EcoScope
The Economy Observer

2020: The Year of Structural Reforms

Benefits may fructify after a few years

- Almost a month ago, we had released a detailed note listing the five areas of improvement or the structural changes required in the Indian economy to move from the current growth rate of 4–5% to 8–9%. In this note, we delve into the details of four key structural reforms – The Farm Bills, The Labour Codes, New Education Policy, and the distribution of property cards under the Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme – implemented by the central government in 2020.
- "No crisis should be wasted." The Government of India (GoI) seems to have taken this advice very seriously in 2020. Although the fiscal support to the economy is deemed highly insufficient, the GoI has shown unusual ability to implement several bold structural reforms.
- Of these four areas, farm laws have attracted attention due to the ongoing protests over the past few months. However, other reforms are also important from an economic perspective. These are broadly aimed at addressing the obstacles to competency in the country's various economic and social indicators. However, as always, execution holds the key.
- These reforms may not have any major impact in the near term, and the true benefits may materialize only after a few years. Nevertheless, the beauty of such reforms is that they disturb the existing ecosystem and nudge the present beneficiaries to compete with new players. As a result, they would almost certainly bring about efficiency and productivity improvements over time.

FOUR REFORMS COVERED IN THIS REPORT

Agriculture/ Farm reforms

The farm reforms are three acts passed by the Parliament in Sep'20 - (i) The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill; (ii) The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill; (iii) The Essential Commodities (Amendment) Bill.

Labour reforms

The Ministry of Labour and Employment introduced four bills on labor codes – Wages, Industrial Relations, Social Security and Occupational Safety, Health and Working Conditions – to consolidate 29 central laws. While the Code on Wages was passed in 2019, the remaining three were passed in Sep'20.

New Education Policy

The New Education Policy (NEP) 2020, a replacement of the National Policy on Education of 1986, was approved by the Union Cabinet of Economic Affairs in Jul'20. One of the aims is to achieve public spending on education of 6% of GDP

SWAMITVA

The scheme was announced in Apr'20 as a new initiative under the Ministry of Panchayati Raj. It is aimed at providing rural citizens with the right to document their residential properties so they could use their properties for economic purposes.

Nikhil Gupta – Research Analyst (Nikhil.Gupta@MotilalOswal.com)
Yaswi Agarwal – Research Analyst (Yaswi.Agarwal@motilaloswal.com)

Exhibit 1: Details of the three agricultural/farm reforms

Reforms	Key highlights	Potential benefits	Key concerns	Other comments
The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020	❖ To facilitate competition through barrier-free interstate and intrastate trade ❖ Farmers can sell their produce outside the APMC markets ❖ Market fee to be abolished for trade 'outside trade area'	❖ To increase the availability of buyers for farmers' produce ❖ To increase competition, leading to better prices for farmers and consumers	❖ GoI may stop paying MSPs on select crops ❖ Loss of revenue for states ❖ Whether farmers will be allowed to re-enter APMCs at their will	❖ Concerns over MSPs are unfounded ❖ Higher competition and better price discovery definite positives for economy
The Essential Commodities (Amendment) Ordinance, 2020	❖ To empower the central government to mark commodities as 'essential' ❖ Imposition of stock limit only under extraordinary situations, such as price rise, war, famine, and natural calamity	❖ To boost investments in storage capacities to reduce post-harvest loss of crops that leads to distressed sale	❖ Price control by traders and private corporations through the hoarding of food produce	❖ Contradictory act by the government defeats the purpose of the reform (Recent ban on onion exports).
The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020	❖ Agreement between a farmer and buyer prior to production ❖ Agreement must provide a conciliation board and process for settlement of disputes	❖ Proper legal framework for dispute resolutions ❖ The entire amount would be paid at the time of delivery and a receipt slip would also be issued	❖ Private parties may have the upper hand in dispute resolutions	❖ Previous experiences are not very encouraging ❖ Independent, time-bound resolution of disputes by conciliation board would go a long way

Exhibit 2: Details of three labor reforms

Reforms	Key highlights	Potential benefits	Key concerns	Other comments
The Industrial Relations Code, 2020	❖ Higher threshold (300 workers from 100 earlier) for lay-offs, retrenchments, and closures ❖ Unions with 51% workers to be recognized for negotiations	❖ More discretion to employers to manage the establishments ❖ 60-day prior notice for strikes also brings clarity	❖ Reduced job security for workers ❖ Illegal to go on a strike without 60-day prior notice	❖ Improved efficiency and productivity to have strong positive benefits over the long-term
Code on Social Security, 2020	❖ Unorganized workers (including gig and platform workers) to be covered	❖ Better social security laws to help workers	❖ Employee cannot ask for a review of an order passed regarding disputes	❖ Lack of clarity regarding various types of workers may lead to disputes
Occupational Safety, Health and Working Conditions Code, 2020	❖ A new factory would be exempted from safety provisions if it contributes to economic growth and employment ❖ Bill prohibits contract labor in core activities ❖ To apply to establishments or contractors employing 50 or more workers	❖ Exemption of contract workers from engaging in core activities to lead to lesser wastage of skilled human resource	❖ Safety of workers in establishments with fewer employees is threatened	❖ Empirical evidence from Rajasthan shows increase in productivity and factory output when safety provisions had to be implemented for est. with higher number of workers

