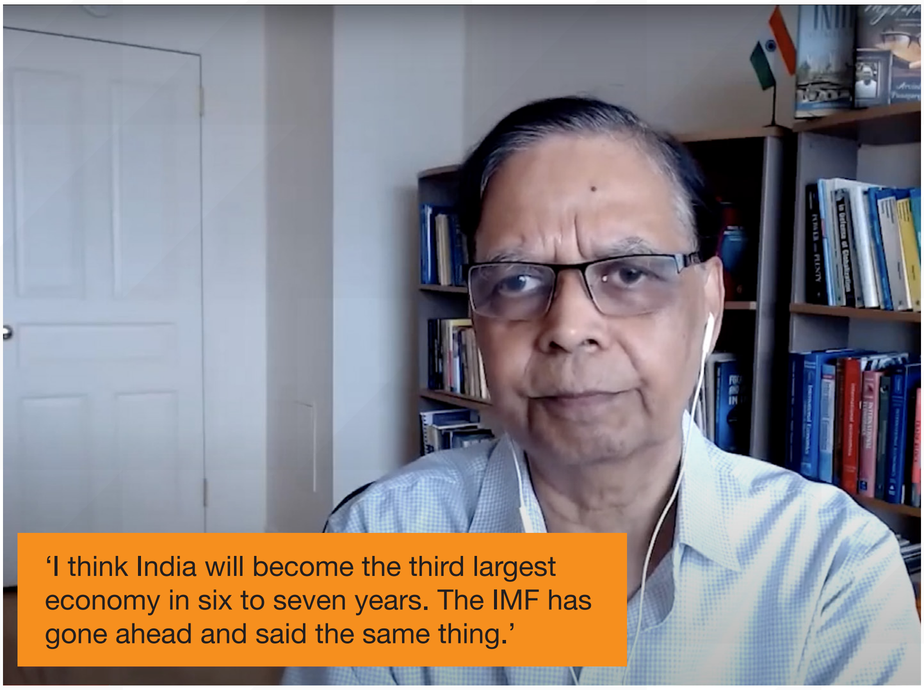
Ranen Banerjee: You have served as the First Vice Chairman of NITI Aayog. Can you recount some of your experiences and share with us some initiatives taken then that are now bearing fruit?

Arvind Panagariya:
We started by reorganising the institution. We downsized it. We also introduced lateral entry. Internally this structure had to be adjusted in terms of what different verticals within the institution were going to do. So that is now all in place. When you say bearing fruit now, that certainly has happened now. The innovation mission at the time we started, I really didn’t how important that mission will turn out to be. And now that mission runs extremely well. It’s in a steady state now. Privatisation, we started that, although no single privatisation happened while I was still there. But it has now. The aspirational districts programme was in the nascent stages. Now it has gone quite far. I left in 2017. It has been now five years and a huge amount of progress has happened. I had also participated in the drafting of the National Medical Commission Act. That was a very important reform.

For the bureaucracy we ought to measure outcomes, not the inputs. It’s a lot easier to measure the inputs, how much was spent, or how many teachers got hired or how many health workers got hired. But I was very insistent that whatever the outcomes are in each of these areas, it is the outcomes that ought to be measured.

Ranen Banerjee: You have authored several books. India: The Emerging Giant (2008, OUP, New York) was listed as a top pick of 2008 by The Economist. How do you perceive India today? What do you think is an effective leadership style for corporates given hybrid ways of working and the young demography?

Arvind Panagariya: That is a very good question. If I were to actually write a similar book today, I will certainly not call it Emerging India. India has arrived. It is the fifth largest economy today. In my view, I think it will become the third largest in six to seven years. The IMF has gone ahead and said the same thing. In 2027–28, it will become the third largest. India has actually moved into a higher growth trajectory. And it's not cyclical. Through the entire book runs the theme and I talk about many of these social policies. I say that look, cash transfers can do better. At that time nobody was listening. I was the lone kind of advocate of transfers at the time. Today, cash transfers have begun and it has become really the preferred way of doing things of the government nowadays. New social programmes, if they are directed at assisting the poor, then these are the things taking the form of transfers. Labour laws have been passed, but they still have not been notified really with rules and regulations. So that needs to happen as well.



Ranen Banerjee: You have been versatile and in multiple jobs. What has been the most rewarding and given a chance would you do anything differently?

Arvind Panagariya: The wish of my father was to see me as an IAS officer. But fate had something else in store for me. For me, it has been really enjoyable. Whatever I've done, I've enjoyed very much. When I came to NITI Aayog I was really very scared. This was a gigantic responsibility. I had apprehensions, but looking back, I think I feel proud of what I was able to do and accomplish. For an academic, I have evolved. I started out as a theorist. When I went to the World Bank, I began to move into policy and that was a bit of a turning point. I write on India, occasionally I write on trade policy, but largely my work is now on India. My current book is on the Nehru era and how it impacted the Indian trajectory. This is a very heavy economic history, history of economic thought of that period. I've been reading an awful lot and on what was done in that period that continues to be relevant.

In terms of what would I like to change? If I were unhappy with how life has been, then I would have to speculate. That's certainly not the case. And given where we started, we were a very ordinary family. Middle class, if you could call it that, because in those days, even the middle class are today's poor. My brother and I, we went to Hindi medium schools, not the kinds of schools to which most of the people I meet now go to. At the end of the day, we came out of it and that experience actually turned out to be very valuable and it keeps you humble.

Ranen Banerjee: Thank you, Professor Panagariya. We have received lessons in economics and trade and also got some life lessons and how we should remain optimistic with those ending comments.

Arvind Panagariya: My pleasure. Thanks for having me for this very interesting exchange.

Actioning trust to generate **sustainable revenue**

Introduction: At 11.7%, India's tax-to-GDP ratio is significantly lower compared to that of similar sized economies whose ratio is around 25%. We present a few key actionable recommendations to help increase this ratio and widen the tax base.

By Akhilesh Ranjan, S. Ramesh, Sanjay Tolia and Jitendra Jain

Background

India, currently the fastest growing major economy of the world, is the fifth largest economy according to recent International Monetary Fund (IMF) projections.[2] The Reserve Bank of India has projected a GDP growth rate of 7% for FY 2022–23,[3] while the IMF has pegged it at 6.8% in 2022–23.[4] A sustained high level of growth depends largely on sustainable growth in tax revenue, built around an effective compliance and trust-based tax system. Further, a robust increase in tax revenue can play a pivotal role not only in fulfilling India's ambitious climate stewardship targets but also in achieving the Sustainable Development Goals (SDGs)[5] set out under the United Nations (UN) agenda for emerging and developing economies. Given these ambitious targets, the need of the hour is to focus on augmenting domestic resource mobilisation.

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2 As per the IMF, India increased its lead over the UK in the quarter ending March.

3 https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54464

4 World Economic Outlook Report, October 2022

5 https://sdgs.un.org/goals

Over the past few years, the Central Government has introduced several far-reaching tax reforms. These reforms have contributed to an increase in both tax collections and compliance. However, notwithstanding the tax collections and enhanced compliance by taxpayers, India's tax-to-GDP ratio of 11.7% (in regard to federal taxes, with direct taxes contributing 6.1% and indirect taxes the remaining 5.6%)[6] is significantly low. In comparison, for similar sized economies (in terms of GDP) such as the United Kingdom, France and Italy,[7] the tax-to-GDP ratio is much higher at 24.9%, 24.5% and 24.6% respectively. Even South Africa, which is a relatively smaller economy, has a tax-to-GDP ratio of 25%.

Only about 5% of the population files tax returns (about 714 lakh returns were filed during FY 2021–22[8]), with a large proportion of filers declaring income levels that are not subject to tax or that are just marginally taxable. On the GST front, out of 630 lakh enterprises (as per the latest data available from National Sample Survey Organisation 2015-16), only 138.16 lakh have joined the GST network.[9] It is reasonable to conclude that despite the relatively low per capita income, there is scope for significantly increasing this ratio for India while simultaneously building trust among all stakeholders to help widen and deepen the tax base.

The reasons for non-compliance or less than adequate compliance are diverse and vary significantly across countries with different levels of economic development. Even within a particular country, the factors that influence tax morale (or the intrinsic motivation to pay tax) may have varying degrees of importance for different segments of the taxpayer population. For instance, measures built around a policy of non-intrusive enforcement by leveraging technology may be suitable for encouraging compliance amongst relatively small unorganised businesses, while measures to enhance tax certainty through proactive consultations or faster dispute resolution may be more effective in facilitating compliance by large business enterprises.

A recent World Bank blog titled 'To raise more tax revenue, first build up taxpayers' trust' states that 'substantial evidence across countries and regions indicates that the willingness to pay taxes and support reform is higher when trust in the state is strong.' It adds: 'Citizens are more willing to pay when they know that their money is being well spent on services they want.'[10]

Therefore, it is worth exploring trust-building measures for developing an integrated framework to strengthen tax compliance and facilitate tax reform to address the tax gap in India in a sustainable manner.

The normally practised twin approaches of facilitation and enforcement of tax compliance need to be complemented by building a trust-based environment between the taxpayer and the tax administration. Fostering such trust depends on the following factors:

- **fairness:** where taxpayers feel they are being treated fairly
- **equity:** the tax system is perceived to be equitable
- **reciprocity:** the reinforced experience of goodness that citizens associate with payment of taxes
- **accountability:** the assurance provided by measures taken to make the administration accountable.

