

## The Rs20trn Economic Package: Tranche 5 on NREGA, State Finances, Ease of Doing Business

The fifth and final tranche of the Government's Rs20trn relief package saw measures in the areas of employment, healthcare, education, ease of doing business, privatisation of public sector enterprises (PSEs) and extending support to state governments. An additional allocation of Rs400bn to MGNREGS (total allocation for FY21 at Rs1.01trn) would create employment opportunities, particularly for migrant labour. Increased spending on public healthcare infrastructure at the grass root level is a step in the right direction. FM Sitharaman also proposed an extensive use of technology to deliver education in the post-COVID environment.

A slew of measures were announced to enhance ease of doing business including relaxation of IBC (Insolvency and Bankruptcy Code) norms, decriminalisation of Companies Act defaults and easier listing norms. Opening the notified strategic sectors to private companies and limiting the number of PSEs in such sectors to four, coupled with privatisation of PSEs in non-strategic sectors, would go a long way in improving governance, efficiency and administration of PSEs. Finally, a conditional increase in state borrowing limits from 3% to 5% of state GDP for FY21, contingent on reform actions, would help states manage their finances better.

Overall, the policy strategy favours empowerment of various segments across multiple sectors over entitlements and near-term spending. Such an approach may be driven by fiscal constraints and its impact may be low in the short-term but would be significant in the long-term if carried out in a time-bound manner.

With this, the total fiscal support announced by the Government, including the previous measures, adds up to ~Rs13trn, with direct fiscal impact limited to ~Rs2trn, some of it spread over the next few years. Even as there is still limited clarity on the extent of fiscal slippage one may expect this year, the shortfall in revenue collections is expected to overshoot the additional central borrowing of Rs4.2trn planned for this year. A detailed note on the fiscal implications of the lockdown and attendant relief package would follow soon.

- **Increased allocation to MGNREGS:** Following up on the measures announced over the last couple of months, including wage hikes, the Government increased the allocation to MGNREGS—the Government's flagship rural employment guarantee scheme—by Rs400bn, taking the total allocation to Rs1.01trn for the fiscal—the highest ever. This would particularly provide job opportunities to migrant labourers in the current weak business environment.
- **Enhanced borrowing for states but with conditions:** Considering a sharp drop in revenues for states, the Centre has increased the borrowing limit of states from 3% to 5% of state GDP for FY21, translating into extra resources of Rs4.3trn—equivalent to the additional borrowing announced by the Centre. This is in addition to the liquidity relief provided by the RBI (60% increase in Ways & Means Advance limits, extension of overdraft facility) and timely payment of dues by the Centre. However, the enhanced limit would be partly (1.5% of the 2%) linked to reforms undertaken by the states in the area of PDS portability, ease of doing business, power distribution and urban local body revenues.
- **Relaxation of IBC norms:** To enhance ease of doing business, the Government announced relaxation of IBC norms including a) an increase in the minimum threshold to initiate insolvency proceedings from Rs0.1mn to Rs100mn, thereby supporting MSMEs, b) suspension of fresh initiation of insolvency proceedings extended by another six months and c) exclusion of COVID-19 related debt from the definition of 'default' for the purpose of triggering insolvency proceedings.
- **Relief on technical/procedural defaults:** With an aim to provide relief to corporates with regards to meeting technical/procedural requirements, the Government decided to decriminalise Companies Act violations involving minor

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*MGNREGS allocation increased to Rs1.01trn—the highest ever.*

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*State borrowing limits raised from 3% to 5% of GDP, contingent on reform actions—to provide extra resources of Rs4.3trn.*

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*IBC norms relaxed— increase in minimum threshold, suspension of fresh proceedings by one year and provision of COVID-related exemptions.*

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technical and procedural defaults pertaining to CSR reporting, board report, filing defaults and delay in holding AGMs. This would particularly alleviate stress faced by smaller companies due to fear of litigation and criminal proceedings in events of such defaults.

- Easier listing norms and other measures to support business environment:** A slew of measures were announced to ease listing norms including a) direct listing of Indian securities in overseas jurisdictions, b) NCDs of private companies listed on stock exchange would not be regarded as listed companies, c) creation of additional/specialised benches for NCLAT (National Company Law Appellate Tribunal) and d) lower default penalties for small companies, one-person companies, producer companies and start-ups.
- Opening all sectors to private companies through Public Sector Enterprise Policy:** The Government expressed the intention of opening the private sector to all sectors of the economy facilitated by creation of a coherent Public Sector Enterprise (PSE) Policy. Through this policy, the Government would open the notified strategic sectors of the economy to the private sector, with presence of at least one and up to four PSEs in these sectors. Other PSEs in these notified sectors would be privatised or merged or brought under holding companies. Additionally, PSEs in all non-strategic sectors will be privatised at an opportune time.
- Increased spending on healthcare and education:** The Government's decision to step up spending on public healthcare infrastructure, particularly at the grass-root levels, including health and wellness centres, infectious disease hospital blocks in all districts and public health labs in all districts and blocks, is a step in the right direction and would prepare India for dealing with any future pandemics. Additionally, the Government has also proposed an extensive use of technology to deliver education in the post-COVID environment by leveraging digital platforms, TV channels, radio and podcasts.