Exhibit 3: Details of the New Education Policy and SVAMITVA

Reforms	Key highlights	Potential benefits	Key concerns	Other comments
New Education Policy, 2020	❖ Redesigned structure of school curriculum ❖ Targets higher public spending on education (6% of GDP), improvement in R&D, and a higher gross enrollment ratio (GER) of 50% by 2035	❖ Higher expenditure in education and on R&D to lead to efficient human resource, creating skilled employment in future	❖ Authoritative imposition of Sanskrit as a language is unnecessary	❖ Retaining children after primary education remains a challenge ❖ Spending of 6% of GDP was first targeted in FY1964; not achieved yet
Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme	❖ To provide rural people with documentation of their properties ❖ Pilot phase would be in six states covering ~0.1m villages; to eventually cover 0.7m villages	❖ Increased flow of agricultural credit as homeowners use their properties as collateral for formal loans ❖ To aid in determining property tax	N/A	❖ Scheme may facilitate ease of doing business as unclaimed land parcels could be easily identified, leading to fewer land disputes

01 Key features of the Farm reform bills…

Earlier, agricultural marketing was largely regulated by the Agricultural Produce Marketing Committee (APMC) acts of various state governments. The purpose of these acts was to a) regulate agricultural trading practices, b) increase market efficiency through reducing market charges, and c) eliminate superfluous intermediaries and protect the interests of both the producer/seller and buyer. Once a particular area was declared as a state "market area", no person or agency was allowed to freely carry on wholesale marketing activity. Agricultural producers were thus forced to do their first sale in these markets.

Seeks to allow barrier-free trade of farmers' produce outside the physical premises of the markets notified under the various state APMC acts

The recently passed bills are intended at changing these policies. **The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020,** seeks to allow barrier-free trade of farmers' produce outside the physical premises of the markets notified under the various state APMC acts. The bill would prevail over the APMC acts in areas outside of such markets. Farmers' produce may be traded anywhere outside of the designated markets, such as in places of production, collection, and aggregation – including farm gates, factory premises, warehouses, silos, and cold storages. While the bill identifies an individual farmer as a producer, it also includes Farmer Producer Organizations (FPOs).

An important feature of the bill is that a trader transacting with a farmer must make payments on the same day or within a maximum of three working days, after giving the farmer a receipt on the same day. The bone of contention here is that the bill prohibits the state governments and APMCs from levying any market fee, cess, or any other charges on trade outside of the APMC-notified markets. Additionally, the ordinance permits farmers to trade their produce online (via electronic trading) in the specified e-trade area.

What was lacking in earlier agreements was a proper legal framework for dispute resolution, which is covered in the new bill.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020, encourages contract farming within a legal framework. Contract farming is **not** new in India. It involves agricultural production on the basis of an agreement between a buyer and a farmer. What was, however, lacking in earlier agreements was a proper legal framework for dispute resolution, which is covered in the new bill. The act further specifies that the minimum period for an agreement would be one crop season / production cycle and the maximum period would be five years. Although the price to be paid by the buyer would be mentioned in the agreement, there are provisions in place for situations where prices could change on either side of the fixed price. As for payments, the entire agreed amount would be paid at the time of delivery and a receipt slip would be issued with the details of the sales proceeds. Importantly, the land of the farmer is protected – as no action can be taken against the farmer's agricultural land for recovery of dues.

The Essential Commodities (Amendment) Bill, 2020, amends the Essential Commodities Act of 1955, which empowered the central government to control production, supply, distribution, storage, and sale of essential commodities (including cereals, pulses, potatoes, onions, edible oilseeds, and oils). The new bill, however, takes away this power from the government and allows it to retain this

The new bill takes away the power to control production, supply, distribution, storage, and sale of essential commodities from the government.

only under specified adverse circumstances, such as an abnormal price rise—a 100% increase in retail price in the case of horticultural produce or 50% increase in retail price in the case of non-perishable agricultural food items (the increase would be calculated over price prevailing 12 months prior or average retail price of the last five years, whichever is lower)—war, famine, or natural calamity of a grave nature. Importantly, these provisions do not apply to the government's Public Distribution System (PDS).

