



Economic Package/ Covid Relief Package

Ever since the global pandemic i.e. Corona Virus(covid-19) has hit India, the performance of Indian economy has shown a significant downfall due to a complete lockdown which was imposed by the government in March. Since then there have been many speculations regarding how Indian economy will revive in such a situation where most of the economic activities have come to a standstill; especially in a market which is considered to be the fastest growing compared to other emerging markets.

The economic activities have taken a toll which has impacted the whole economical balance of the nation. The GDP of the country has been hit pretty hard and an economic revival is must in order to control this imbalance. All the sectors have shown downfall regarding their performance.

In order to revive the economy a mega package of Rs.20 lakh crore was announced on May12, 2020 by PM Narendra Modi. "A special economic package is being announced to make India self-reliant," Narendra Modi said in his third address to nation over Covid-19 pandemic. This package, taken together with earlier announcements by the government during Covid crisis and decisions taken by RBI, is to the tune of Rs 20 lakh crore. This package is one of the largest in the world and has been announced under Atmanirbhar Bharat Abhiyan in order to promote "swadesi" production. Under this package a number of decisions have been taken to infuse additional capital in the economy and this package focusses on tax breaks for small businesses as well as incentives for domestic manufacturing. The package announced is roughly 10% of the Indian GDP which is only behind Japan and U.S.A in percentage terms whose packages are 21% and 13% of GDP respectively.

Highlights of the package:

- A package of Rs 1.7 lakh crore out of total package is dedicated for free foodgrains to poor and cash to poor women and elderly, as well as the Reserve Bank's liquidity measures and interest rate cuts.
- RBI's March stimulus was 0.8 percent of GDP. RBI's cut in interest rates and liquidity boosting measures totalled to 3.2 percent of the GDP (about Rs 6.5 lakh crore).

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- The package, according to the P.M will focus on land, labour, liquidity and laws. It will cater to various sections, including cottage industry, MSMEs, labourers, middle class and industries.
- A proposal of tax exemption to companies making new investment of a minimum threshold in sectors such as medical devices, electronics, telecom equipment and capital goods was said to be under consideration of the government
- Investment in infrastructure may also form a part of the package.
- Easy access to land as well as labour reforms may also form part of the package to lure companies leaving China.
- The package is seen as a government attempt to check the world's fifth-largest economy hurtling towards its first full-year contraction in four decades.
- A self-reliant India will stand on five pillars viz economy, which brings in quantum jump and not incremental change; infrastructure, which should become the identity of India; technology-driven system; vibrant demography; and demand.
- The Rs 1.70 lakh crore package comes under Pradhan Mantri Garib Kalyan Package (PMGKP), the government announced free wheat or rice plus pulses to poor as well as a cash payment to women and poor senior citizens and farmers over a period of three months till June.
- According to the latest government data, Rs 34,800 crore financial assistance using digital payment infrastructure were provided to about 39 crore beneficiaries.

**Overall Stimulus provided by
Atmanirbhar Bharat Package**

SN	ITEM		(Rs. Cr.)
1	Part 1		5,94,550
2	Part 2		3,10,000
3	Part 3		1,50,000
4	Part 4 and 5		48,100
		Sub-Total	11,02,650
5	Earlier Measures including PMGKP		1,92,800
6	RBI Measures (Actual)		8,01,603
		Sub-Total	9,94,403
		GRAND TOTAL	20,97,053

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The table above shows tranche/part wise distribution of total amount of revival package. In total five tranches were announced by the Finance Minister Nirmala Sitharaman. All the tranches are differentiated according to nature of announcements made in sectors of similar nature.

Tranche wise explanation of the package

Here is the break-up of all the five tranches of the package:

First Tranche

Union Finance Minister Nirmala Sitharaman announced the first tranche of an economic relief plan on May13,2020, whose primary focus was to alleviate the sweeping distress in MSMEs sector that lies at the heart of the industrial ecosystem and employs an estimated 11 crore persons, including much of the country's migrant workforce. This tranche focusses on infusing capital across various sectors such as MSMEs, NBFCs, real estate, power distribution and the salaried employees with an aim to put more disposable funds in the hands of both entrepreneurs and employees.

