

The Hindu & BL Editorials

18th Jan. 22021

TreD push



Trade Receivables and Discounting System players could do with trade credit insurance

The Trade Receivables and Discounting System (TreDs), begun in 2014, has not really taken off. A platform that essentially discounts the bills receivable of a supplier and recovers the sum from the buyer at a later date, this facility was meant to work as a game changer for MSMEs that are plagued by delayed payments from large buyers, which disrupts their working capital cycle. However, going by the estimates of the UK Sinha committee on MSMEs, TreDs is processing barely one per cent of the unmet credit needs of the MSME sector (about ₹20 lakh crore); the platform handles a turnover of less than ₹15,000 crore from about 5.5 lakh invoices. TreDs as a factoring and discounting facility assumes a crucial role at a time when the economy is emerging from the throes of Covid, with MSMEs facing liquidity and solvency concerns. Despite the MSMED Act, 2006, mandating clearing of dues in 45 days, the laws are observed more in the breach by large buyers, including government agencies which are supposed to procure 25 per cent of their requirements from MSMEs. While large units too are under pressure these days, their reluctance to enrol on the TreDs platform, despite the fact that units with a turnover of ₹500 crore are required to register themselves, is unfortunate. It is in a situation of low business confidence that TreDs financiers need a back-up in the form of trade credit insurance, as suggested by the Reserve Bank of India.

For MSMEs, factoring platforms such as TreDs assume importance in the wake of an apparent drying up of informal sources of credit. With formal sources being risk averse and geared to addressing the liquidity needs of established players with sound collateral and documented cash flows, MSME start-ups have few credit windows to turn to. While the MUDRA window offers small ticket loans, the NBFC sector (a new

entrant into the TreDS platform following moves to this effect in Budget 2020-21) remains retail-loan driven with limited factoring experience.

For factoring services to improve, the TreDs platform must initiate reverse factoring services, as suggested by the Sinha panel. This implies the buyer initiating the factoring process in order to ensure certainty of supplies. The Budget can consider giving a boost to reverse factoring, thereby enlisting the participation of large buyers in the TreDs platform. TreDs can also serve as a crucial cog in creating a real time 360-degree data base encompassing GST, direct taxes and IBC petitions. This will result in efficient financing of business as well as improved tax compliance. TreDs can curtail the length of the gross working capital cycle (estimated at over 300 days for MSMEs, according to the panel report) and help in NPA reduction. A push to TreDs cannot come too soon.

Injecting confidence: On India's COVID-19 vaccination drive

India must ensure appraisal of the prowess of the vaccines is disseminated widely

India began the largest vaccination drive in its history with **over 2 lakh people vaccinated across the country** in 3,350 sessions on the first day. Covishield manufactured at the Serum Institute of India was available in all States whereas only 12 States had vaccination sites where Bharat Biotech's Covaxin was administered. In the first tranche of vaccines, there are **11 million doses of Covishield and 5.5 million of Covaxin** that will be administered to healthcare workers, sanitation workers and municipal workers in the coming days. The first day of the vaccine programme, **inaugurated by Prime Minister Narendra Modi**, included ceremonial inoculations across the country. It is significant that India has not lagged behind any other country in ensuring that frontline personnel stand to get vaccinated. It is only a year since the first reports of the **novel coronavirus pandemic** approaching India surfaced and that just 12 subsequent months of uncertainty, tragedy and upheaval have resulted in promising vaccines with the potential to save many lives and spark hope and optimism in millions. This is a commendable achievement. However, one cannot lose sight of the fact that this is a marathon. The optimism of day one has almost no bearing on the days that lie ahead. India's immediate plan, as has been announced, is to inoculate **3 crore frontline health workers**, and later **27 crore of those most vulnerable to the disease by July**. A lot is expected to change even before this deadline.

Establishing the efficacy based on final analysis of phase-3 trials and full licensure may take months. Till then, it is rational and scientific on the part of anyone to choose or decline a vaccine on the basis of whether the potential risks outweigh the benefits. Given India's experience with childhood immunisation and administering millions of doses in extremely diverse geographical conditions, there is reasonable confidence that the country has the executive ability to scale up vaccination. The **approval of the vaccines** earlier this month has seen **divisions among scientists** and doctors themselves on the sagacity of the government promoting both Covishield and Covaxin as being equivalent to one another. They are not. Covaxin is being administered as

part of a clinical trial and its efficacy is not established. All the vaccines on offer in the United States or the United Kingdom have some — insufficient, nonetheless — efficacy data and therefore inspire greater confidence. Rather than dismiss concerns as ‘rumour mongering’ and ‘politically motivated’, the government has to work doubly hard to ensure that an honest appraisal of the vaccine’s prowess is rapidly disseminated. Those lining up for shots are adults — and a significant fraction of them far more medically literate than the average Indian — and all arms of government must treat them so. It is their experience that will percolate and influence adoption of the vaccines among the larger population.

Update debate: On WhatsApp and privacy

Privacy of citizens is too important to be left to the business practices of digital companies

WhatsApp’s decision to **delay the update of its privacy policy**, following a backlash from its users, is an implicit acknowledgement of the increasing role played by perceptions about privacy in the continued well-being of a popular service. Problems for the Facebook-owned app started earlier this month when it **announced an update to its terms of service and privacy policy**, according to which users would no longer be able to opt out of sharing data with Facebook. February 8 was kept as the deadline for the new terms to be accepted. This triggered a mass exodus from WhatsApp, the likes of which it has never encountered, not even in the aftermath of the **Cambridge Analytica scandal**, which did bring a lot of bad press to its parent, or when the messaging app’s co-founders called it quits a few years ago. The WhatsApp policy update has clearly spooked many users, who, concerned about their privacy getting compromised, have shifted to alternative platforms such as Signal and Telegram. In recent weeks, according to media reports, messaging app Signal has topped the app store charts in India and many other countries. Interestingly, **WhatsApp uses the same end-to-end encryption protocol as Signal**.

An under-fire WhatsApp, on its part, has **tried to allay fears about privacy** being compromised because of the updates. It has put out numerous messages and taken out advertisements to convey that the changes are “related to optional business features on WhatsApp, and provides further transparency about how we collect and use data”. Millions of business interactions take place every day on WhatsApp, and the new privacy updates are supposedly to make these easier while also enabling personalised ads on Facebook. After all this, WhatsApp has pushed the update to May 15. The change will ultimately be inevitable, given that WhatsApp, bought by Facebook for a whopping \$19 billion and having subsequently given up plans to charge its users, would be betting on its handling of business interactions to make its big monies. Even then, it cannot force these changes on its users in Europe. For, Europe’s stringent **General Data Protection Regulation**, more popularly called GDPR, prevents such sharing between apps. Users there are in control of their data much more than anywhere else in the world. India could do with such a law. All it has is a draft version of a law, and it has been so for a few years now. Privacy of a billion citizens is too important a thing to be left just to the practices of a commercial enterprise. It will be reassuring if it is guaranteed by a strong law.