01 …that have attracted more heat than light

i. Farmers are apprehensive about no longer getting the government-promised Minimum Support Price (MSP) for their produce.
ii. They are also concerned about the upper hand huge agri-businesses and big retailers would have in either contract farming or during price discovery outside of the APMC-notified market yards.
iii. Farmers are disillusioned based on the assumption that if they were to sell their produce outside of the APMC-designated market yard, they would not be able to re-enter the yard – even in the case of being exploited by a private buyer. Effectively, there is no scope for trial and error.
iv. States are concerned about the reduction/abolishment of the *mandi* tax leading to loss of revenue receipts.

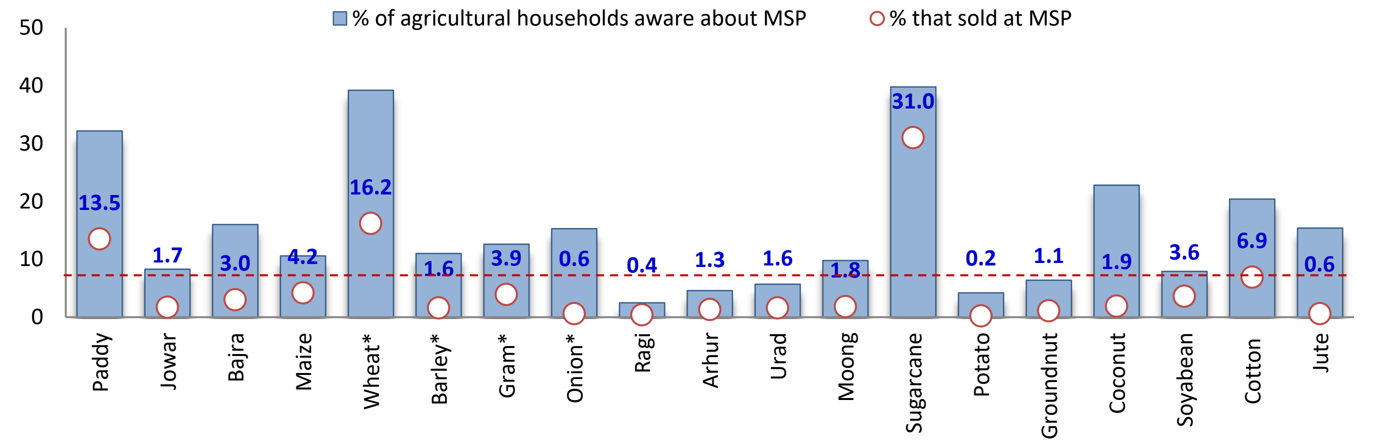
What does our analysis say?

First, we believe that the concerns related to MSPs are unfounded. The reforms provide an alternative market to farmers over APMCs, which is certainly beneficial for the agriculturists. In fact, Prime Minister Narendra Modi has also assured farmers that the MSP system would remain, along with procurement by the government.

On average, only 15% of agricultural households that produced crops were aware of MSP, and among them, only ~6% sold their produce at MSP.

According to the 70th round of NSSO on **Key Indicators of Situational Agricultural Households**, on average, only 15% of agricultural households that produced crops were aware of MSP, and among them, only ~6% sold their produce at MSP – numbers are a simple average of households that produced and sold 19 crops at MSP between Jul'12 to Jun'13 *(Exhibit 4)*. The major reasons why the remaining households did not / could not sell through the MSP mechanism despite being aware of its existence was a) the procurement agency was not available, b) market prices were higher than MSP, or c) due to the unavailability of local buyers. Therefore, a large number of agricultural households are already operating in imperfect markets, and these reforms may actually help farmers expand their options. Going forward, it remains to be seen how free price discovery and the expansion of the coverage area affect farmer-consumer prices.

Exhibit 4: Just ~6% of agricultural households sold their produce at MSP



* Jan'13 to Jun'13 for these crops; Jul'12 to Dec'12 for remaining crops. Source: NSSO, MOFSL

Second, contract farming is not new in India. The new acts actually attempt to improvise by including a conciliatory board to address the potential disputes between the concerned parties. There is no reason to believe one party would have the upper hand over another if the board is independent and apolitical, and disputes are resolved in a strict, time-bound manner.

The abolishment of the *mandi* tax would certainly hurt state revenues (mainly Punjab/Haryana that levy 4%/6% fees/levy in their respective APMCs). However, over time, as agricultural trading evolves and turns more efficient, better growth would very likely contribute to higher taxes in certain other areas.

> The abolishment of the *mandi* tax would certainly hurt state revenues (mainly Punjab/Haryana that levy 4%/6% fees/levy in their respective APMCs.

