

# Powering open access

Green Open Access Rules — States have a key role

Rajiv Mishra

The Power Ministry's Green Open Access Rules (GOAR) introduced in June 2022, have created a buzz in the renewable energy sector.

With several States, including Karnataka, Haryana, Madhya Pradesh, Punjab, and West Bengal embracing the Green Open Access Regulations, these rules have the potential to bring competition and choice, fostering the necessary creative destruction essential for decarbonisation of the industrial sector.

However, implementing these Rules falls entirely on the State regulators and discoms, which can be daunting.

The Centre holds significant stakes in ensuring the financial viability of the power sector. By fostering a unified power market across the country, it achieves its goal of providing energy access to all citizens. However, regulations pertaining to retail tariffs, green tariffs, open access, among other important matters, are primarily governed by the States. This creates a complex dynamic between the central government and the states.

The Centre is directly affected by the financial health of power generators and discoms, as their debts, are often owed to central government-owned public sector banks. So the Centre bears the brunt of the collateral damage stemming from inefficient discoms.

The differing priorities of the States and the Centre has led to economic balkanisation, Centre-State contestation, resulting in welfare losses, and impediments to the pace of reforms.

Commercial and industrial (C&I) consumers continue to face higher electricity tariffs, on average 25 per cent higher than in other countries, due to inefficiencies and cross-subsidisation aimed at helping the poor and agricultural consumers. The best solution is to rationalise or even eliminate cross-subsidy surcharges. The GOAR provides a capping and long-term visibility on these surcharges, while completely removing the additional surcharge. The capping of cross-subsidy surcharge doesn't address the root cause for prevalent higher cross-subsidy surcharges.

Excessively high surcharges discourage open access, while excessively low surcharges harm



**RE PUSH.** The Centre and States must join hands /ISTOCKPHOTO

the financial health of discoms. Achieving economic viability for open access while simultaneously protecting discoms is not an easy solution.

Therefore, the second-best solution is to significantly simplify the consumer tariff schedules. The Tariff Policy of 2016 mandates the state electricity regulatory commissions to establish a roadmap for reducing cross-subsidies and bringing consumer tariffs within +/- 20 per cent of their average cost of supply of discoms. It also prohibits cross-subsidy surcharge from exceeding 20 per cent of the consumer tariffs.

For the effective implementation of GOAR, both provisions must be balanced and implemented simultaneously. Additionally, the cross-subsidy surcharge should be phased out gradually and replaced with a system of direct subsidies for agricultural and residential consumers. This would enable C&I consumers to access cheaper renewable energy, benefiting the Indian economy as a whole.

Furthermore, banking mechanisms play a crucial role in supporting the growth of open access transactions. It is crucial that States define banking charges appropriately to provide long-term certainty. Cost-reflective and equitable banking charges that do not burden discoms or discourage open access are necessary for sustained growth in the sector.

India's clean energy transition is an imminent reality. The GOAR provides the creative destruction required to enhance competition, boost investor confidence, safeguard interests of small consumers and financial health of discoms. To ensure successful implementation, negotiations, consensus, and States' consent are essential.

The writer is Co-Chair, CII National Committee on Power

Shashank Priya

As we celebrate six years of the GST roll out on July 1, 2023, we can see a new high of this tax reform wherein revenue collection of ₹1.5-lakh crore every month is a new normal. The Prime Minister has extolled the new tax regime as a game changer for the economy as tax collection is rising despite lower tax rates, which is a reflection of improved compliance and integration.

GST was born out of subsuming of 17 taxes and 13 cesses levied by the Central and State governments and by conferring equal power on Centre and States to levy tax on supply of goods and services.

At the time of GST's implementation, there was optimism as well as some trepidation regarding the new tax reform's impact on the economy. On conclusion of 6th year, the clouds of uncertainty have been dispersed by the GST sunshine.

The number of taxpayers registered in GST has more than doubled from 67.83 lakh in July, 2017 to 1.40 crore, as on June 25, 2023. There is a continuous surge in revenue from a monthly average of ₹89,885 crore in financial year 2017-18 to ₹1,50,504 crore in the financial year 2022-23. In FY24, the average monthly revenue so far has been ₹1,72,063 crore.