According to a recent World Bank report titled 'Innovations in tax compliance: Building trust, navigating politics, and tailoring reform,' 'Improvements in trust can thus improve tax morale and contribute to enhanced tax compliances.'[11] While a multipronged and long-term strategy would be needed to build such trust, several small but practical and effective steps can be taken in the interim that can be built upon progressively.

6 https://pib.gov.in/PressReleasePage.aspx?PRID=1814822

7 Tax revenue (% of GDP), World Bank (https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=IN), 2019

8 https://www.business-standard.com/article/current-affairs/itrs-filed-this-year-even-fewer-than-before-covid-pandemic-shows-data-122080201624_1.html

9 https://www.cbic.gov.in/resources//htdocs-cbec/gst/Five%20Years%20Of%20GST%20-%20GST@5.pdf

10 https://blogs.worldbank.org/voices/raise-more-tax-revenue-first-build-taxpayers-trust

11 Dom, Roel; Custers, Anna; Davenport, Stephen R.; Prichard, Wilson. 2022. Innovations in Tax Compliance: Building Trust, Navigating Politics, and Tailoring Reform. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/36946 License: CC BY 3.0 IGO.

The following are some specific measures that could encourage compliance, plug revenue leakages and contribute to building the trust relationship:

1. Widen the tax base

a. Make the presumptive tax regime more effective

b. Redesign schemes for small taxpayers under GST

2. Augment revenue

a. Prune exemptions and incentives

b. Incentivise last-mile GST payments

3. Manage litigation and enhance tax certainty

a. Strengthen the dispute resolution scheme for small taxpayers

b. Introduce mediation as a mechanism to resolve tax disputes

c. Delink transfer pricing audits and introduce block audits

d. Improve litigation management under GST

e. Build a co-operative compliance framework

4. Strengthen taxpayer services

a. Improve communication with taxpayers and build trust

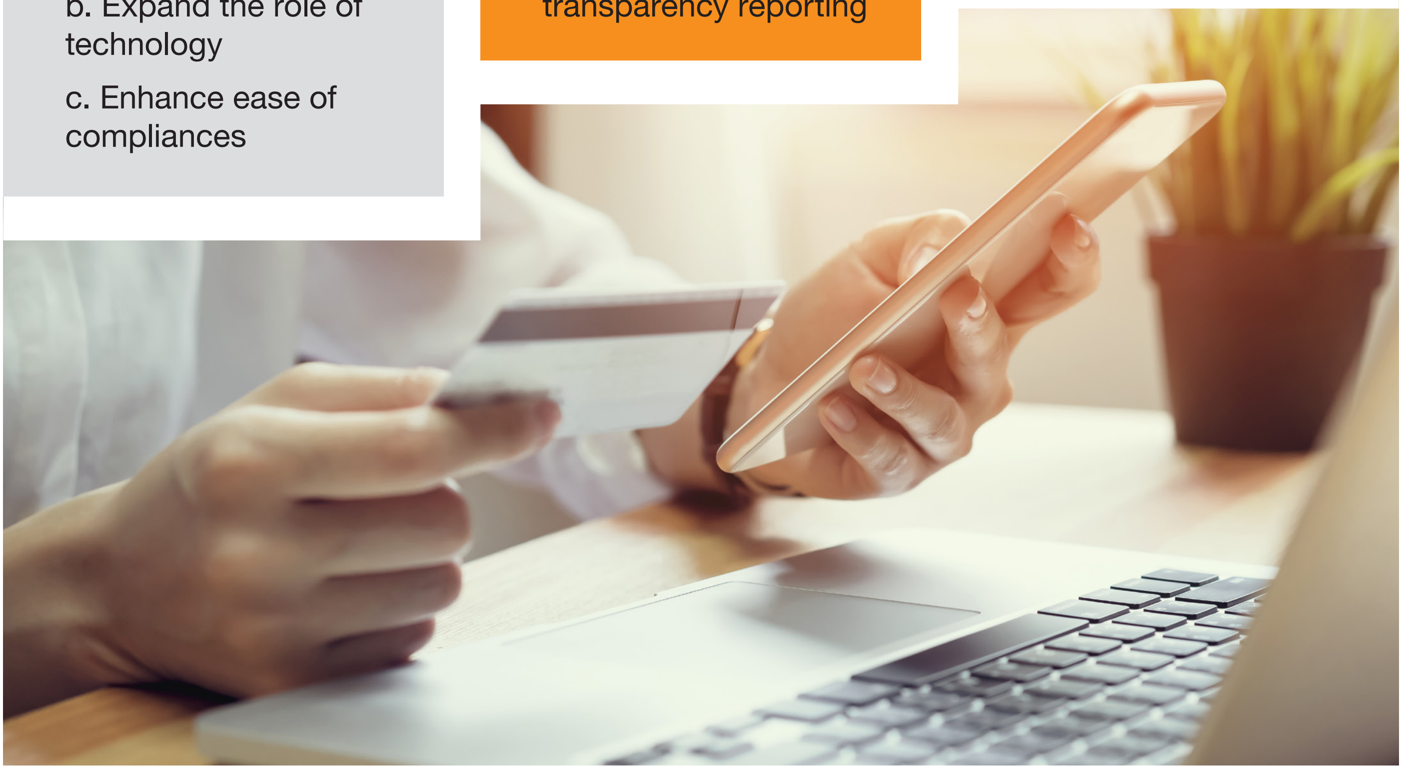
b. Expand the role of technology

c. Enhance ease of compliances

5. Align with the ESG agenda

a. Introduce green taxes and incentives

b. Introduce a framework for tax transparency reporting



1. Widen the tax base

The unorganised sector indisputably occupies considerable space in India's economy. It is true that many of these firms operate as part of the shadow economy to circumvent the need to pay taxes. Robust efforts should hence be taken by the tax administration to bring these entities into the tax net.

The unorganised sector in India is growing and touching the formal ecosystem more tangibly, especially with the rise of e-commerce and the gig economy. As per a recent NITI Aayog report[12] (India's booming gig and platform economy: Perspectives and recommendations on the future of work, June 2022), the gig economy is expected to increase from the present 80–180 lakh jobs to over 900 lakh jobs in the non-farm sector in the next eight to ten years.

Given the burgeoning size of small businesses, there seems to be a good opportunity to enhance their tax contribution. Under GST itself, while more than 80% of taxpayers belong to the category of proprietorship, their GST contribution is only 13% of the total GST collection.[13] As per the income tax return statistics published by the Income Tax Department for FY 2017–18, out of 552 lakh individual taxpayers filing tax returns in India, 223 lakh (approximately 40%) paid nil tax.[14] The perceived non-compliance by this sector in turn feeds into impressions of unfairness in the tax system. Thus, specific policy measures are needed to ensure that the coverage of this sector is maximised and the risk to potential tax base erosion is monitored closely. The following measures could help bring the unorganised sector increasingly within the tax net and address concerns of horizontal inequity in the tax system.

Recommendations

a. Make the presumptive tax regime more effective

A presumptive manner of taxation that lowers compliance costs substantially could incentivise small and medium income earners to develop a culture of tax compliance, thereby broadening the tax base. India already has such a system in place for direct taxes that applies to small businesses with an annual turnover of up to INR 200 lakh, to persons who do not own more than 10 carriages that ply goods and to specified professionals with annual gross receipts up to INR 50 lakh. However, the current presumptive tax regime requires some tweaks to increase its effectiveness and efficiency.

The current presumptive profit rate of 8% of turnover for small businesses could be appropriate for traders but is not ideal for certain categories of service providers e.g., home tutors, event managers and beauty parlour owners who do not require regular commercial outlets or any other significant investment. Consequently, their actual profit margin from rendering such services is much higher due to low operating costs. The presumptive tax regime can be made more effective by increasing focus on the service sector (other than professional services already covered under the regime) and fixing a higher deemed profit rate for this category of taxpayers.

Further, the current regime provides for a deemed profit rate of 50% of gross receipts for specified professionals like doctors, lawyers and architects. To encourage a greater number of professionals to avail the presumptive tax scheme, this deemed rate of profit could be reduced to account for the perceived fact that these professionals do not tend to make higher profits in the early years of practice. This would incentivise new entrants into the specified professions to make tax compliance a regular part of their lives.

Further, a system may be put in place for obtaining third-party data in the form of an updated register of members, their business addresses, and dates of admission into the profession from their relevant professional association/ regulator licensing the profession[15] to enforce compliance by outliers.

Presumptive taxes, if designed well, can help:

- increase compliance by the 'hard-to-tax' group
- address the common concern that the nature of self-employed businesses is not understood by tax administrations

12 https://www.niti.gov.in/sites/default/files/2022-06/25th_June_Final_Report_27062022.pdf

13 https://tutorial.gst.gov.in/offlineutilities/gst_statistics/5YearReport.pdf

14 https://incometaxindia.gov.in/Documents/Direct%20Tax%20Data/IT-Return-Statistics-Assessment-Year-2018-19.pdf

15 Journal of Tax Administration, Vol 5: 2 2019, Are Presumptive Taxes a Good Option for Taxing Self-Employed Professionals?

- show that taxing the self-employed is important to ensure voluntary compliance by other taxpayer segments
- address public perceptions regarding horizontal inequity.

