Economic package announced by Finance Minister

Part of: GS-III- Economy- Bail out plan (PT-MAINS-PERSONALITY TEST)

This whole initiative is called Atmanirbhar Bharat Abhiyan. She said, PM Modi in his address to the nation had outlined his vision for a self-reliant India and exhorted the Indians to become vocal for our local products.

The Finance Minister said, this vision was laid out after wide consultations with several sections of the society. She said, the focus will be on the factors of production, labour, land, liquidity and law.

She said, it will improve ease of doing business. The intention is to build and take local brands to a global level. She said, Self-reliant India does not mean cutting off from rest of the world.

1st tranche

For MSME

Giving details about the package, Nirmala Sitharaman announced 3 lakh crore rupees Collateral-free Automatic Loans for Businesses, including MSMEs. She said, to provide stressed MSMEs with equity support, Government will facilitate provision of 20 thousand crore rupees as subordinate debt.

She also said that 50 thousand crore rupees equity infusion for MSMEs through Fund of Funds will be operated through a Mother Fund and few daughter funds. She said, this will help to expand MSME size as well as capacity. The Finance Minister also said that definition of MSMEs has been revised and investment limit will be revised upwards and additional criteria of turnover is also being introduced.

EPF reforms

The Finance Minister also announced that Statutory PF contribution by employer has been reduced to 10 per cent from 12 per cent for three months from June to August to provide 6,750 crore rupees liquidity relief. For NBFCs, housing finance companies and Micro Financial Institutional reforms

Ms Sitharaman announced a sum of 30 thousand crore rupees for Non-Banking Financial Companies, Housing Finance Companies-HFCs and Micro Finance Institutions under a special liquidity scheme. Further, 45 thousand crore rupees partial credit guarantee scheme 2.0 was also unveiled for NBFCs, HFCs, and MFIs with low credit rating to help them extend loans to individuals and MSMEs.
Tax reforms

In a major announcement by Finance Minister Nirmala Sitharaman, Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) have been reduced by 25 per cent till 31st March of next year. This decision will increase cash flow of over 50 thousand crore rupees benefitting common people. The date for filing Income Tax return for the last financial year has also been extended till 30th November, while last date for filing tax audits has been extended from 30th September to 31st October.

Contract reforms

Providing relief to the construction companies, Central agencies like Railways, Ministry of Road Transport and Highways and Central Public Works, have been asked to grant an extension of six months for completion of work covering construction and other related contracts.

Real estate reforms

In a relief to real estate developers, Finance Minister also informed that the deadline for completion of projects will be extended by up to six months, treating the coronavirus outbreak as an event of 'force majeure' under the realty law RERA. Finance Minister informed that Urban Development ministry will issue advisory to all the States and Union Territories to treat Covid-19 period event as force majeure. The move will benefit real estate sector and agencies which have been entrusted to complete civil work.

For power sector

In a relief to Power Distribution companies, Finance Minister announced a liquidity flow of 90 thousand crore rupees to the PFCs and RECs. Vivaad se Vishwas scheme has also been extended up to 31st December without obligation of any extra payment.

2nd tranche

Finance Minister Nirmala Sitharaman unveils second set of relief measures under Aatma-Nirbhar

For migrants and the urban poor, government announced affordable rental accommodation.

Government funded housing in cities will be converted into Affordable Rental Housing Complexes under the Pradhan Mantri Awas Yojana, while both Government and Private bodies will be incentivized to develop Affordable Rental Housing Complexes on their land.

Under the MUDRA scheme, small businesses will be revamped through the 1,500 crore rupees interest subvention scheme. Government will also provide interest subvention of two per cent for the next 12 months for beneficiaries of the MUDRA-Shishu loan Yojana.
Benefitting the street vendors, special credit facility of five thousand crore rupees have been announced. The decision aimed at benefitting over 50 lakh street vendors will also provide an initial working capital of up to 10 thousand rupees to the vendors.

Ms Sitharaman informed that Government is committed to spur employment creation across the country. In it’s this endeavour, Funds from the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) have been channelized to generate employment in the tribal areas of the country. The Minister informed that, proposals worth six thousand crore rupees to help generate employment for tribals for afforestation and plantation related works is already under pipeline.