Total-Rs 5,94,550 crore

Second Tranche

The second tranche of the economic stimulus package was unveiled as a part of 'Self-reliant India Mission' to cushion the impact of Covid-19, second tranche was announced on May14, 2020. In this she announced three measures for the distressed migrant workers. Firstly, migrant workers, who are neither NFSA or State Card beneficiaries in the state they are stationed, will be provided 5kg of grains per person and 1 kg Chana per family per month free for two months and also the concept of 'One Nation One Ration Card' scheme is introduced. Second measure is based on credit support in which concessional credit will be provided to farmers and street vendors. Third measure is concerned regarding the provision of extended interest subvention scheme for the middle class to build houses for another year to March31, 2021.

Total-Rs 3,10,000 crore

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Third Tranche

On May15, 2020 FM announced 11 measures for the agriculture sector as part of the third tranche of the government's Rs 20 lakh crore Covid-19 relief package. However, most of these measures are either in place already or the government has been discussing these for several years. Out of the 11 announcements, three concern governance and administrative reforms, including amendment of the Essential Commodities Act (ECA), 1995, and agriculture marketing reforms through a Central law. These have been part of successive Union Budgets under the Modi government. Among the agriculture sector Animal Husbandry Infrastructure Development Fund, promotion of herbal cultivation and promotion of beekeeping are some major reforms that are addressed by the FM.

Total-Rs 1,50,000 crore

Fourth and Fifth Tranche

Most of the measures for eight sectors announced on May16, 2020 under the fourth tranche of the Covid economic package were either a new push to old reforms proposals or an aggregation of earlier decisions. The latter includes: commercial coal mining; coal gasification projects; building a hub for aircraft maintenance, repair and overhaul (MRO); privatisation of airports, and optimisation of Indian airspace.

Nirmala Sitharaman unveiled the fifth and last tranche of the Rs 20 lakh crore COVID-19 economic package as part of the "Atmanirbhar Bharat Abhiyan" on May17, 2020. In order to prove the resolve of the self-reliant India, land, labour, liquidity and laws, all have been emphasised in this package,".

Total (4th and 5th tranche)-Rs 48,100 crore

Impact of the package on the economy

The package is considered as a relief package and not a stimulus package which means it will not have much of an impact on the falling aggregate demand and aggregate supply which in itself is first of its kind situation.

Experts say that this package is only 1% of GDP as against the 10% claimed by government because most of the package is just an upgrade or addition to old policies and reforms.

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Sectoral impacts:

All the sectors of economy will get a boost but only a marginal change is expected. As per the third tranche agriculture sector will see quite a bit changes in the process of farming due to use of new technology which will give quite a boost to this sector. This will give quite a boost to FMCG sector along with benefits to farmers in terms of additional funding to aggregate their farming.

Investment in infrastructure and tax exemption in certain kinds of businesses such as medical facilities and health services is taken into consideration by the government which will have an impact on pharma sector and sectors related to health facilities.

RBI's rate cut might give a boost to banking sector but it might require a long period of time as banking industry is down due to fall in demand and supply.

Manufacturing sector again will have a little boost with all the reforms under the "Atmanirbhar Bharat Abhiyan" Yojana which will encourage local production of imported goods and services which will help in encouraging employment and manufacturing sector might see a rise.

But as said earlier it is a relief package and not a stimulus package which means that it is mostly aimed at recovering losses which occurred due to lockdown and providing necessities to the poor and needy who are the ones most affected by the lockdown.

Analysts say that the government should have come with a much bigger amount in order to maintain stability in GDP because this package as discussed above actually accounts to only 1% of GDP as stimulus which will not have much of an impact in improving GDP figures which are the of any economy's performance.

Government must take above points into consideration to implement policies for improving GDP figures.

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