Therefore, to ensure voluntary compliance of others, it is necessary to bring a large proportion of the self-employed under the tax net.

b. Redesign schemes for small taxpayers under GST

Under the GST law, a taxpayer with an annual turnover up to INR 150 lakh has the option to register for the composition scheme for supply of goods. Once registered, the dealer pays a fixed percentage of tax on the turnover on a quarterly basis with the requirement of minimal bookkeeping and a single return in a year. Despite this level of simplification, the number of taxpayers under the composition scheme remains very low.

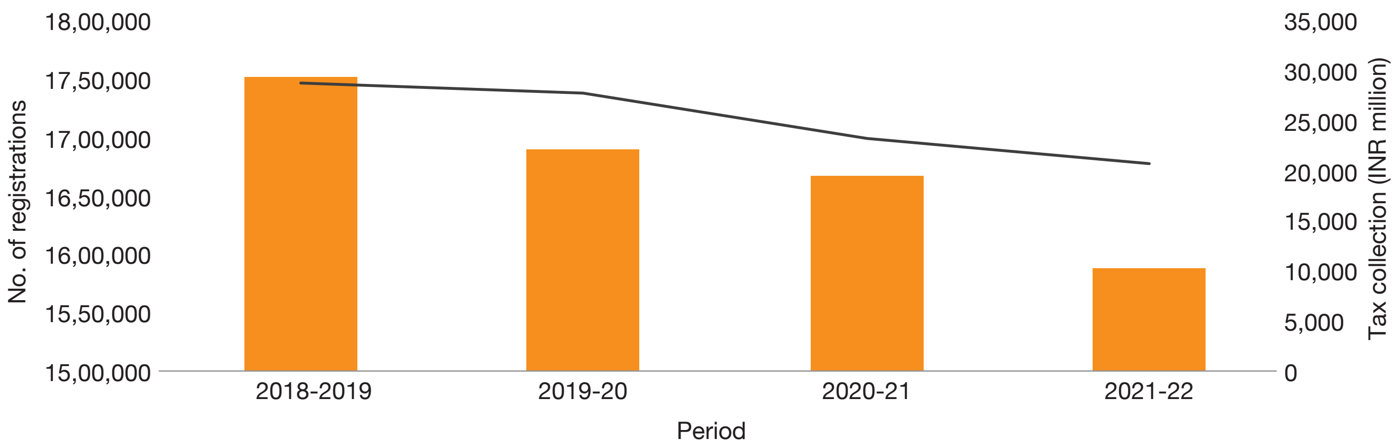
Moreover, as seen in the graph, the number of taxpayers under the composition scheme has reduced over the last four years.

One of the primary reasons for the scheme not drawing more businesses is the limitation in the business territory – that is to say, composition taxpayers are barred from carrying out inter-state transactions. Also, in the past, composition dealers were not permitted to make supplies to e-commerce operators. A welcome step is that pursuant to the 47th GST Council meeting in June 2022, composition dealers have been allowed to make supplies through e-commerce operators. However, these small businesses are still not permitted to undertake inter-state supplies. Freeing them of this territorial constraint would enable a huge number of small businesses to leverage the advantages of the digital economy and to have access to a wider market both domestically as well as globally, especially with the emergence of India's own platform, Open Network for Digital Commerce (ONDC).

Also, the turnover limit for the composition scheme, which was last revised in 2019, may be revisited and enhanced in line with the turnover limit of presumptive taxation for small businesses under income tax – i.e. INR 200 lakh – so as to broadly align the two schemes. In the service sector, the composition scheme provides a turnover limit of INR 50 lakh per annum with a GST rate of 6%. Given the pace of growth in the service sector in the micro, small and medium enterprises (MSME) category, perhaps this limit for service sector providers could also be revisited and suitably increased.

The compliance burden under GST may be reduced for small taxpayers by redesigning schemes such as the Quarterly Returns Monthly Payment (QRMP) Scheme. Under the QRMP scheme, the registered taxpayer having an aggregate turnover

Composition dealer registration



Source: Goods and Service Tax Network of up to INR 500 lakh in the previous financial year is required to file quarterly returns instead of monthly returns. However, they are required to make tax payments on a monthly basis.

Taxpayers under this scheme also have an option to report, in lieu of quarterly reporting, invoices using the Invoice Furnishing Facility (IFF) on a monthly basis. This enables them to pass on the input tax credit (ITC) by way of the data flowing from the IFF into their buyers' returns. This monthly filing adds to the compliance burden on small taxpayers.

Once the e-invoicing facility is extended to all transactions, including B2C, an option may be given to QRMP taxpayers to adopt e-invoicing. Using this data, GSTN can auto-populate the recipient's GSTR-2A/2B to enable seamless ITC flow. This will help eliminate the need for filing IFF, which would enhance the ease of doing business for MSMEs. Also, the periodicity of tax returns under this scheme may be revised to annual or half-yearly instead of quarterly so that it reduces the compliance burden to a large extent.

Such redesigned schemes could:

- enhance the ease of doing business
- reduce compliance cost and time for small taxpayers
- enhance voluntary compliance in the MSME sector.

2. Augment revenue

The principal objective of tax policy in a developing market economy is to raise revenue in an equitable manner and with minimal distortions.[16] While the Government has taken steps to augment revenue mobilisation in recent years, the following additional measures can contribute to sustainable revenue growth.

Recommendations

a. Prune exemptions and incentives

Complexity in tax laws is mainly driven by the number of exemptions, incentives and deductions available. A report published in 2015 by the IMF, Organisation for Economic Co-operation and Development (OECD), United Nations (UN) and World Bank, titled 'Options for low income countries – Effective and efficient use of tax incentives for investment'[17] and submitted to the G-20 Development Working Group, found that such incentives tend to complicate the tax system, create horizontal inequity and distort production efficiency. Further, businesses are likely to be seen by tax administrations as using incentives in a way that is contrary to the intent of the legislation, thus contributing to mistrust. A recent study carried out by the OECD indicates that only 59% of tax officials in Asia believe that tax incentives are used as intended.[18]

The Indian tax law had traditionally included various tax incentives for businesses, aimed at promoting investment in certain sectors of the economy or in specified backward areas of the country.

In 2016, a bold policy decision was taken to discontinue and phase out almost all profit-linked incentives and instead allow only investment-linked incentives. Subsequently, while some special profit-linked incentives have been introduced to promote investment in housing, support the start-up industry, develop international financial services centres and incentivise purchase of electric vehicles, these incentives have been allowed for limited periods of time. However, the level of tax expenditure is still quite high, when compared with the quantum of taxes collected. As per the Statement of Revenue Impact of Tax Incentives published as part of the Receipt Budget 2022-23[19] , the total estimated tax revenue foregone for FY 2020–21 due to various deductions, rebates and special exemptions was INR 1,03,285 crore for corporate taxpayers, INR 8,827 crore for non-corporate taxpayers (firm/ association of persons/body of individuals) and INR 1,70,583 crore for individuals/Hindu undivided families.

16 https://www.unescap.org/sites/default/d8files/APSDJ%20Vol.25%20No.1_pp85-107.pdf

17 Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment

18 Para 2.6 of the OECD's Report titled 'Tax Morale II - Building Trust between Tax Administrations and Large Businesses' (September 2022)

19 Receipt Budget 2022-23, Ministry of Finance, Budget Division, 2022

It is therefore necessary that while the currently prevailing scheme of tax incentives that are targeted and time-bound could continue, the focus should narrow over time to incentives for businesses to invest in critical assets and for promoting research, development and innovation. Deductions allowed under personal income tax may be restricted to contributions made towards old-age security, health and education.

Further, the present income tax law still provides for several tax exemptions, many of which have outlived their utility. Tax exemptions that were designed for a specific purpose and are no longer relevant or run contrary to the objective of 'Aatmanirbhar Bharat' should be done away with.

It may also be necessary to revisit the tax exemption on agricultural income given the pressures on Government expenditure, the need to generate additional revenues and in keeping with the principles of equity and fairness in taxation. A monetary threshold-based tax on large farmers in India, as recommended by the Tax Administration Reform Committee (TARC) in its Third Report[20] released in November 2014, could be considered in this regard. Such a measure will formally widen the tax base in the country and increase revenues.

On the indirect tax side, currently, the revenue impact on account of various free trade agreements (FTAs) is estimated at INR 68,851 crore (FY22).[21] With the anticipated increase in FTAs being signed by India with major developed economies, the potential revenue foregone in concessions in basic customs duty would go up steeply in the years ahead. While the potential revenue loss would be offset with other tax or non-tax advantages offered by the FTAs to some extent, pruning of existing exemptions and concessions in customs still deserves greater attention in such a situation.

At the onset of GST, the revenue-neutral rate was fixed at about 15% with the hope of buoyancy in revenue. However, with many concessions and rate-slashing over the initial years, the current average rate hovers at around 11.5%. While GST collections have been stable at over INR 1,40,000 crore per month[22] since the last eight months, several policy measures would be needed to make it more buoyant. Aligned with the principles of equity in taxation, one crucial step would be the reduction of the numerous exemptions for both goods and services, which drain the exchequer while adding to the input costs in the value chain due to non-availability of input tax credit (ITC).

As in the case of customs, a fixed shelf life may be specified for the exemption notifications in GST so that they do not outlive their initial objectives. Of course, the discretion to extend them in case of any exigency should still be available.