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*Limiting the number of PSEs in notified strategic sectors to four, coupled with privatisation of PSEs in non-strategic sectors, would go a long way in improving governance, efficiency and administration of PSEs.*

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

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Increase in MGNERGS allocation	400.0	400.0
2	Increased investments in public healthcare	0.0	0.0
3	Leveraging technology to deliver education in the post-COVID environment	0.0	0.0
4	Relaxation of IBC norms	0.0	0.0
5	Decriminalisation of Companies Act defaults	0.0	0.0
6	Easier listing norms and other measures to support businesses	0.0	0.0
7	Public Sector Enterprise Policy	0.0	0.0
8	Enhanced borrowing for states	0.0	0.0
	<b>Total</b>	<b>400.0</b>	<b>400.0</b>
	<b>% of GDP</b>	<b>0.2%</b>	<b>0.2%</b>

Source: Government, NSE.

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

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Reforms in the coal sector—Commercial mining, diversified opportunities, liberalised regime	0.0	0.0
2	Enhancing private investments in the mining sector	0.0	0.0
3	Augmenting domestic defence production and procurement	0.0	0.0
4	Aviation reforms--airport auctions, efficient airspace management, MRO	0.0	0.0
5	Power sector reforms--Tariff Policy, DISCOM privatisation in UTs	0.0	0.0
6	Promoting private investment in social infrastructure	81.0	81.0
7	Boosting private participation in space activities	0.0	0.0
8	Opening nuclear energy to private sector for cancer research and food preservation	0.0	0.0
	<b>Total</b>	<b>81.0</b>	<b>81.0</b>
	<b>% of GDP</b>	<b>0.04%</b>	<b>0.04%</b>

Source: Government, NSE.

**Figure 3: Details of measures announced in the third tranche of the Rs20trn economic package**

S. no.	Measures	Total stimulus (Rs bn)	Fiscal cost (Rs bn)
1	Agriculture Infrastructure Fund for farm-gate infrastructure	1,000.0	0.0
2	Formalisation of Micro Food Enterprises (MFEs)	100.0	100.0
3	Pradhan Mantri Matsya Sampada Yojana (PMSSY) for fisheries	200.0	200.0
4	National Animal Disease Control Programme	0.0	0.0
5	Animal Husbandry Infrastructure Development Fund	150.0	0.0
6	Promotion of Herbal Cultivation	40.0	40.0
7	Beekeeping initiatives	5.0	5.0
8	Extension of Operation Greens to all fruits and vegetables	5.0	5.0
9	Amendments to Essential Commodities Act	0.0	0.0
10	Agriculture marketing reforms	0.0	0.0
11	Agriculture produce price and quality assurance	0.0	0.0
	<b>Total</b>	<b>1,500.0</b>	<b>350.0</b>
	<b>% of GDP</b>	<b>0.8%</b>	<b>0.2%</b>

Source: Government, NSE.

**Figure 4: 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 5: 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	0.0	0.0
5	Extended PF contribution	28.0	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>5,945.5</b>	<b>165.0</b>
	<b>% of GDP</b>	<b>3.0%</b>	<b>0.08%</b>

Source: Government, NSE.

**Figure 6: Details of overall stimulus package announced under Atmanirbhar Bharat Scheme**

Measures	Announcement date	Amount (Rs trn)
<b>Fiscal measures</b>		
Tranche 1 on MSME, DISCOMs and ETFs	13-Apr-20	5.95
Tranche 2 on poor, migrant labour and farmers	14-Apr-20	3.10
Tranche 3 on agriculture and allied sectors	15-Apr-20	1.50
Tranche 4 on structural reforms to push investments	16-Apr-20	0.08
Tranche 5 on NREGA, state finances and ease of doing business	17-Apr-20	0.40
Revenue loss due to tax concessions since March 22 <sup>nd</sup> , 2020		0.08
Pradhan Mantri Garib Kalyan Package	26-Mar-20	1.70
Spending on healthcare		0.15
<b>Total fiscal measures</b>		<b>12.95</b>
<b>% of GDP</b>		<b>6.5%</b>
<b>Total monetary measures (actual)</b>		
		<b>8.02</b>
<b>% of GDP</b>		<b>4.0%</b>
<b>Total stimulus provided by Atmanirbhar Bharat package</b>		
		<b>20.97</b>
<b>% of GDP</b>		<b>10.5%</b>

Source: RBI, Government, Media, NSE.

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