A recent survey by a leading consulting firm has revealed that GST has matured and 94 per cent of the respondents across industries feel positive about GST.

### TOWARDS UNIFORMITY

The biggest transformative force under GST was a unified taxpayer base governed by a uniform set of laws and procedures; common management of business records and filing returns; an uninterrupted input tax credit chain through the mechanism of Integrated Goods and Services tax (IGST); completely automated and faceless administration with all processes being online.

An efficient system of e-way bill has consigned border check posts to the pages of history and has helped to create a unified market across the country. This has led to substantial increase in inter-State trade. A working paper published by the Economic Advisory Council to the Prime Minister (EAC-PM) shows that over the last five years, the Value of Goods Transported Inter-State (Domestic Only) increased by 44 per cent and the Cumulative Value of Imports and Domestic Goods increased by 34 per cent.

In many ways, this is indicative of the



transportation efficiency gains that have accrued after the introduction of GST as well as the enhanced economic integration of the States.

The technological advancement in GST continues. E-invoicing today covers a taxpayer base which contributes more than 80 per cent of GST revenue. This has simplified processes of return filing and e-way bill generation through auto population. The accounting software have made return filing simple and have also helped the taxpayers to assess and improve their logistical and accounting efficiencies.

### TRUST AND PARTNERSHIP

The new tax system was designed with trust and partnership with the trade as cornerstone. Though this has been

**An EAC-PM study shows that in the last five years, the value of domestic goods transported inter-State has increased by 44 per cent**

reciprocated by a large section of the taxpayers, there are a set of rogue players in the market who have used the simplified process of registration to create bogus firms and pass on huge amounts of fake credit in the GST ecosystem.

This not only causes revenue loss but also adversely affects the competitiveness of honest taxpayers. Currently a nationwide crackdown on fake invoicing is under way through a two-month programme of verification of suspected fake registrations by the Central and State tax administrations.

Data analytics has played a big role in targeting such suspect registrants numbering around 45,000. By now total GST evasion amounting to more than ₹13,900 crore has been detected during the drive and fraudulent input tax credit of more than ₹1,430 crore has been blocked.

Going forward, the tax administrations of the Centre and the States have joined hands to see how such rogue operators can be controlled. It is proposed to use more third party data for online, real time verification of

supporting documents submitted at the time of registration like proof of address, bank account details, etc. The risk parameters for the new applicants for registration under GST is being continuously refined to catch them at the threshold itself.

The rogue players who still manage to cross this threshold are likely to face certain restrictions in their ability to upload invoices, amend the figures of auto populated tax liability and input tax credit in their returns, and would be targeted more pro-actively by the enforcement and audit wings of the administration, through use of data analytics and Artificial Intelligence.

GST is a modern taxation system aspiring to meet the needs of a resurgent India. The tax administrators have a duty to continuously balance the needs of trade facilitation and enforcement measures. Continuous enhancement of use of technology, big data analytics and use of artificial intelligence is key to achieving this balance.

The writer is Member, CBIC. Views expressed are personal

# businessline.

## TWENTY YEARS AGO TODAY.

June 30, 2003

### Indian promoters can hold 74 pc stake in pvt banks

The Government and the Reserve Bank of India (RBI) have decided to allow Indian promoters of private sector banks to hold 74 per cent stake, thereby, bringing it at par with the limit agreed for foreign direct investment (FDI). "We have decided that there would be parity in the limit of holding allowed for foreign as well as Indian promoters," a senior Finance Ministry official said.

### Exemption likely for entities abroad

And now there may be lesser hiccups for Indian companies operating overseas. To ensure that Indian entities operating abroad do not suffer any competitive disadvantage due to disclosure requirements of remuneration under the Indian company law, the Department of Company Affairs (DCA) is likely to exempt them from furnishing such details.

### BSNL to get a full-time board at last

After waiting for close to one year, Bharat Sanchar Nigam Ltd (BSNL) will finally have a full-time board of directors led by Chairman & Managing Director, Mr Prithpal Singh. The Appointments Committee of Cabinet has given its green signal to the new list of full-time Directors.