In parallel, there is also a need to expand the current base of GST by bringing within its ambit the large sectors of the economy such as petroleum and electricity. NITI Aayog has also stressed that given a seamless ITC mechanism under GST, the industries in this sector could see a rise in post-tax profitability. This would also enhance the direct tax receipts of the Government.[23]

b. Incentivise last-mile GST payments

The last-mile GST issues on non-compliance at the B2C level are a matter of concern for all tax administrations, as they lead to tax evasion. One scheme often adopted to counter this is the VAT/GST lottery. Such a scheme was first introduced by Taiwan in the 1950s. Many other countries introduced various types of prizes including cash prizes (the Philippines) and in-kind prizes like cars (Poland) and the chance of appearing on a television show (Slovakia).[24]

The Kerala state government recently introduced the Lucky Bill App[25] under the GST regime which encourages consumers to upload GST invoices by giving them prizes such as vouchers for stay in Kerala State Tourism Development Corporation hotels. The data from such apps can be leveraged to detect evasion of GST in the last mile. Schemes such as these, if introduced across the country, can incentivise vigilant consumers to ask for a GST bill, while acting as a deterrent to potential tax evaders.

20 Third Report of TARC

21 Annex 7 of the Receipt Budget 2022-23

22 https://pib.gov.in/PressReleasePage.aspx?PRID=1872591

23 https://www.financialexpress.com/economy/fuels-electricity-under-gst-ambit-niti-aayog-formula-includes-six-year-aid-to-states/2315522/

24 International Growth Centre

25 https://keralataxes.gov.in/2022/08/01/lucky-bill/

3. Manage litigation and enhance tax certainty

One of the essential components of strengthening trust is improving the predictability and certainty of tax enforcement.[26] Uncertainty in tax can arise in different areas of the tax system, dispute resolution being a prominent area of concern for taxpayers. While tax disputes are perhaps an inevitable part of any tax system, there is a need for them to be resolved effectively to minimise related costs and inefficiencies as also to timely realise revenues that are blocked by litigation. The following steps could increase administrative efficiency, help with litigation management and thereby increase tax certainty.

Recommendations

a. Strengthen the dispute resolution scheme for small taxpayers

The finance ministry's Annual Report for 2017–18,[27] which featured historical data on appeals pending before the Commissioner of Income Tax (Appeals) (CIT [Appeals]), indicated that 66% of these pending appeals were related to small tax disputes (tax demand of less than INR 10 lakh).

While pending disputes are being resolved or adjudicated, it is necessary to ensure that in future fewer disputes arise from fresh assessments. To facilitate this, the Government has introduced a new alternative dispute resolution scheme for small and medium taxpayers in the form of a Dispute Resolution Committee (DRC). The intention of the scheme is to provide early tax certainty to small and medium taxpayers having taxable income of up to INR 50 lakh and disputed income of up to INR 10 lakh, by preventing new disputes and settling any issues at the initial stages.

Eventually, it is recommended that the scheme be expanded to also cover larger taxpayers. Considering the scheme is faceless and anonymised, it will usher in an entirely new ethos that permanently alters the relationship between the taxpayer and tax department, building trust.

26 Dom, Roel; Custers, Anna; Davenport, Stephen R.; Prichard, Wilson. 2022. Innovations in Tax Compliance : Building Trust, Navigating Politics, and Tailoring Reform. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/36946 License: CC BY 3.0 IGO.

27 Annual Report 2017–18

b. Introduce mediation as a mechanism to resolve tax disputes

Considering the high level of tax litigation in India and staggering pendency of cases in various appellate forums, a growing view is that there needs to be some sort of a mediation mechanism to resolve tax disputes –before such issues even arise. The essence of the mediation mechanism is to involve a third party (mediator) – an independent expert who helps the parties to develop a certain agreement on the dispute – while the parties fully control the decision-making process on the settlement of the dispute and conditions for its resolution.[28]

Mediation of tax disputes is already being practiced in various countries. Jurisdictions like the US, the UK, the Netherlands and Belgium have adopted mediation as a viable alternative dispute resolution mechanism for tax disputes. In fact, even the Indian Supreme Court, in a recent judgment,[29] has impressed upon the Parliament to enact a separate Indian Mediation Act that can comprehensively deal with civil disputes. Pursuant to this, a Draft Mediation Bill, 2021,[30] was placed before the Rajya Sabha in December 2021, proposing that civil or commercial disputes be settled through mediation before approaching any court/tribunal. While the Draft Mediation Bill 2021 seeks to exclude tax disputes, the Government could consider carving out an exception and introducing a separate mediation process to resolve tax disputes by codifying a mediation framework within the tax law itself.

The proposed scheme of mediation could be implemented by the constitution of a mediation panel that is empowered (in the same way as the existing DRC) to resolve tax disputes, along with the constitution of an expert panel of mediators that may comprise of retired tribunal members/IRS officers, experienced chartered accountants and lawyers. The scheme would be optional, and would allow the taxpayer to withdraw at any time to pursue regular appellate channels. In the first instance, such a scheme could be introduced for resolving transfer pricing (TP) disputes. Later, with the help of experience gained, it could be extended to other categories of disputes.

28 Alternative Procedures for Settling Disputes – Lana L. Arzumanova [Financial Law Review No 23 (3)/ 2021

29 M.R. Krishnamurthy vs New India Assurance Company [2019 SCC online SC 315]

30 https://legalaffairs.gov.in/actsrulespolicies/mediation-bill-2021

c. Delink TP audits and introduce block audits

The TP litigation environment in India has evolved over the years. Since the introduction of the TP regime in 2001, TP adjustments have increased significantly year on year, touching a peak of INR 70,000 crore in FY 2013–14.[31] While the quantum of TP adjustments may have reduced since FY 2013–14, India continues to remain among the most litigious TP regimes in the world. Further, a majority of the appeals (72%) on TP matters filed before the tribunals are by taxpayers and have a high success rate, with 82% of the taxpayers' appeals being allowed or partly allowed in their favour. On the other hand, 61% of the tax department's appeals have been dismissed.

Internationally, TP audits are generally independent proceedings that are handled by expert TP teams. Cases are selected for audit based on identified high-risk parameters. Moreover, once a case is selected for a TP audit, the relevant transactions or arrangements are examined for many years in one go.

To resolve the issues mentioned above and better align TP practices in India with those followed globally, TP audits should be delinked from regular assessment proceedings. Accordingly, TP would be an entirely different vertical, having its own system of risk-based case selection for audit, an audit process that is entirely independent of the regular assessment proceedings, and a separate and parallel appellate channel.

Further, the existing dispute resolution panel should be replaced with a mediation panel (mentioned above) which will deal solely with TP issues. The amicable settlement of TP disputes via mediation will:

- significantly reduce protracted TP litigation
- promote a relationship of trust with the tax department
- positively influence India's Ease of Doing Business index.

Further, in line with the global best practices followed by many developed countries such as the US, Germany, Australia and many other European countries, block audits covering a period of three to five years should be considered for TP cases.

d. Improve litigation management under GST

Although GST in India has completed five years, the proposed GST Appellate Tribunal envisaged to render prompt and effective remedy to aggrieved taxpayers is yet to be established. Meanwhile, appeals to be taken up by this appellate forum are mounting across India. Even as the tribunal is being launched, the huge backlog of cases could virtually choke the system, enormously delaying current and future appeals. As a result of huge delays in delivering verdicts, taxpayers may become distrustful towards the appellate machinery. Hence, proactive steps must be taken to ensure that the appellate system is well-equipped to accommodate the considerable volume of appeals in the future.

In order to reduce the backlog, a potential way out is to provide a tailored amnesty scheme for those who wish to pay a fixed portion of the disputed tax amount under litigation, but can still be eligible to claim credit for the tax so paid. Also, a monetary threshold limit may be fixed for GST cases, below which no litigation would be initiated by the tax department in appellate forums such as the Commissioner (Appeals)/tribunals or high courts or the Supreme Court. Further, given the success of online hearings in the post-pandemic era, virtual hearings may also be permitted under law for proceedings in the proposed GST Appellate Tribunal.

e. Build a framework of co-operative compliance

The rising number of tax disputes, high-pitched assessments and indiscriminate penalties have cost the tax administration dearly in terms of taxpayer trust. At the same time, a much greater level of uncertainty has been imposed on taxpayers through a slew of anti-avoidance and compliance measures including, but not limited to, general anti-avoidance rules in domestic legislation as well as in tax treaties. In order to change the taxpayer's perception towards the tax department and impart greater tax certainty (particularly to large investors), a more comprehensive and holistic approach to compliance is needed in India. This approach can be built around the co-operative compliance model that is being explored and implemented in several parts of the world.

31 Transfer pricing disputes trends (2015)

Co-operative compliance is an expansion of the risk-based approach to tax compliance. It envisages ongoing and real-time cooperation between taxpayers and the tax authorities, which would result in the payment of correct taxes on time – in an effective and efficient manner. The model is based on the premise that the taxpayer can be trusted and the tax administration acts predictably, thereby providing tax certainty. Operationally, the underlying assumption is that if the taxpayer is transparent and able to demonstrate how she/he is making bona fide efforts to fulfil her/his tax obligations, the tax administration will not only guide the taxpayer on the manner of compliance expected but will also provide certainty in advance regarding a tax position. The tax administration expects taxpayers to give them access to their control systems used to manage tax risks. If satisfied with the control systems, the tax administration adopts a light-touch compliance regime to the eligible taxpayers. This can potentially lead to the speeding up of assessment processes and thus faster resolution of uncertain positions. At the least, it would lead to an enhanced relationship with the largest taxpayers based on mutual trust and understanding, real-time information and more efficient use of resources.