Lastly, the government must assuage concerns regarding the re-entry of farmers in APMCs. We do not believe there would be an issue here as these reforms are about providing more freedom and options to the farmers above anything else. Nevertheless, it would be great to get such confirmation from the government.

In **May'20**, the finance ministry announced an INR1t agricultural infrastructure fund and the commitment to create 10,000 Farmer Producer Organizations (FPOs). Although we have limited details on when and how the fund would be created, this space needs to be keenly tracked to see how the agricultural infrastructure development is progressing.

02 The Labor laws are consolidated into four reforms

The central government has stated that there are over 100 states and 40 central laws regulating various aspects of labor. In 2019, the Ministry of Labour and Employment introduced four bills on Labour Codes – Wages, Industrial Relations, Social Security and Occupational Safety, Health and Working Conditions – to consolidate 29 central laws. While the Codes on Wages, 2019 was passed earlier, the parliament passed the remaining three bills in September 2020, primarily with the objective of simplifying and modernizing the labor regulations.

The Industrial Relations Code, 2019 applies to all establishments except those engaged in charitable or philanthropic work, household work, sovereign activities of the state, and any other specially mentioned categories. It subsumes three separate acts – The Industrial Disputes Act, 1947; the Trade Unions Act, 1926; and the

The Bill increases the threshold to seek prior permission from the government before closures, lay-offs, or retrenchments to 300 workers or more from 100 or more.

Industrial Employment (Standing Orders) Act, 1946. Key features of this bill are as follows:

i. As per previous law, an establishment with 100 workers or more had to seek prior permission from the government before closures, lay-offs, or retrenchments. It had to prepare standing orders on matters such as the classification of workers; termination of employment; and manner of informing workers about work hours, paydays, wage rates, etc. The 2020 Bill has **increased the threshold to 300 workers or more**. Moreover, GoI reserves the right to increase, not decrease, this threshold (if necessary).

ii. The **sole negotiating trade union** would be one with 51% membership (down from 75% earlier). In case no trade union is eligible as the sole negotiating union, the new bill provides that a negotiating council would be formed comprising representatives of unions with at least 20% of workers as members (*v/s* 10% earlier).

iii. Two-week prior notice is needed for **strikes**.

iv. Any dispute in relation to the discharge, dismissal, and retrenchment of services of a worker would be classified as an **industrial dispute**. The worker may apply to the Industrial Tribunal for adjudication of the dispute 45 days after applying for a reconciliation of the dispute.

Code on Social Security, 2020 subsumes nine different acts. The major ones among them are the Employees Provident Fund Act, 1952, the Unorganized Workers' Security Act, 2008, and the Building and Other Construction Workers' Welfare Cess Act, 1996. Key features are as follows:

The central government would set up a social security fund with contributions from the central/state government and aggregators.

i. The central government would set up a **social security fund** with contributions from the central/state government and aggregators. Aggregators include ride-sharing services, food and grocery delivery services, content and media services, and e-marketplaces. The contribution from aggregators would be 1% to 2% of their annual turnover, but would not exceed 5% of the amount paid by them to gig/platform workers.

ii. Contrary to earlier provisions, no employee can ask for a **review of the order passed by an authorized officer on disputes** regarding the applicability of the provident fund (PF) and employee state insurance (ESI) to certain establishments and determine the amounts due from employers under these saving schemes. Additionally, even the officer cannot re-open a file after the order has been issued (earlier provisions included permission to re-open the file within five years, if needed).

iii. The new bill also **relaxes penalties**. For example, the penalty charged to an employer for unlawfully deducting its contribution from an employee's wages has been changed from a one-year jail sentence or fine of INR50,000 to only a fine of INR50,000.

iv. The new bill allows 10 central government members (from five earlier) to be a part of the National Social Security Board for unorganized workers and 10 state government officials (from seven) to be a part of the state boards.

v. The central government may **defer or reduce the employer or employee's contributions** (under PF and ESI) for up to three months in the case of a pandemic or any national disaster.

The state government is allowed to exempt any new factory from implementing safety provisions if it would lead to higher economic activity/employment

Code on Occupational Safety, Health, and Working Conditions, 2020 subsumes 13 different acts. These include the Factories Act, 1948; Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996; Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; and Sales Promotion Employees (Condition of Service) Act, 1976. Key features of the bill are as follows:

i. The state government is allowed to **exempt any new factory** from implementing safety provisions if it would lead to higher economic activity/employment.

ii. The term "**Factory**" and the safety provisions that came along with it previously applied to manufacturing units employing more than: (i) 10 workers – if the process is carried out using electricity or (ii) 20 workers – if operations are carried out without using electricity. The new Code revises this to 20 and 40 workers, respectively.

iii. The Code would apply to establishments or contractors employing 50 or more workers (on any day within the last year), against 20 workers earlier.

iv. **Contract labor in core activities is prohibited** (sanitation, security, courier, or catering services; loading and unloading operations; hospital or educational institutions; and civil or construction work, including maintenance).

v. Only those earning up to INR18,000/month would be considered as **interstate migrants**.

vi. The announcement of "**One-Nation-One-Ration**" in the Atmanirbhar Package announced by the finance minister in May'20 has been included in this bill. However, displacement allowance (50% of minimum wages) has been abolished.