# Gold loan NBFCs can fuel MSMEs' financing needs

George Alexander Muthoot

Micro, Small, and Medium Enterprises (MSMEs) have been monumental in accelerating growth through huge employment generation and fostering entrepreneurship.

With over 6.3 crore enterprises, MSMEs are the backbone of the economy as they contribute nearly 40 per cent of exports, besides providing livelihoods to over 11 crore people.

Despite being a significant contributor to India's GDP, the MSME sector faces challenges in accessing adequate financial support. According to an MSME Lending Report by Aventus Capital, out of over 6.3 crore MSMEs in India, only 14 per cent have access to formal credit.

NBFCs play a crucial role in addressing the challenges faced by underserved sectors. Unlike traditional institutions, NBFCs provide quick and efficient credit access for MSMEs.

Among them, gold loan NBFCs have emerged as powerful allies, supporting MSMEs with credit needs during the pandemic and empowering this underserved sector.

As per World Gold Council, Indian households hold approximately 25,000-27,000 tonnes, 9-11 per cent of the world's total physical gold and RBI reported around 5,300 tonnes is pledged gold.

As gold investment are recognized as a safe haven, it is often used as collateral, especially for those facing challenges in accessing quick and easy credit. That's where the gold loan NBFCs play a crucial role.

Gold loan NBFCs specialise in offering loans against gold as collateral, simplifying the borrowing process for MSMEs, particularly those with limited credit history or other forms of collateral. Acceptance of gold as collateral helps in extending credit to a wider range of MSMEs.

### SIMPLICITY AND ACCESSIBILITY

Firstly, gold loan NBFCs offer a simplified and accessible loan process, allowing MSMEs to secure funds without extensive documentation. They streamline loan procedures, reduce paperwork and simplify the application process. With their widespread presence and branch networks, even the remotest MSMEs



**FUNDING MSMEs.** The gold route /ISTOCKPHOTO

can conveniently avail financial support. Gold loan allow borrowers to secure funds regardless of their CIBIL scores, credit history or collateral by using gold as collateral.

**Digitalisation of services:** With a focus on serving unbanked MSMEs, gold loan NBFCs have embraced digital transformation to provide access to quick and hassle-free loans. By leveraging eKYC, e-signature, and Aadhaar-based verification and utilising chatbots, cloud computing, AI/ML, they are streamlining procedures for improving the customer experience. This digital revolution is empowering gold loan NBFCs to efficiently cater to a broader

customer base. With changing business landscapes, now gold loan NBFCs avail gold loans from the comfort of one's home.

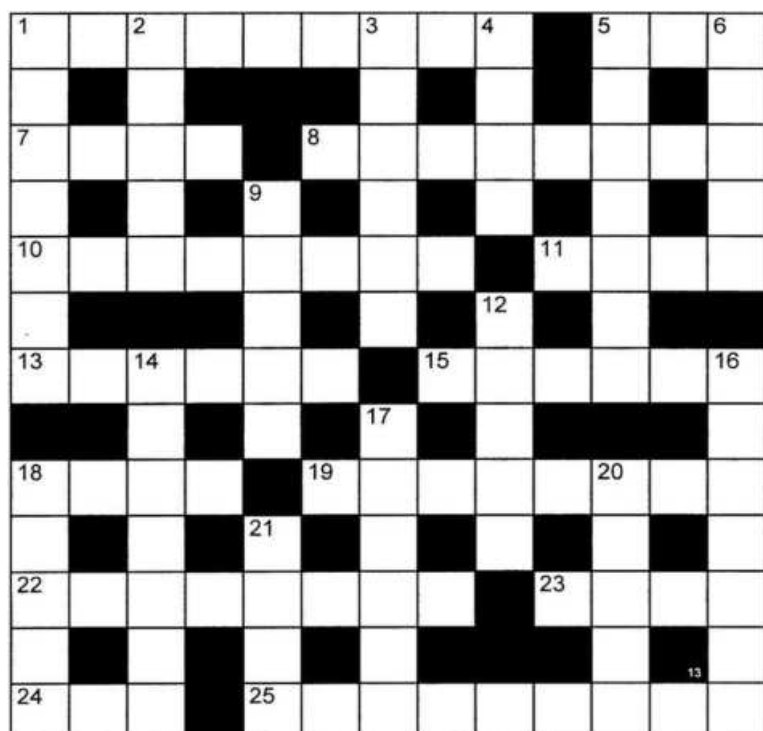
The interest rate charged by the unorganised players are much higher than those charged by regulated players like NBFCs and banks, making them the preferred choice for accessing finance, which benefits from greater credibility due to RBI oversight.