The OECD's 2013 report on the Co-operative Compliance Framework (CCF)[32] – based on surveys from 21 member countries of the Forum on Tax Administrations and consultations with business – concluded that the CCF can become an important tool for building tax certainty and driving trust-based voluntary compliance. The OECD termed this concept as 'transparency in exchange for certainty'. The OECD also published another report on the subject in 2016,[33] providing guidance for businesses on the design and operation of tax control frameworks (TCF) and tax administration on adjustment of their risk management strategies for large enterprises under co-operative compliance.

Many countries have implemented or piloted the co-operative compliance model. To some extent, the Indian Government has been quite active in adopting measures that can fall within the ambit of co-operative compliance. To further augment the CCF, which is in consonance with the objectives of fostering voluntary compliance by reposing trust in the taxpayer, a high-level committee may be tasked with examining the co-operative compliance models being run in different countries and developing a CCF that is feasible and in tune with the current needs of the Indian tax system. The model can be formalised by publishing explicit frameworks explaining how the arrangement would work and individual agreements between taxpayers and tax administrations that specify the expectations and outcomes. Since these frameworks would require taxpayers to establish internal control systems that can effectively identify and manage tax risks, a CCF would typically be open to the largest taxpayers, on a purely voluntary basis. The model eventually implemented could cater to compliance – under both direct as well as indirect tax laws.

On a similar note, a risk-based, targeted audit in GST would help the tax administration to adopt the least-intrusive strategy, engender trust and foster voluntary compliance. Further, when risk-based approaches are in place, businesses are likely to improve their internal controls to manage tax risks. Thus, it would be appropriate for GST administrations – especially at the state level – to uniformly adopt data-driven risk-based audit methods in their journey towards building a CCF.

4. Strengthen taxpayer services

Tax administrations have a key role to play for reciprocity and accountability in taxation, as this is an important factor in shaping compliance attitudes. The system of reminding taxpayers through SMSs regarding the dates for payment of taxes and filing returns is functioning well. Additionally, a mobile app has been developed that can provide information to the taxpayer on the status of his/her various tax matters, and this app has been downloaded in large numbers. The holding of return-filing camps and income-tax stalls at public exhibitions has been widely welcomed. Apart from these initiatives, the following measures can increase customer

32 OECD's Report on "Cooperative compliance: A Framework – From Enhanced Relationship to Cooperative Compliance," (2013)

33 OECD's Report on 'Co-operative Tax Compliance – Building Better Tax Control Frameworks (2016)

experience of taxpayers and promote increased trust in the tax system, thereby contributing to increased compliance.

Recommendations

a. Improve communication with taxpayers and build trust

The Indian tax administration has been active in implementing some measures for building bridges of trust between taxpayers and the tax administration.

The use of technology has helped it to address several challenges related to complexities, ambiguities and inconsistencies in the filing and processing of tax returns. In addition to the efforts being made, the tax department could strengthen the taxpayer services vertical through measures based on behavioural principles. These could include:

- enhancing communication with taxpayers
- creating tax awareness through education or workshops
- building a customer management platform to manage taxpayer relationships right from registration to the introduction of a taxpayer-facing virtual agent on the income tax portal could be implemented through a bot framework.

These measures may be complemented by devising innovative ways of rewarding good taxpayer behaviour. In the field of income taxation, while issuing of certificates of appreciation is a welcome initiative, such certificates could be accompanied by more tangible benefits like reward points that can be redeemed to fast-track public services.

Further, while the Government has established a Taxpayers' Charter and given it statutory recognition under the Income-tax Act, currently there is no system of tracking whether the tax administration has adhered to the commitments made in the charter. To fix this, the Government could consider publishing an annual report highlighting the performance in respect of various commitments made in the charter, along with some qualitative analysis. For example, the Inspector-General of Taxation, Australia, conducted a detailed review into the Taxpayer's Charter and taxpayer protection to examine its effectiveness and recommend areas of improvement.[34]

Additionally, at present, there are no provisions in law that can compensate the taxpayer for unwarranted delays in actions, such as the disposal of applications for rectification and giving effect to appellate orders. The ability to refer long-pending grievances to the Tax Ombudsman, who are independent of the tax administration and are suitably empowered to assign positive or negative points to tax officials based on their effectiveness in resolving the grievances, can be very helpful in this regard.

Other areas that may be revisited to signal the Government's intention of moving from an enforcement-based to a trust-based tax system include:

1. redesigning penalty provisions on the fundamental premise that penalty is a correctional mechanism for defaults and not an important source of revenue
2. adopting a balanced approach towards prosecution by restricting it to extenuating circumstances and severe defaults
3. avoiding retrospective legislative changes that could have a negative impact on taxpayers
4. redesigning GST provisions to categorically avoid simultaneous assessments or investigations under dual jurisdictions, often involving both the Central and some state GST tax authorities
5. introducing a more formalised system of issuing public rulings on select legal issues as well as guidelines specifying the compliance behaviour expected in respect of newly enacted laws and complex legal processes.

34 https://cdn.tspace.gov.au/uploads/sites/64/2016/12/Review-into-the-Taxpayers-Charter-and-Taxpayer-Protections.pdf

b. Expand the role of technology

Technology is the key to enhancing taxpayer facilitation as well as compliance. Substantial progress has been made in this regard, both in the direct as well as indirect tax systems. Under GST, the Government has successfully implemented measures such as e-invoice and e-way bill to capture live transactions. In future, an e-invoicing requirement may be extended to even B2C transactions in order to address the last-mile problem of inadequate compliance. Countries such as Australia have promoted the inclusion of smaller taxpayers in the GST system by way of financial support to lower their compliance costs. In the Indian context as well, the Government may evaluate providing technology support to the MSME sector, enabling it to undertake corporate tax (including withholding tax) and GST compliances.

As tax analytical tools are implemented for data collection, data forecasting, effective management of assessments/ appeals and behavioural trends, it is likely that artificial intelligence (AI) will be a vital part of the tax function in the future.

It is worth adopting newer approaches such as design thinking and user experience to simplify complicated rules and procedures and provide a better taxpayer experience. Further, the Government may explore blockchain technology for e-invoicing, e-registration, e-payments, e-filing, e-assessment and e-audit. Countries like China are already using blockchain to detect fake VAT invoicing.

c. Enhance ease of compliances

Enhancing the ease in tax compliances will build trust among the taxpayers and also broaden the tax base. This will also promote the culture of compliance and ensure stability in tax structure. Following are some of the measures that may be explored by the Government in this area:

i. Measures to address working capital issues

Under the GST regime, ITC balances (viz. CGST, SGST and IGST) are required to be maintained at state level. Therefore, companies having GST registrations in multiple states are not allowed to adjust the ITC balance of one state with the GST liability of other states, resulting in an additional burden on cash liquidity. The Government may consider at least allowing the CGST and IGST credit balances to be maintained at a national level so as to allow cross-utilisation of ITC balances between units having the same PAN, similar to recently introduced inter-state transfer of cash balances.

In addition to the above, the Government may also consider introducing a well-integrated model for cross-utilisation of direct and indirect taxes at the Central level. For instance, one possible measure could be adjustment of excess GST paid or ITC against the liability of income tax or basic custom duty. This would help taxpayers to optimise their working capital.

ii. Group registration under GST

In India, GST registration is mandatory in each state of operation, which has resulted in multiple return filings, huge cash flow impact and higher compliance burden for businesses that have pan-India presence. Ever since the introduction of GST, the industry has been seeking ways to ease this regulatory compliance burden. A few countries like Australia allow large businesses to take a group GST registration. The Government may consider exploring such a facility in India, which will help businesses having pan-India entities. Such entities could be permitted under law to submit a common GST return, resulting in lower compliance costs and improved cash flows.

iii. Aligning valuations under TP and customs

Often, it is seen that while there is data sharing between the TP and customs authorities, the stand taken by either of these authorities could adversely affect the taxpayer under the same factual circumstances. The Government may consider implementing a collaborative administrative framework for TP and customs with respect to the import of goods from related parties. Such robust collaboration has been functioning in many countries such as South Korea, where along with the advance pricing agreement (APA), there is a consultative facility of Advanced Customs Valuation Arrangement (ACVA) to help the taxpayer arrive at a valuation which can be mutually accepted by the tax as well as customs authorities.

5. Align with the environmental, social and governance (ESG) agenda

India has committed to achieving net zero emission status by 2070, in addition to several other ambitious objectives to be fulfilled by 2030. Organisations need to reassess their businesses with due consideration of the ESG factors and engage in activities that will help in achieving the ESG objectives of the country. This enhanced activity to address environmental concerns requires substantial funding and policy support from the Government. Moreover, such initiatives simultaneously present new business opportunities that demand changes in the existing business models. Some measures to move the needle towards the green zone are as follows:

Recommendations

a. Introduce green taxes and incentives

Tax policies that factor in the unprecedented changes witnessed could be used as a lever to propel the ESG agenda. Several countries are opting for the introduction of coordinated measures comprising green taxes as well as incentives (carrot and stick approach). The implementation of 'green taxes' and related 'incentives' would be an important part of the efforts being made towards achieving the climate goals that India has set for itself.

b. Introduce a framework for tax transparency reporting

Tax transparency reports filed voluntarily by businesses, together with concerted efforts by the tax administration to show how taxes paid by citizens are being used to promote the welfare and development of people, would go a long way in enhancing the element of trust and pride in paying tax.