In a major relief to middle income families, government also extended the Credit Linked Subsidy Scheme (CLSS) up to March next year. This move is seen to benefit around 2.5 lakh families and will also lead to an investment of over 70 thousand crore in the housing sector. Investment in the housing sector arising out of this decision will further help in creation of jobs and will also stimulate demand for steel, cement, transport, and other construction material.

Ms. Sitharaman also enumerated series of relief packages introduced by the government for the rural India, since the onset of COVID-19 in the country. She informed that government has sanctioned 25 lakh new Kisan Credit Cards with a loan limit of 25 thousand crore rupees.

Liquidity support has been extended to farmers by the 63 lakh loans amounting to 86 thousand 600 crore. She asserted that, refinancing of 29 thousand 500 crore by NABARD to cooperative banks and Regional Rural Banks in March and support of four thousand 200 crore provided under Rural Infrastructure Development Fund has boosted the rural economy. She also made a reference of the efforts to reach out to the urban poor by permitting states to utilize the State Disaster Response Fund (SDRF). These funds amounting to nearly 11 thousand crore were utilized to set up shelters for migrant labourers and provide them food and water.

Finance Minister said, the Central Government is supporting number of Self-Help Groups, which are indulged in production of masks and sanitizers. She said, seven thousand 200 new self-help groups have been formed since 15th March to create employment opportunities.

Ms. Sitharaman said, the government is supporting migrant labourers who have returned to their home states by creating work under the MNREGA. Over two crore 30 lakh people have been given employment under this scheme across the different village panchayats in the country.

She also made a mention of the hike in the Average wage rate of the labourers to 202 rupees from 182 in last Financial Year. She informed that special drive has been undertaken to enroll returning migrants and provide them jobs under the MNREGA.

The Minister also highlighted some of the measures already in place to benefit workers in the country including universalization of rights of minimum wages and their timely payment, issuance of appointment letter for all workers, annual health check-up for all employees among others.
3rd tranche

The Minister said the third tranche would focus on infrastructure and building capacities in the agriculture and allied activities.

Creation of 1lakh crore agriinfrastructural Fund

- This fund will be used for setting up cold chains and post-harvest management infrastructure.
- The Minister also announced a 10,000 crore rupee scheme for formalisation of micro food enterprises, MFEs.
- The scheme will be launched to help 2 lakh MFEs by adopting cluster-based approach such as mango in Uttar Pradesh, kesar in Jammu and Kashmir, bamboo shoot in North-East, chilli in Andhra Pradesh, and tapioca in Tamil Nadu.
- This fund would help in reaching untapped export markets in view of improved health consciousness.

She said that in the last two months of lockdown, several measures have been taken to support farmers, including minimum support price purchases of 73,300 crore rupees.

The government will also launch a 20,000 crore rupees Pradhan Mantri Matsya Sampada Yojana for the development of marine and inland fisheries. Of this, 11,000 crore rupees will be earmarked for activities in marine, inland fisheries and aquaculture while 9,000 crore rupees for infrastructure creation such as fishing harbours, cold chain and markets. This will provide employment to over 55 lakh persons and double exports to one lakh crore rupees.

The Finance Minister said the ongoing National Animal Disease Control Programme for Foot and Mouth Disease and Brucellosis will look at 100 per cent vaccination of cattle, buffalo, sheep, goats, and pigs against Foot and Mouth Disease at an outlay of 13,343 crore rupees.

In addition to this, a 15,000 crore rupees Animal Husbandry Infrastructure Development Fund was announced to support private investment in dairy processing, value addition and cattle feed infrastructure.

The government has launched a 4,000 crore rupees fund to promote herbal cultivation in about 10 lakh hectares of area. The scheme will help generate 5,000 crore rupees income for farmers. Along the bank of Ganga, a corridor of medicinal plants will be developed over 800 hectares area.

Another 500 crore rupees has been earmarked for beekeeping initiatives, helping 2 lakh beekeepers.

The government extended Operation Greens from tomato, onion and potato to all fruits and vegetables by providing an additional fund of 500 crore rupees. This money would go into providing subsidy on transportation from surplus to deficient markets as well as on storages including cold storages. Ms Sitharaman said the scheme will prevent distress sale by farmers.

The Finance Minister also announced amendment to Essential Commodities Act to enable better price realisation for farmers. The amendment will be largely towards de-regulating certain crops, like potatoes, cereals, and onions. No stock limit shall apply for food processing units,
value-addition corporations, and exporters.