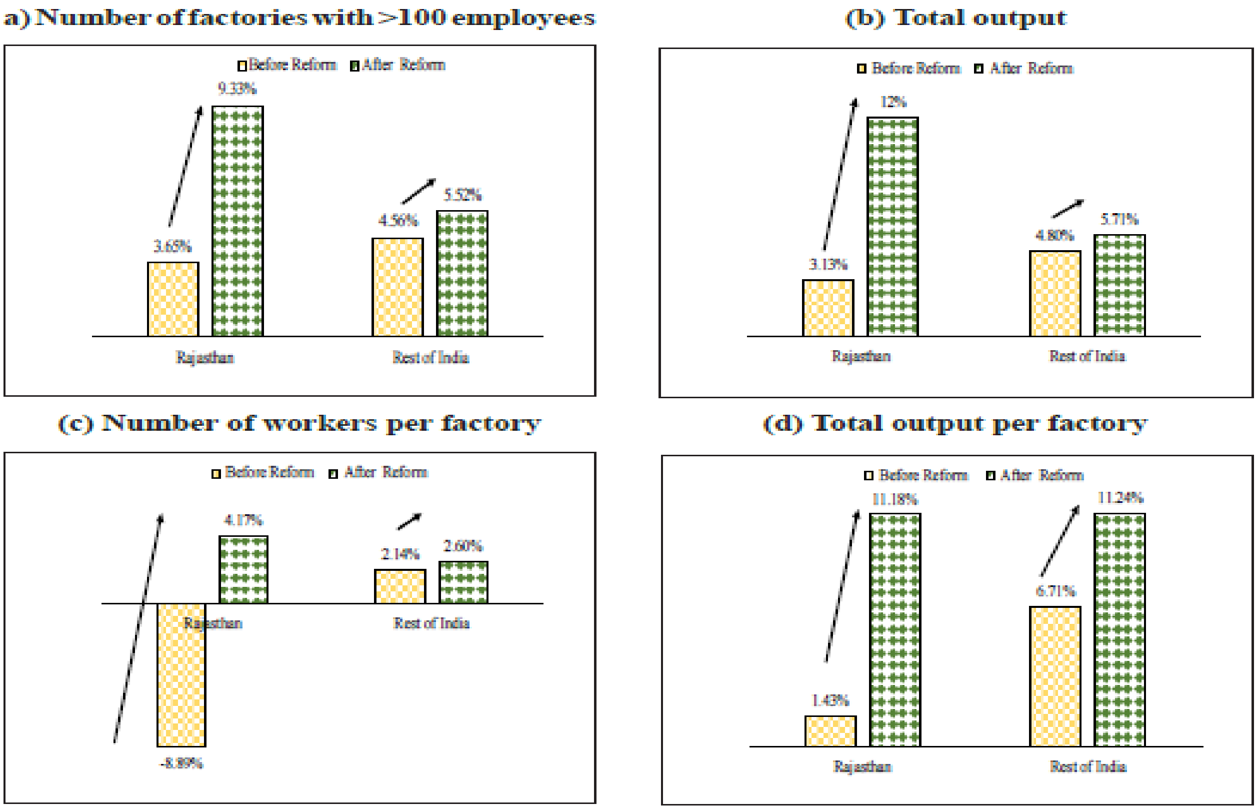
What does our analysis say?

On While establishments employing between >100 and <500 workers produce 26% output, those with more than 500 employees contribute ~55% to total output.

The higher threshold to seek prior permission from the government or for standing orders would effectively leave more than 80% of factories in India without any labor laws. According to the **Annual Survey of Industries for 2017-18**, 47% of factories employ less than 20 workers and another 34% employ less than 100 workers. However, further examination shows that ~80% of factories produce only ~20% of total output. While establishments employing between >100 and <500 workers produce 26% output, those with more than 500 employees contribute ~55% to total output. Consequently, from an economic activity perspective, this change would have a limited effect on national output. Nonetheless, factories may try to keep their employee counts low (<300) in a bid to lessen the compliance burden, thus reducing the scope for higher organized employment in the future.