A well-designed non-onerous tax transparency framework on tax metrics, such as effective tax rate (ETR) and tax management practices that are voluntary for reporting by businesses, would create more awareness about the tax behaviour of organisations and also provide indicative inputs to regulatory bodies. The continuous review of voluntary disclosures would also help in building trust in respect of tax behaviour of businesses. In addition, a comparative assessment of the peer group could prompt outliers to explain their positions in their voluntary disclosures.

The Government can consider introducing a tax transparency framework on a voluntary basis in line with the Global Reporting Initiative (GRI) 207 tax standard for businesses having a material presence in India. These businesses can set a precedent by reporting relevant information in a consistent and uniform manner for better comparability, transparency, trust and relationships with stakeholders.

Using technology the Government could disseminate to the individual taxpayer targeted information on good work being done in the area where such a taxpayer live. For example, if a road is being built passing through the city of a taxpayer, it would be good to share the progress on that project with them at a reasonable frequency in order to reinforce the association of payment of taxes with the experience of tangible benefits.

The road to collective progress

India is currently on the road to becoming a developed economy, operating on the foundations of a just and fair socioeconomic order. The country's progress can be sped up by building bridges of trust between the Government and the people. The underlying recommendations in the areas of widening the tax base, augmenting revenue, effective litigation management and increasing tax certainty, strengthening taxpayer services and aligning with the ESG agenda can contribute significantly to the Government's continued focus on building trust between taxpayers and the tax administration.

While some of the initiatives such as effective litigation management and strengthening taxpayer services may be prioritised, measures to widen the tax base, augment revenue and align with the ESG agenda can remain an ongoing process that could be initiated and implemented in a phased manner.

These measures, in turn, will encourage voluntary compliance, leading to sustainable growth in tax revenue and achievement of the SDGs that India has set for itself. As industry bodies, intermediaries and corporates play a constructive role in this journey, the approach would be in consonance with the overarching theme of the Government: 'sabka saath, sabka vikas, sabka vishwas, sabka prayaas' (with everyone, for everyone's progress, winning everyone's trust, with everyone's efforts).

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Moving the education needle for the **greater good**

Education is a critical lever to boost the nation's economic growth. Now is the time to study the investment areas and outline a framework for both public and private investments in specific areas to drive transformation in the education sector

By Sanjeev Krishan and Ashok Varma

Sustainable Development Goal (SDG) 4 aims not only to ensure inclusive education for all, but also to promote quality education and lifelong learning opportunities for all.[35] Today, as a resilient India shifts gears with the aim of becoming a USD 5 trillion-dollar economy, the realisation of this SDG is of prime importance. India's transformation and growth has a direct correlation with the knowledge, skills and talent of its 1.4 billion citizens. That in turn is dependent on public and private investments made in the spheres of education, healthcare and relevant skill-building. Given that the Union Budget will be presented in a few months, it is time now to examine why public investment in education is as imperative as earmarking specific investment areas that have provisions for supplementary private investments.

The human capital theory, which posits that human beings can increase their productivity through higher education and skills training, has driven public and private investments in education and skilling for more than six decades and it continues to remain relevant. The World Bank report on Returns to Investment in Education (A Decennial Review of the Global Literature) concludes that the private average global rate of return for one additional year of schooling is about 9% a year. Further, the cost of investing in education and benefits to society remain above 10% at the secondary and higher education levels. The private return on investment in higher education is much higher at around 15% over the last six decades.[36]

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35 United Nations Sustainable Development

36 Returns to Investment in Education - A Decennial Review of the Global Literature by George Psacharopoulos and Harry Antony Patrinos (2018)

Public investment in education: Allocation and objectives

In India, public investment (including Central and state budgets) in education has historically been in the range of 3 to 4% of the GDP in the last decade. The National Education Policy (NEP) outlines an ambition to increase public investments in education to 6% of the GDP at the earliest.[37] For the first time, the Central Government's annual allocation for education has crossed INR 1 lakh crore for FY 2022–23. This has to be nearly doubled over the next two years to achieve the public investment target by 2030.

It took more than six decades after independence to achieve universal enrolment in schools with a legislative push through the Right to Education (RTE) Act, 2009. Today, prioritising investments in each of the education sub-systems is a compulsion, not a choice – to make up, to some extent for the lost time. The challenges in secondary, vocational and higher education need to be addressed simultaneously while addressing the inherent challenges in early childhood care and education (ECCE) and quality of education in schools.

- **ECCE –** Different playing and learning environments equipped with requisite teaching tools, demarcated areas for different activities, facilities for arts and crafts are prerequisites for pre-schools and pre-primary classrooms. This is because the period from birth to six years is considered critical by experts for early brain development of children, and ECCE plays a critical role in this. Trained teachers cognisant of developmental aspects of children are needed to provide equal opportunities to every child. If one were to consider an estimate of INR 3 lakh per Anganwadi Centre (AWC), the total cost for upgrading all AWCs (around INR 14 lakh) would amount to INR 0.42 lakh crore (nearly half of the current annual education allocation).

The average allocation required every year for upgrading the AWCs and for achieving ECCE universalisation by 2030 would be INR 6,000 crore. Given the amount needed for upgrade and also the expertise to manage the infrastructure, private sector players active in ECCE, in partnership with the Government, could play a critical role in bridging this infrastructure and human resources gap, and boosting the social and economic growth of women and children.

- **Primary, secondary and higher secondary education –** After achieving the universal enrolment target at the primary level, the secondary school system has attracted greater attention from policy makers and educationists. Access to secondary school, learning and teaching infrastructure, quality of education, teacher training and learning outcomes are critical challenges currently being addressed. STEAM, (i.e. science, technology, engineering, arts and mathematics) is emerging as the new paradigm globally for transforming the school education system to make children future fit. The school education ecosystem would need significant investments to address these challenges.

The Unified District Information System for Education Plus (UDISE+)[38] report for FY 2020–21 prepared by the Ministry of Education reveals that nearly 75% of schools lack internet facilities and around 60% lack computers.

As per UNESCO's 2021 State of the Education Report for India: 'No Teacher, No Class'[39], India has nearly 1,20,000 schools with only one teacher each and 89% of these single-teacher schools are in rural areas. Nearly 1.2 million additional teachers are needed to plug the current shortfall. Besides, many of these schools lack other basic infrastructure facilities such as electricity, drinking water and libraries.

37 Ministry of Education

38 https://udiseplus.gov.in/#/home

39 https://unesdoc.unesco.org/ark:/48223/pf0000379115

At a conservative estimate of an average INR 10 lakh per school for upgrade, the one-time investment required for upgrading all 15 lakh schools would be INR 1,50,000 crore. Besides, infrastructure facilities such as libraries, electricity, drinking water and teaching aids, support needs to be provided to these schools to train the teachers and improve the quality of learning outcomes.

- **Higher education –** The NEP envisages broad-based, multi-disciplinary and holistic under-graduate education with different subject combinations, vocational education, a flexible curriculum with many entry and exit points and relevant certification. This compelling NEP vision could usher in a radical shift in the higher education landscape of the country to address an evolving global workforce transformation.

The latest report of the All India Survey on Higher Education (AISHE) 2020[40] indicates that we have 1,043 universities, 42,343 colleges and 11,779 standalone institutions listed on the AISHE web portal. Further, the total enrolment in higher education has been estimated to be 38.5 million with 19.6 million boys and 18.9 million girls[41]. To achieve the 50% Gross Enrolment Ratio (GER) target set in the NEP by 2035, the enrollment needs to grow to nearly 70 million assuming that the number of youths in the 18-23 age group remains constant.

An annual investment of INR 25,000 crore would be needed as infrastructural cost to build 60 new universities and 3,000 colleges every year over the next 15 years to address the proposed increase in enrolment. Also, the total number of teachers (currently 15 lakh) will need to be increased to around 33 lakh for an ideal pupil-teacher ratio of 15.

The NEP lays out an ambitious plan to transform the higher education system and make it multidisciplinary and holistic. This would bring in much-needed flexibility for the youth to opt for subjects of their choice rather than get slotted into current degree and post-graduation degree programmes. While the increase in the number of seats, colleges and universities is addressed, the use of digital technology could help overcome the challenges of physical infrastructure, availability of teachers and quality of education. Therefore, governments (both state and Central) need to work on policy and regulatory changes to facilitate the use of digital technology in higher education.

