

## The Rs20trn Economic Package: Tranche 2 on Poor, Migrant Labour and Farmers

Following up on MSMEs on Day 1, the second tranche of the Government's support program for the economy today focused on migrant labour, vendors and small farmers, some of the worst affected segments in the extended Coronavirus-led lockdown, and have therefore form an integral part of the Government's support plan. FM Sitharaman outlined several steps taken since the beginning of the crisis, including agri credit, interest subvention on crop loans, funds for rural infrastructure development, and more recently, food at urban homeless shelters. Allocation under the MGNREGS<sup>1</sup> has been raised for returning migrant labour. Such measures have ensured critical support at a time of unprecedented stress to these vital but vulnerable sections of the economy.

Measures specifically announced today, as detailed below, included continuing the free food programs for migrant labour across all states (~80m), a 2% interest subvention for small businesses, incremental spend on afforestation activities, and for the first time, a credit facility for street vendors. Adding to the long-term measures planned, the Government proposes to launch a scheme for affordable housing for migrant labour/urban poor. On these lines, an affordable housing scheme that provides subsidized credit to middle-income families has been extended till March 2021. The fiscal impact of these measures would be ~Rs3.2trn, with actual spend of Rs100bn.

Beyond the fiscal spend, the Government also indicated several modifications in the labour laws of the country that would have a long-term impact beyond the crisis. Major reforms discussed were universal incomes for all workers, a national floor wage and compulsory appointment letters to promote formalization, a national ration card to avail food at reasonable rates, annual health-checks etc., all aimed towards improving overall working conditions, providing a safety net and raising the quality of labour supply in India. Some of these proposals may have been discussed earlier but would see accelerated implementation. The accruing benefits would allow the economy to recover quicker, improve resilience towards future shocks and also allow a higher, more sustainable growth trajectory.

- **Free food grain distribution extended to migrants:** Following up on the measures undertaken over the last couple of months to support migrants by providing food and shelter as well as employment via MGNREGS scheme, the Government today extended the free food grain distribution to migrants who are neither registered under the National Food Security Act (NFSA) or holders of ration cards. Around 800mn migrants would get 5 kgs of grains (wheat/rice) per person and 1 kg *Chana* per family per month for the next two months, entailing of cost of Rs35bn for the exchequer. Additionally, the migrants would be able to access ration from any Fair Price Shop in India by March 2021 (One Nation One Ration Card).
- **Relief of Rs65bn for small businesses/street vendors:** In addition to the support provided by the RBI through loan moratorium, the Government would provide interest subvention of 2% to small businesses on MUDRA-Shishu loans (maximum loan amount of Rs50,000; total outstanding credit at Rs1.6trn) for a period of 12 months, translating into a total relief of Rs15bn. The Government has also decided to create a Special Credit Facility within a month to provide an initial working capital of up to Rs10,000 to nearly 5mn street vendors. This would provide a liquidity support of Rs50bn to street vendors who have got severely hit due to COVID-19.
- **Employment support for tribal people:** Funds worth Rs 60bn under the Compensatory Afforestation Management & Planning Authority (CAMPA) would be used by state governments for providing employment opportunities to tribal people in forestry jobs including afforestation and plantation works, artificial & assisted

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*Food security measures extended to migrants who are not NFSA/state card beneficiaries.*

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*Liquidity support provided to businesses/street vendors through interest subvention on MUDRA-Shishu loans/working capital assistance.*

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<sup>1</sup> Mahatma Gandhi National Rural Employment Guarantee Scheme

natural regeneration, forest management & protection and wild-life related projects, among others.

- Liquidity support of Rs2.3trn to farmers:** To meet the funding requirement of small and marginal farmers, NABARD would extend an additional working capital funding support of Rs 300bn to Rural Cooperative Banks (RCBs) and Regional Rural Banks (RRBs) over and above the Rs900bn to be extended by NABARD in FY21 through the normal route. This would benefit nearly 30mn small and marginal farmers with their *Rabi* harvest and *Kharif* sowing requirements over the next two months. Additionally, the Government would also provide concessional credit of nearly Rs2trn to 25mn farmers through Kisan Credit Cards.
- Affordable rental accommodation for migrants/urban poor:** To improve living standards of migrant workers and urban poor, the Government would launch a scheme under the Pradhan Mantri Aawas Yojna (PMAY) that would provide affordable rental accommodation by a) converting the Government-funded houses into Affordable Rental Housing Complexes (ARHCs) under the public-private partnership mode, and b) incentivising industries/manufacturing units/other institutions as well as central/state agencies to develop and operate ARHCs.
- Extension of credit-linked housing subsidy scheme for middle-income group:** The Government has also extended the deadline for the affordable housing Credit Linked Subsidy Scheme (CLSS) by a year till March 31<sup>st</sup>, 2020, thereby benefiting nearly 250,000 middle income households during FY21. This would provide an investment boost of Rs700bn to the housing sector, besides creating jobs and benefiting related sectors such as steel, transport and construction materials.