The Economic Survey Report for FY19 **illustrated** the positive impact of higher employee thresholds implemented in Rajasthan in FY15 itself. After the threshold for hiring, lay-offs, retrenchment, etc., had been increased to at least 300 employees from 100 and the applicability of factory codes was also increased to establishments with more than 20 workers (using power) and 40 workers (not using power), the average numbers of factories employing more than 100 workers, the total output, and output per factory increased substantially in Rajasthan *(Exhibit 5)*.

Exhibit 5: Impact of deregulation of labor market in Rajasthan was substantially positive (CAGRs of all variables)



Source: Survey Computations using ASI, 2011-2017.
Note: Averages are computed for Rajasthan and for the Rest of India separately.

Figures show the CAGR two years before and two years after the laws changed in Rajasthan v/s no changes in rest of India
Source: Economic Survey FY19, MOFSL

In addition to the demonetization, GST, and other measures, bringing unorganized workers into the social security net would further increase the formalization of employment and the economy.

In addition to the demonetization, GST, and other measures, bringing unorganized workers into the social security net would further increase the formalization of employment of the economy. Since we have little idea about who the authorized official would be to pass the orders in the case of disputes, it is difficult to understand who would be positively/negatively impacted. If it is someone from the workers' union, the workers' bargaining power would be higher and a decision favoring the workers could be expected.

A reduction in the threshold for the number of working members needed to form the sole negotiating council would improve the bargaining power of the employees. However, frequent strikes could lower the productivity of the establishments. To tackle this, a prior notice of two weeks is required for the strikes, which would weaken the collective bargaining power of the workers.

We believe the exemption of contract workers from engaging in the core activities of an establishment would lead to lesser wastage of human resources – as contract employment would then be only for specifically skilled activities.

Overall, the consolidation of various archaic labor laws into four codes not only simplifies the procedures but also attempts to balance the bargaining power between the employer and employees.

03 New Education Policy, 2020

The New Education Policy (NEP) 2020, a replacement of the National Policy on Education of 1986, was approved by the Union Cabinet of Economic Affairs on 30th Jul'20. The main recommendations of the NEP are as follows:

i. Redesigning the structure of the **school curriculum** to incorporate early childhood care and education from 10+2 to a 5+3+3+4 model, comprising: a) five years of the foundational stage (for ages 3 to 8), b) three years of the preparatory stage (for ages 8 to 11 or classes three to five), c) three years of the middle stage (for ages 11 to 14 or classes six to eight), and d) four years of the secondary stage (for ages 14 to 18 or classes 9 to 12)

ii. Enhancing the higher education **Gross Enrollment Ratio (GER)** to 50% by 2035

iii. Improving research in higher education institutes by setting up an **Independent Research Foundation**

iv. Targeting an **increase in public spending** in the Education sector to 6% of GDP

What does our analysis suggest?

India's GER in higher education is not only a quarter of its primary enrollment ratio but also just half the GER of other large EMs such as Brazil and China (~50%).

In our view, retaining children remains a challenge for the Indian education system. As of **2015–16**, GER was 56.2% at the senior secondary level and only 23.5% at the higher education level v/s 99.2% at the primary level. This decline is particularly high in the case of females and Scheduled Tribes (including both males and females) *(Exhibit 6)*. India's GER in higher education is not only a quarter of its primary enrollment ratio but also just half the GER of other large EMs such as Brazil and China (~50%).

Exhibit 6: GER drops substantially post secondary education in India

Gross Enrollment Ratio (%)	Males	Females	SCs	STs	All
Primary (Grade 1 to 5)	97.9	100.7	110.9	106.7	99.2
Upper Primary (6 to 8)	88.7	97.6	102.4	96.7	92.8
Secondary (9 to 10)	79.2	81.0	85.3	74.5	80.0
Senior Secondary (11 to 12)	56.0	56.4	56.8	43.1	56.2
Higher Education	25.4	23.5	19.9	14.2	23.5

Source: Educational Statistics at a glance (2018)-Ministry of Human Resource Development, MOFSL

The most prominent reasons for dropping out of higher education were engagement in domestic activities in the case of females and engagement in economic activities in the case of males – which explained the reason behind almost 30% each of all dropouts. Financial constraints, the lack of interest in studies, and marriage (in the case of females) accounted for another 45–50% of dropouts. Therefore, strengthening schemes and policies targeted at specific groups of the population would go a long way in achieving the goal for an at least 50% GER in higher education by 2035.

