

25<sup>th</sup> April 2020

### **Revival of Goan Economy Post COVID 19 Lockdown**

The note suggests economic, financial and other measures that be adopted by the GoG to get the economy of Goa back on track. The Covid 19 pandemic has hit all sectors of the economy and all strata of the society. The impact of the hit of the pandemic however does vary across sectors and strata; while some are severely hit others are to some extent.

This note touches upon the revival measures for MSME sector and tertiary sector that includes self employed in trading and services, occupied under various vocations.

#### **MSME Sector**

- The main impediment for this sector is the negative working capital cash flow due to the lockdown. While there are fund outflows towards salaries, utility bills, finance costs and other fixed overheads there has been no fund inflow during the lockdown. The working capital will take at least three months to stabilize post lockdown.
- The remedial measures to improve working capital on GST payments include -
  - ➔ Deferral of 50% of the GST net tax liability for the next six months. The 50% of the monthly liability is paid and balance 50% be deferred to the period January 2021 to March 2021.
  - ➔ Alternatively, relief of deferring the GST net liability upto March 2021 be given equivalent to the bills paid during the lockdown on salary (as per returns filed with Labour departments) and utility bills. For example for bills of salary and electricity paid of Rs.5 lakhs, the GST liability to the extent of Rs.5 lakhs be deferred for payment upto March 2021, the GST can be

recovered in 3 or 6 installments at the choice of the tax payer and without any interest charges.

- The working capital limits be enhanced by the bank by 25% without additional collateral security.
- The large industries in Goa be advised to settle the pending bills at a shorter credit limit period so that funds are available to the MSME to run the wheels of business.
- The GoG clear all the pending dues payable by various departments to the contractors and other vendors.
- The tax refunds due from GoG towards VAT/GST/Excise/Others be settled within the next three months.
- The EMD for Government tenders for values less than Rs.25 lakhs be waived off.

The disbursements made by GoG will give the much needed funds into the system and primp up the economy and start churning the wheels of the MSME located across the various towns and villages of Goa.

### **Self Employed – Retail Trade/Services**

A large section of the population are engaged in retail trade which is unorganized and include kirana stores, garments, watches, tyres etc. The closure of the market has made them loose their sales. Similarly the people self employed in service sectors like mechanics, plumbers, artisans, taxi drivers etc are adversely affected.

- The interest liability upto a certain threshold be waived by the banks for the months of April and May.
- The fixed charges on electricity bills and other utility bills be waived off during the lockdown period.
- SBLC be advice to pass on the reduced interest rates to the borrowers with immediate effect.

## **Tourism**

Tourism is the main stay of the Goan economy on which many people are dependent directly or indirectly. It is imperative that the tourism economy is revived as soon as possible.

- It is expected that after lockdown discretionary spending will come back with a vengeance. A scheme of a 50% tax rate during the ‘off-season’ as we had one under Vat regime be adopted. As monsoon is approaching such scheme will give a boost to the domestic travel sector and kick start the tourism and allied services.
- The GoG should float scheme through social media and other platforms to boost tourism targeting youth and young families. Schemes like lucky draw every week for tourist travelling to Goa (drawn from pool of mobile no registered); the lucky draw prize could be reimbursement of their hotel bills upto a threshold limit. The TTAG be involved to devise such scheme and the cost burden be shared with them.

## **Seasonal Agriculture Produce**

The summer season agriculture produce of locally grown fruits like mangoes, jackfruits, watermelons and of pluses like alsane, chavali, merule, sola have not had a market due to the lockdown. The locals wait for the summer to enjoy these delicacies. These fruits and pulses are also sent to Goans settled outside by their relatives and friend from Goa. There are press reports that the fruits have spoilt as they could not be taken to the markets.

- During May, the GoG could ‘organize’ market places across various places for these seasonal fruits and pluses. The ‘organise’ market places will ensure

adequate safety of social distancing is maintained. Besides, the widespread stores of the Horticulture Corp could be utilized for sale of these seasonal produce.

- Support prices for seasonal pulses be declared by the GoG for the agriculturists.
- An online model for order and home delivery of mangoes can be explored by the department of agriculture, such a system has been adopted by the Agriculture Board in Karnataka.

### **Other Measures**

- Though in domain of RBI and MoF, the GoG can recommend that the NPA classification of 90 days be extended to 180 days so that the credit ratings of the borrower in MSME are not adversely affected.
- The increase spending in rural projects by GoG on rural infra projects, farming, bundhs, will boost the rural economy and lead to bottom up revival of the economy.

The measures suggested require support from the GoG and will entail loss of tax revenue for a short term but it's ideal for a welfare state to entail loss for a short term rather than loose revenue all together. The GoG on its part should have in place austerity measures to cut spending and the committee formed under leadership of CS will surely take concrete measures to achieve the goal.

I believe no government is ever short of money.....it's only the intent that it lacks. But under the leadership of Dr Pramod Sawant one finds that there is also intent to revive the economy back on track.

**The industry, the general public and the government are equal stake holders and should join hands as together We Can overcome the COVID 19 pandemic crisis.**