Gold loans have emerged as a powerful tool in empowering MSMEs and gold loan NBFCs as a catalyst for growth. Furthermore, with the introduction of 5G technology, NBFCs are leveraging faster networks to ensure last-mile connectivity and deliver enhanced services to MSMEs.

The popularity of gold loans among MSMEs has surged due to their convenience and reliability in meeting immediate financial needs as seen during the global pandemic. Given MSMEs crucial role, the synergies between gold loan NBFCs and MSMEs become increasingly significant in ensuring growth.

The writer is Managing Director, Muthoot Finance

## BL TWO-WAY CROSSWORD 2317



### EASY

#### ACROSS

- The best at their sport (9)
- Constrictor snake (3)
- Biting, tart (4)
- Unsettles (8)
- Cooking over hot coals (8)
- Lose freshness (4)
- Fight against attack (6)
- To-do (6)
- Tip, summit (4)
- Square head-cloth (8)
- Explosion of exhaust gas (8)
- Recess at end of church building (4)
- Scaleless fish (3)
- An almost cylindrical food fish (3,6)

### DOWN

- Climb, scrabbling (7)
- Friend in Spanish (5)
- Pungent edible bulbs (6)
- To glut (4)
- Make bright by rubbing (7)
- Something in one's favour (5)
- Photographer's light (5)
- Hand-held light (5)
- A cut-out pattern (7)
- Give back an image (7)
- Dreaded (6)
- Stroll (5)
- To drive one (5)
- At, from a long way off (4)

### NOT SO EASY

#### ACROSS

- They're the best able to make the shop manic (9)
- Snake with feathers that gets worn (3)
- The century will help out if it's sour (4)
- It worries one when buds stir like this (8)
- Fetch with you the oil included for cooking (8)
- Will you be archaic, and droop? (4)
- Is, when held among the others, able to fight back (6)
- The one and the other, with hesitancy, cause one annoyance (6)
- The pinnacle is reached by a primate before ten (4)
- A square of cloth that often comes to hand (8)
- Support may be rife, as is heard from the engine (8)
- The end of the church returned in the Spanish Inquisition (4)
- It may be electric, and currently in the swim (3)
- A fish that could be lured with melt (3,6)

### DOWN

- Novice driver caught in curve of the road will climb with difficulty (7)
- Friend from Spain will leave after 1 am upset (5)
- Cibols to be soon in production (6)
- A variety of teas will more than satisfy one (4)
- Brush in use, if one wants to polish it up (7)
- There's something to one's favour in way seats are arranged (5)
- The appearance of lightning may be considered vulgar (5)
- Sort of singer who was in light entertainment (5)
- Clients may use such a cut-out for copying (7)
- Think back on what to do if one is a glass (7)
- Was afraid to be given food if spike of corn was included (6)
- Wander slowly around Elba motorway (5)
- How to lie about politician to incite one to action (5)
- It returns from Canberra, fast, at a distance (4)

### SOLUTION: BL TWO-WAY CROSSWORD 2316

**ACROSS** 1. Common 4. Termed 9. Unaware 10. Throw 11. Twin 12. Dine 13. Lei 15. Glee 16. Stub 19. Ark 21. Tire 22. Curt 24. Drive 25. Scuttle 26. Dressy 27. Garret

**DOWN** 1. Countermanded 2. Meaning 3. Oral 5. Entreaty 6. Mores 7. Downing Street 8. Remit 14. Restless 17. Bluster 18. Gross 20. Knife 23. Puma