- **Professional higher education –** Professional education covers education to land a job that needs special training or skill, and includes streams such as engineering, management, medicine, dentistry and pharmacy. The nineties saw an exponential rise in the number of engineering colleges and this growth continued till the end of the decade. While the burgeoning supply of engineers in the last three decades has helped us to meet the global demand for information technology talent, the quality of engineers and their employability has become a critical challenge to address. The other professional education areas, especially medical education, are still to meet the growing demand. While we claim to have achieved a 1:1000 doctor-patient population ratio, there is unequal distribution across our vast country with rural areas being unserved or underserved. Like engineering, the quality of education is also an area of

40 Conducted by the Department of Higher Education, Ministry of Education, Government of India. Survey data for FY 2020-21 is yet to be updated

41 India's gross enrolment

concern in medical education. As per a study conducted by the All India Institute of Medical Science (AIIMS), it costs INR 1.7 crore to produce a single MBBS doctor at AIIMS.[42] Various studies and reports indicate the need for 6 lakh more doctors to address this shortfall.

To help address the need for 6 lakh more doctors and serve rural areas that are largely underserved or unserved, INR 10 lakh crore would need to be earmarked. The professional education institutions would also have to embed digital technologies and adopt a blended learning approach to address the 'quality and access' issues currently faced by them.

One of the critical aspects to ponder upon and plan in the professional education landscape is quality of education and ensuring relevance of graduates/post-graduates for the job market. The advent of digital technology is transforming experiential learning and is capable of addressing the dearth of competent, qualified faculty faced by the professional education segment.

- **Vocational education and skills -** India with its young demography aspires to become the Skill Capital of the world. It can realise its demographic dividend through a workforce trained in industry-led and future-ready courses. According to the Ministry of Skill Development and Entrepreneurship (MSDE) Annual report 2021-22[43], there are 1,484 training centres under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (including Pradhan Mantri Kaushal Kendra [PMKK]), 309 Jan Shikshan Sansthan (JSS) and 14,716 Government Industrial Training Institutes (ITIs) that are providing skills training to the youth to equip them for various job profiles. There are also around 10,000 All India Council for Technical Education approved polytechnics offering three-year diploma courses. At present, under the PMKVY, JSS and ITIs, a total of about 22.4 million candidates have been enrolled through the network of skill development training centers across the country to fulfill skilled manpower[44] requirements. Under Samagra Shiksha[45], 14,435 schools have been given the go-ahead for implementing vocational education in schools until 2021-22.

The recent skilling and training initiatives have largely focused on entry and mid-level job roles in sectors where the skilling investment required has been low and the training duration has been less than a year in most cases. One of the disadvantages of this approach has been an excess supply of trained youth in certain sectors and job roles, leading to the lack of skill premium in wages as the entry level labour market is still transitioning from an informal to formal ecosystem.

Various labour market research studies indicate that approximately 12 million enter the labour market annually[46]. There has been a dip in this number due to lower female workforce participation in the last couple of years especially after the COVID-19 pandemic. Most of these new entrants into the labour market are not formally trained for the jobs they take up. At a conservative estimate, a 30-day training for new entrants requires an incremental cost of INR 10,000 per trainee, therefore the annual training cost for new entrants itself would require INR 12,000 crore annually. A shift to the higher National Skills Qualifications Framework[47] level job roles would demand significant one-time investment in training infrastructure, training cost (consumables and training aids) and development of training faculties along with longer duration courses. Another aspect which needs focus is continuous upskilling to stay relevant in an Industry 4.0 led economy for the current workforce which is currently more than INR 40 crore.

42 AIIMS spends INR 1.7 Cr on producing one doctor

43 https://www.msde.gov.in/sites/default/files/2022-06/Annual%20Report%202021-22%20Eng.pdf

44 https://pib.gov.in/Pressreleaseshare.aspx?PRID=1783494

45 https://loksabhaph.nic.in/Questions/QResult15.aspx?qref=33184&lsno=17

46 Economic Survey

47 In 2013, Government of India introduced the National Skills Qualification Framework (NSQF), a competency-based framework that organises all qualifications based on a series of levels of skills, aptitude and knowledge. It can be accessed at https://ncvet.gov.in/nsqf-notification

A 30-day training for new entrants requires an incremental cost of INR 10,000 per trainee, while the annual training cost for new entrants itself would require INR 12,000 crore annually. Also, diversification of skilling and training needs to be factored in for more advanced job roles and significant skill premium for trained youth.

Private investments in education: Adopt-a-school approach

Private investment in education funded by the fees paid by private citizens is a significant part of the overall investment in education. Rise in incomes and realisation of the importance of education have led Indian families to spend a significant portion of their income on the education of their children. The limited number of seats in reputed and recognised HEIs and professional education colleges has led to an additional spend on tests and entrance preparation – as after school learning – over and above the formal academic fee.

Apart from citizens, another source of private investment in education has been from the non-governmental organisations (NGOs) often supported by Corporates through their CSR funds. As per CSR data from MInistry of Corporate Affairs, Corporates have spent INR 7,024 crore in FY 21 on education and vocational education including INR 202 crore on special education for the differently abled through their CSR spends.

- **School education –** A thriving private school ecosystem covering 50% of enrolments at the school level – with less than 50% of the number of government schools – indicates that despite the 'not for profit' tag, private investment has flowed into this sector. The private un-aided schools account for a major proportion of the schools being accessed by large lower-middle class and middle-class families to admit their wards into aspirational 'English Medium' schools. The quality of education in such schools has been found wanting, and needs monitoring to address the falling learning outcome levels across the schooling system.

The large established private players both in the ECCE and school system could play a critical role in bridging this quality and access gap by investing in building and equipping classrooms and play areas for pre-primary schools in partnership with government schools. They could also partner with governments to train and equip teachers with adequate skills to impart age appropriate education to the children.

Additionally, private sector expertise and investments could transform the much-needed STEAM focus in school education, while governments could unveil policies and incentives to encourage these engagements through initiatives such as the 'adopt a school' approach.

- **Vocational education and skills –** The unregulated vocational education and training sub-sector has a prolific presence of private providers be it in industrial training institutes, polytechnics, skill development centres or standalone skilling institutions. The increasing propensity of parents to spend on job-oriented courses has led

to growing private investment in this space. However, these investments are concentrated around specific sectors and job-profiles that require low to medium investments.

Financing schemes for students to access more expensive courses and specific incentives to build training infrastructure requiring substantial investments from governments could boost private investment in the vocational education and training spaces.

- **Higher education and professional education –** The private sector is also making significant investments to establish new universities and institutes of eminence. The huge need for investments in the latest technology and applied research calls for the private sector to play an active role alongside higher education academia to create an environment for innovation and research. The private sector has started playing this role with eminent institutions such as the Indian Institutes of Technology (IITs). However, private higher education has become increasingly unaffordable for a large section of society and is taking away opportunities from students who cannot access or pay for them.

The private sector could play a significant role in making higher education more holistic, job oriented and aligned with the growing needs of the market and society at large.

For the highest returns

Public investments in education even at 6% of the GDP would take it to INR 2,00,000 crores in a phased manner over the next few years. This would be grossly inadequate to meet the investments required in every sub-sector of education. The Government could therefore consider altering policies and regulations, especially the ones linked to the 'not for profit' tag applicable to the K–12 sector, to attract private sector investments and expertise to the large network of public schools, without diluting the 'access and equity' elements enshrined in the Constitution and RTE.

Similarly, enabling provisions such as amendment in common norms[48] used to decide the fee and duration of the vocational courses could attract more investments into job roles and sectors that currently do not draw any private investments. Therefore, governments could identify specific areas within education in which they can encourage higher investments to complement and supplement public investments. Further, specific policy and regulation level changes could be made to attract private investments and expertise to transform the education ecosystem at pace and scale. After all, investment in knowledge often pays the best and highest returns.

Sanjeev Krishan
Chairman, PwC in India

Ashok Varma
Partner and Social Sector Advisory practice Leader

48 Common norms initially notified by the Ministry of Skill Development and Entrepreneurship in 2017 and subsequently amended a few times specify the input standards, outcomes, funding norms, fund flow mechanism, mechanism for monitoring & tracking, and empanelment of training providers & assessors for Government Funded training programs.

Law of **supply and demand**

Self-reliance to job creation. Backward integration to production-linked incentives. Smart working to sustainable living. Humility to happiness. **Manish Sharma**, Chairman, Panasonic Life Solutions India, provides his perspective on all this and more in a dialogue with **Venkata Peri**, Research and Insights Hub Leader, and **Sanjay Tolia**, a Chartered Accountant

Excerpts from the interview

Venkata Peri: **Welcome to the second edition of Immersive Outlook. As we explore India's journey towards self-reliance and Atmanirbharta, Sanjay and I are extremely excited to have Manish Sharma with us to share his perspectives about the country's progress towards self-reliance and specific policy interventions that may be needed to accelerate such progress. Manish is the Chair of FICCI's Electronics Manufacturing Committee and also the Chair of its Sustainable Energy Committee. Manish you have been part of India's evolution story. Share with us – first, as the chairman of a corporate conglomerate that makes in India for India and for the world and second, as an advisor to the think tanks – how are these efforts evolving?**

Manish Sharma: Most arguments about Atmanirbhar Bharat have been very progressive and positive. I believe this approach is the necessity of the hour. With this very rich legacy of our country, I believe citizens deserve a better lifestyle and this is in line with that. And the way I look at it is that it is not about isolating ourselves from the world but it is about integrating on our own terms. I believe that there has to be a methodical approach. If you look at the last seven to eight years, on the supply side, there have been lots of initiatives. On the demand side also we need to have more impetus to create larger demand because we have to somehow unlock that potential which exists with so many people living in this country.