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*Liquidity support worth Rs2.3trn provided to farmers through NABARD and Kisan Credit Card.*

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*The affordable housing Credit Linked Subsidy Scheme extended by another year until March 31<sup>st</sup>, 2020.*

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**Figure 1: Details of measures announced in the second tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Free food-grain distribution to migrants for two months	35.0	35.0
2	100% national portability of Public Distribution System by March 2021	0.0	0.0
3	Interest subvention of 2% for MUDRA-Shishu loans for 12 months	15.0	15.0
4	Special credit facility for street vendors	50.0	50.0
5	Affordable rental housing complexes for migrant workers/urban poor	0.0	0.0
6	Employment push using CAMPA funds	60.0	0.0
7	Additional emergency working capital funding for farmers through NABARD	300.0	0.0
8	Concessional credit through Kisan Credit Cards	2,000.0	0.0
9	Extension of Credit Linked Subsidy Scheme	700.0	0.0
	<b>Total</b>	<b>3,160.0</b>	<b>100.0</b>
	<b>% of GDP</b>	<b>1.6%</b>	<b>0.05%</b>

Source: Government, NSE.

**Figure 2: Details of measures announced in the first tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Emergency Credit Line to standard MSMEs	3,000.0	0.0
2	Subordinate debt for stressed MSMEs	200.0	40.0
3	Fund of Funds for equity infusion into MSMEs	500.0	100.0
4	Disallowing global tenders in Government procurement	2.0	0.0
5	Extended PF contribution	25.0	25.0
6	Reduction in statutory PF contribution	67.5	0.0
7	Special Liquidity Scheme for NBFCs/HFCs/MFIs	300.0	0.0
8	Partial Credit Guarantee Scheme 2.0 for NBFCs	450.0	0.0
9	Liquidity infusion by PFC/REC into DISCOMs	900.0	0.0
10	Relief to contractors	0.0	0.0
11	Extension of RERA timelines for real estate projects	0.0	0.0
12	TDS/TCS reduction	500.0	0.0
13	Immediate release of pending refunds to charitable trusts/non-corporate businesses & professions	0.0	0.0
14	Extension of due date of income-tax return and tax audit	0.0	0.0
15	Extension of date of assessments getting barred	0.0	0.0
16	Extension in payment date for Vivad se Vishwas Scheme	0.0	0.0
	<b>Total</b>	<b>5,944.5</b>	<b>165.0</b>
	<b>% of GDP</b>	<b>3.0%</b>	<b>0.08%</b>

Source: Government, NSE.

**Figure 3: Details of earlier fiscal and monetary measures announced since February 2020**

Measures	Announcement date	Amount (Rs trn)
<b>Monetary measures</b>		
Long-term repo operations (LTROs)	06-Feb-20	1.00
Targeted long-term repo operations (TLTROs)	27-Mar-20	1.00
100bps cut in Cash Reserve Ratio	27-Mar-20	1.37
Enhanced borrowing under Marginal Standing Facility (MSF)	27-Mar-20	1.37
Targeted long-term repo operations 2.0 (TLTRO 2.0)	17-Apr-20	0.50
Special Liquidity Facility for mutual funds (SLF-MF)	27-Apr-20	0.50
<b>Total monetary measures</b>		<b>5.74</b>
<b>% of GDP</b>		<b>2.9%</b>
<b>Fiscal measures</b>		
PM Kisan Yojana	26-Mar-20	0.16
PM Jan Dhan Yojana	26-Mar-20	0.31
Free gas cylinders	26-Mar-20	0.13
PF contribution	26-Mar-20	0.05
Cash transfers to other sections	26-Mar-20	0.03
MGNREGA wage hike	26-Mar-20	0.06
Food-grain distribution	26-Mar-20	0.40
Pulses distribution	26-Mar-20	0.05
District Mineral Fund	26-Mar-20	0.25
Construction Workers Fund	26-Mar-20	0.31
<b>Total fiscal measures</b>		<b>1.75</b>
<b>% of GDP</b>		<b>0.9%</b>
<b>Total measures announced thus far</b>		<b>7.49</b>
<b>% of GDP</b>		<b>3.7%</b>
<b>Stimulus announced by the PM</b>	<b>12-May-20</b>	<b>20</b>
<b>% of GDP</b>		<b>10%</b>
<b>Balance stimulus</b>		<b>12.51</b>
<b>% of GDP</b>		<b>6.1%</b>

Source: RBI, Government, Media, NSE.

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