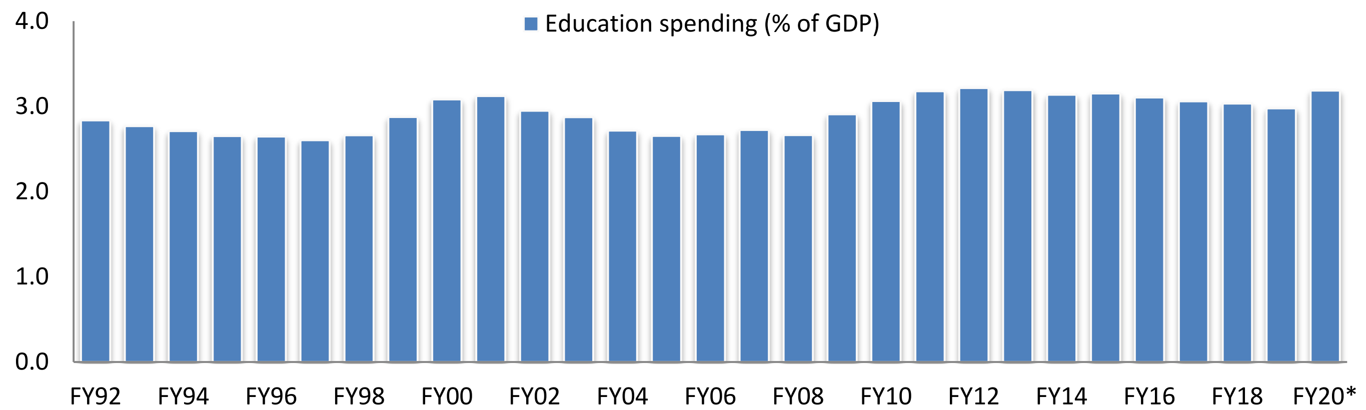
Furthermore, it is imperative for any country to develop its ability in research and development (R&D), in any field, and India performs poorly in this segment. Compared with the global average of 2.2% of GDP, total R&D spending in the world's second most populated nation was only 0.6% in 2015 – only two-fifths of the average R&D spend in middle-income nations. The number of researchers per

The National Education Commission, set up in FY1964, had aimed at increasing public investment in education to 6% of GDP by FY1986 from 2.9% of GDP at the time.

million people in the country was also among the lowest at 216 in India, as against the global average of 1,478 researchers per million people and the average of 775 researchers in middle-income nations. Therefore, the government's recommendation to establish a national research foundation for funding and facilitate quality research in India is a step in the right direction.

While the aim of increasing public spending on education to 6% of GDP is welcomed, it is almost hysterical that this aim has been consistent for decades, sans achievement. The National Education Commission, popularly known as the Kothari **Commission**, set up by the central government in FY1964, had aimed at increasing public investment in education to 6% of GDP by FY1986 from 2.9% of GDP at the time. Notably, total spending on education has been broadly around 3% of GDP for the past three decades *(Exhibit 7)*.

Exhibit 7: Government spending on education has been ~3% of GDP for the past three decades



* Revised estimates for States, Actual for the central government — Source: RBI, Union Budget documents, CEIC, MOFSL

03 Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme – announced by PM on 24th Apr'20

The pilot phase would extend to six states covering approximately 0.1m villages. About 0.7m villages would eventually be covered in this project

The SVAMITVA scheme was announced as a new initiative under the Ministry of Panchayati Raj. It is aimed at providing rural citizens with the right to document their residential properties so they could use their properties for economic purposes. It is for surveying the land parcels in rural-inhabited areas using drone technology. The survey is expected to be conducted across the country in a phased manner over four years (2020–24), and the projected outlay of the scheme is INR0.8b in FY21 for the pilot phase.

The pilot phase would extend to six states – Haryana, Karnataka, Madhya Pradesh, Maharashtra, Uttar Pradesh, and Uttarakhand – covering approximately 0.1m villages. About 0.7m villages in the country would eventually be covered in this project. Furthermore, on 11th Oct'20, the PM launched the distribution of property cards under this very scheme in a bid to legalize this whole process of owning properties and avoid future disputes.