When you look at the last seven to eight years, there have been so many initiatives. Today we are talking about initiatives and long-term solutions. The overarching message is to create a self-reliant India. We need to identify sectors which can become champion sectors and do a lot of things, including job creation for the youth and to fulfil their aspirations. We need an inclusive approach.

When I myself look back in my capacity as Chair and at the figures in electronics manufacturing, I see the dialogue with the Government and industry has been very consistent, especially during the last two and a half years, against the backdrop of this pandemic. I think the intention of both the Government and industry was that how do we really convert this adversity into an opportunity. So while the dialogue was very consistent, it became very objective, deep rooted and agile; the decision-making process really became very fast and it was a very inclusive approach. So all the chambers came together and then under the DPIT there was a committee under the chairmanship of Dr Pawan Goenka which was empowered. This committee was supposed to enable dialogue between the chambers and various chambers were entrusted to various sectors; and then the industry champions and the CEOs came together to do a deliberation for a common cause. While competitive rivalries still remain, we came together for a common cause to precipitate a dialogue for policy formation and let that policy be rolled out in a speedy manner.

That has happened in the last two-and-a-half years, as a result of which 14 sectors were identified for production-linked incentive (PLI) schemes. As we all know, a huge outlay in the budget was announced, almost exceeding INR 2 lakh crore for PLIs. We operate in a lot of sectors.

For example, air conditioners are a great example and look at the potential which exists. Today we are at a penetration rate of just about 6% in air conditioners in households in our country. In 2018–19, we would have manufactured roughly about 5 million air conditioners in the country and imported about 2.5 million in a market of 7.5 million. China would have manufactured 120 million air conditioners then. That's the kind of difference. We are today sitting on a value addition of about 20 to 25% which means that of the total production that happens, only 25% of components are locally sourced. Look at any other country. A majority of what they produce or assemble, the components are produced within the country. So that's the kind of potential.

To make India self-reliant we need to manufacture in the country all that we consume; that is, the assembly of all the products we consume in the country should happen here. Second, it is not only assembly but we also need to drive backward integration. Therefore, it was consciously decided that PLI will be applicable on components and not on finished goods, so for example for air conditioners it is on components.

Third, we need to then make ourselves competitive on a global scale, bring in cost efficiencies, global quality and then enable export.

Venkata Peri: Share with us the thought process behind increasing the tax revenue in a skewed economy such as ours.

Manish Sharma: Financial inclusion is underway and I believe also that of the output of GST, strategic output of GST. I will again use the example of air conditioners. We did a scientific study to understand the reason that air conditioner should be considered as strategic, and not a washing machine or any other product category. Look at air conditioners in the entire value chain starting from component manufacturing to production to sales and operations to after sales. It has the potential to create jobs in a variety of domains.

So imagine when an air conditioner is sold, you need people to install that air conditioner; once the installation is done you need people to service that air conditioner, potentially every year for maintenance. So, the number of jobs which this category is creating is far exceeding that in many other categories. Such products are now becoming a necessity, no longer a luxury. And today we attract a 28% bracket of GST across such products.

Another small example is how to integrate the intention of Atmanirbhar Bharat with 'Surakshit' (secure) Bharat. So, there's another strategy which is being discussed which is for the CCTV industry, the security surveillance industry; and again that industry is very similar to the air conditioners industry because not only do you need people to manufacture those products – including the necessity to create storage capabilities for that surveillance to get stored on a platform – but also you need people to install cameras and then subsequently maintain them in the time to come. So, again, a very high potential industry.

Sanjay Tolia: Just connected to your point around increasing the manufacturing base and actually bringing backward integration into Tier 2, Tier 3 cities, how do you think that can be achieved? I know you are very passionate about entrepreneurship. How can we provide incentives to them and automatically expand the tax base for the Government?

Manish Sharma: Plenty of things are happening. Today, distribution is just about 25 to 30% of the total opportunity which happens. Retail has formalised in the last 10 to 15 years and today they are empowering consumers by explaining to them the benefits of a variety of products. Then, after-sales service, for example, has changed quite significantly

today. Now there is a network of authorised service centres and then all this is riding on data. Then, we are also looking at a situation of analysing this huge amount of data which is being created. On the supply side, opportunities will continue to grow so we are no longer going to deal with products in isolation but looking at letting these products get connected, talk to each other and provide better, comfortable, convenient, energy-efficient and smarter living conditions to people. And then this data is to be analysed for the benefit of both the manufacturer and consumer. I think this is going to take some time, but it will open up opportunities and enhance the collection of both direct and indirect taxes.

I think this is work in progress and somebody has to do a tightrope walk. You know, dil maange more, so we also expect that the GST rate reduction will help open up the demand in a much faster manner than what it is.

Sanjay Tolia: And taking that forward, we spoke about India for India and India for the world. To give an example, at least 35% of income should come from exports. Do you think there is more to be done on the infrastructure side, more to be done on the incentive side or more to be done on the digital India side? Given the geopolitical situation around the world, are we probably in the best situation?

Manish Sharma: We are definitely in the best situation. I was in Vietnam last week and I had a fair chance to understand some benchmarks. I must say that sometimes perception is far different from reality.

Consider again the air conditioners industry; when the PLI was announced for this industry, the total budget outlay was roughly about INR 6,200 crore for this industry, and we took just about seven to eight months to create a consensus within the industry to make a formal proposal about what the PLI for this industry should look like. Now this is phenomenal. Then, the PLI was rolled out in a couple of months. This is the speed at which the dialogue and roll-out of policy have happened and look at the way the industry has responded.

On a budget outlay of INR 6,200 crore, the applications which were received for air conditioners and LED lamps for components exceeded INR 6,500 crore. So, I think there are many opportunities which exist. We are potentially on the cusp of exploding, both for domestic demand and also for enabling export. We have to do that simultaneously.

Sanjay Tolia: And what would those steps be?

Manish Sharma: On the supply side, it is very clear that we have to leverage our biggest strength which is the demand of the country and we have to really put money in the hands of people. So, potentially, that would be the consistent expectation from the Government, especially during the time the budget is being formed; that how do we ensure that money is put in the hands of people, how do we really take advantage of the potential which exists. That is one. Second, manufacturers have a responsibility that they should not look at India merely to assemble their products, they have to really backward integrate.

Then, we need to also enable small and medium enterprises with access to technology; so we should look at some of our friends elsewhere. Taiwan is a good example, Japan is a good example to make technology accessible for small and medium enterprises, and large OEMs have to play a role in letting that happen. The automotive industry has already done that.

The second outreach has to be at the place of consumption, so can we look at delivering the FTAs or even the economies which are high on consumption, especially look towards the wWest where India has a strategic logistical advantage compared to let's say the Southeast Asian competitors. So, I think the world is looking at us and there are many reasons for the world to do so. It goes beyond cost efficiencies and de-risking supply chains. This is our time and we should enable those outreaches in a very objective and a phased manner.

Sanjay Tolia: How do you build the next class of leaders and future capabilities?

Manish Sharma: In a larger sense, I think we have been lucky. You need to have a framework and a certain amount of consistency in your approach to build capabilities for the organisation and eventually collective capability translates into performance and sustainability for a company.

In our organisation, I am extremely happy to share with you that culture is something which differentiates us from many and this has happened over a long time. We being a diversified conglomerate operating out of multiple product divisions, I believe that in the first instance, it is necessary to make everyone within Panasonic its stakeholders, aware of the purpose for which we exist, and let people get engaged with each other.

In addition, we have created a culture – Vibrant Panasonic – to take people beyond engagement. In the last few years, we have invested a lot of time and I am extremely proud to share with you that we created a framework roughly about four to five years before - of moving beyond engaging people to providing platforms for their well-being. Our intention beyond 2025 is to start to measure the happiness quotient of the organisation. So, that's the kind of structured approach which we are taking. You also need to identify which attributes would define people at Panasonic, not only the employee but also the stakeholders. We have seven guiding principles which were given by our founder many many decades ago and those seven principles are something like our guiding light. In line with this, we have a very methodical approach of identifying the global competencies of people.

When I look back at the last 26–27 years since I've been a professional myself, I think there are three attributes which cut across the board and which I try to propagate in my own small way to people. Ambition. Resilience. Humility. So, ambition, resilience and humility are what define people at Panasonic.

Venkata Peri: You work in a setup that consumes a lot of energy and you have set very aggressive goals for yourself. How do you handle the dichotomy and what specific steps are you taking to create an environmentally sustainable Panasonic over the next few years?

Manish Sharma: It may be easy to say that you need to make sustainability or ESG-based governance models central to what you do. But I think we have reflected ourselves as a responsible organisation. It is not only about designing products which have minimal impact on the environment. Sustainability is not only about designing and producing products which are sustainable; but it is also about looking at the total value chain and its impact on the environment and society. It has been more than ten years now since we have this washing machine factory in Haryana. You will be extremely happy to know that we have not tested our washing machines using water ever. For many years, I was aware that it was only we who were testing the washing machines using air and not water. Those are the investments which we have made. Looking forward, we have set tough targets for ourselves looking towards 2030 and also beyond. There has to be a very data-driven, methodical approach. You need to measure your footprint in a very methodical and objective manner.

Venkata Peri: You provided a lot of insights into leadership, walking the talk and creating a purpose-driven organisation. Thank you very much for your precious time. We wish you all the very best.

Manish Sharma: I must say thank you to you too. Many thanks for the opportunity.

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