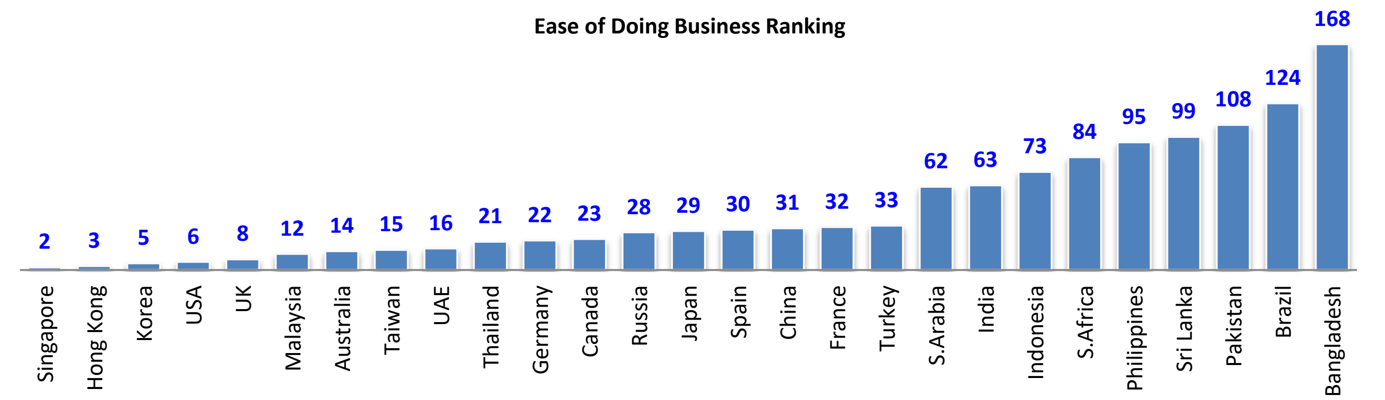
Most importantly, the scheme is intended at enabling rural household owners to use their properties as collateral for taking loans and other financial benefits. This would increase the flow of credit to the rural areas. Furthermore, it would aid in determining property tax, which would accrue to the Gram Panchayats directly in states where they are empowered to collect such taxes. All of the property records and maps would be available at Gram Panchayats, which would aid in the taxation of villages, construction permits, eliminating encroachments, etc. – leading to the formalization of rural land and, optimistically, fewer land disputes.

With the help of a property card, a rural household would be able to claim exactly what it owns, barring unclaimed property.

What does our analysis suggest?

With the help of a property card, a rural household would be able to claim exactly what it owns, barring unclaimed property. This would allow for improved rural planning for better industrial development by states and private companies. Additionally, since the process would be legitimate, fewer disputes related to the encroachment of land or property would facilitate the ease of doing business *(Exhibit 8)*.

Exhibit 8: Of the 27 countries mentioned below, India's rank in ease of doing business is the eighth lowest



Source: World Bank Doing Business Ranking 2020, MOFSL

Conclusion: 2020 may also be remembered as "The Year of Structural Reforms"

"No crisis should be wasted." The GoI seems to have taken this advice very seriously in 2020. Although the fiscal support to the economy is deemed highly insufficient, GoI has shown an unusual ability to implement several bold structural reforms. In 2020, it implemented a number of structural reforms in areas ranging from labor, agriculture, to education. In this note, we delved into the details of four key reforms – The Farm Bills, The Labour Codes, New Education Policy, and distribution of property cards under the Survey of Villages and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme – implemented by the central government.

If the farm laws survive the protests of the day, they could eventually lead to better realization for farmers and improved efficiency

Our understanding of the farm laws, which have seen continued protest over the past few months, is that they are intended at providing more options and freedom to the farmers to choose their choice of markets to sell their produce. It is more likely to weaken the monopolistic position of the APMCs rather than hurting the farmers. If these laws survive the protests of the day, they could eventually lead to better realization for farmers and improved efficiency in the Agricultural sector.

Furthermore, the consolidation of various archaic labor laws into four codes not only simplifies the procedures but also attempts to balance the bargaining power between the employer and employees. While establishments with up to 299 workers do not need prior permission to lay off / retrench workers and/or for closures, the threshold for the negotiating trade union has been reduced to 51% membership. Furthermore, the expansion of the social security net to unorganized workers (including gig and/or platform workers) may also go a long way in securing the financial future of the workers.

The New Education Policy 2020 attempts to achieve what has not been achieved in the past several decades. Government spending on education is targeted to reach 6% of GDP, similar to what was targeted in 1986 as well. However, it has remained stubbornly stagnant at ~3% of GDP for the past three decades.

Of these four areas, farm laws have attracted attention due to the ongoing protests. These reforms are broadly aimed at addressing obstacles to competency in the country's various economic and social indicators. However, as always, execution holds the key.

Lastly, the least talked about SVAMITVA is most likely to formalize a large portion of the rural household sector, which could also help plan better industrial policies and thus improve economic growth.

Of these four areas, farm laws have attracted attention due to the ongoing protests in the past few months. However, other reforms are also important from an economic perspective. These reforms are broadly aimed at addressing obstacles to competency in the country's various economic and social indicators. However, as always, execution holds the key.

These reforms may not have any major impact in the near term, and their true benefits may materialize only after a few years. Nevertheless, the beauty of such reforms is that they disturb the existing ecosystem and nudge the present beneficiaries to compete with new players. As a result, they are almost certain to bring efficiency and productivity improvements over time.

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOFSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the past 12 months , MOFSL or any of its associates may have:
1. managed or co-managed public offering of securities from subject company of this research report,
2. received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
3. received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
4. Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	**Companies where there is interest**
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited(SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S:
Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by

MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore:
In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore,
as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer: The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.
CIN No.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOFSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.