

COVID-19 | “ATMANIRBHAR” PACKAGE – Day #5

Summary of announcements for policy reforms

BACKGROUND

Post the announcement of a Rs. 20 lakh crore stimulus package in his nation-wide address on May 12, 2020 by Prime Minister Narendra Modi, the Ministry of Finance held a series of press conferences from 13th to 16th May to announce measures supporting the Micro, Small and Medium Enterprises and Non-Banking Financial Companies, reforms specifically for the ‘base of the pyramid’ sections of the society such as street vendors, migrant workers, farmers, etc., the agricultural and agri-allied sectors and structural policy to fast track investments, raise industrial production and generate employment opportunities.

The fifth tranche of the “Atmanirbhar” package, announced on 17th May 2020, entailed 7 points covering creation of employment in rural areas under MGNREGS, policy reforms in the field of health and education, promoting ease of doing business and additional resources for state governments.

DAY #5 ANNOUNCEMENTS: SUMMARY OF POLICY REFORMS

Some of the key announcements which are relevant for the sectors we operate are as below:

1. **Additional budget of INR 40,000 crore towards the MGNREGA scheme** which takes the total allocation to the scheme to INR 1.01 lakh crore – As per government estimate, the additional budget will generate nearly 300 crore man days in total. In our earlier notes, we had highlighted that income from daily wages is around 34% for the agricultural households and 54% for the non-agricultural households. The additional allocation will further add cushion to the cashflows and boost rural economy which is a positive for the microfinance sector.
2. **Reforms in the health sector** – The proposal to increase investment in public health infrastructure extending to the block level is a welcome step. As per NAFIS, 2016-17, one in every five rural households faced distress situation due to medical exigency in the last 10 years. Almost 80% of them had to borrow money from relatives or informal sector to cope with the loss. The government thrust to strengthen the public health infrastructure would therefore prevent rural households from facing such distress situation and entering a debt trap.
3. **Increased borrowing limit for the state government** – The government has allowed states to borrow additionally up to 2% of GSDP over and above the earlier cap of 3% of GSDP. It is noteworthy that the government has linked the spending from the additional borrowings (above 3.5% of GSDP) in equal tranches of 0.25% of GSDP towards one nation-one ration scheme, ease of doing business, electricity distribution companies and urban local bodies. We expect the state government’s targeted expenditure towards ease of doing business will help the micro-entrepreneurs (including those in the agricultural sectors), where the government has proposed de-regulation under the amendment of Essential Commodity Act. It will catalyse the primary agricultural cooperatives and the co-operative banks, who are regulated by the state governments, to promote the agriculture sector reforms.

To summarize, we believe the Government stimulus announcements would provide relief to the economically vulnerable population like the daily wage labourers, migrants and farmers. At the same time, the policy reforms for promotion of local manufacturing and de-regulation of the agricultural commodities will pave the way for unlocking business opportunities in the rural India. We continue to be a catalyst towards the government ambition to empower the vulnerable section of the society by channelizing debt funding to microfinance, small business & consumer finance, agriculture finance and vehicle finance segment.

ANNEXURE A
Summary of Announcements targeted towards rural employment & policy reforms
Source: Press Bureau of India
ANNOUNCEMENTS FOR POLICY REFORMS – Day 5

NO.	SCHEME <i>(Funds allocated)</i>	PARTICULARS
1)	<i>Allocation for MGNREGS</i> <i>(INR 40,000 lakh crore)</i>	<ul style="list-style-type: none"> • It will help generate nearly 300 crore of additional man days. • Will lead to creation of larger number of durable and livelihood assets including water conservation assets. • Will boost the rural economy through higher production.
2)	<i>Health Reforms & Initiatives</i>	<ul style="list-style-type: none"> • Increased investment in public health and ramping up of health and wellness centres in rural & urban areas. • Public Health labs in all districts & block level labs & public health unit to manage pandemics. • It will encourage research and implementation of National Institutional Platform One health by ICMR.
3)	<i>Technology driven education with equity post COVID</i>	<ul style="list-style-type: none"> • PM-eVidya – A programme for multi-mode access to digital/online education to be launched immediately. • Manodarpan – An initiative for psychosocial support of students, teachers and families for mental health and emotional wellbeing to be launched immediately • New National Curriculum and Pedagogical framework for school, early childhood & teachers will be launched. • National Foundation literacy and numeracy mission for ensuring that every child attains learning levels & outcomes.
4a)	<i>Ease of doing Business through IBC related measures</i>	<ul style="list-style-type: none"> • Minimum threshold to initiate insolvency proceedings raised to INR 1 crore (from INR 1 lakh, which largely insulates MSMEs) • Special insolvency resolution framework for MSMEs under Section 240A. • Suspension of fresh initiation of insolvency proceedings up to 1 year. • Empowering Central Government to exclude COVID-19 related debt from the definition of “default” under the Code for the purpose of triggering insolvency proceedings.

4b)	<i>Ease of doing business for Corporates</i>	<ul style="list-style-type: none"> • Direct listing of securities by Indian public companies in permissible foreign jurisdictions. • Private companies, which list NCDs on stock exchanges, not to be regarded as listed companies • Inclusion of the provisions of Part IXA (producer companies) of Companies Act, 1956 in Companies Act, 2013. • Power to create additional/specialized benches for NCLAT. • Lower penalties for all defaults for small companies, one person companies, producer companies and start-ups.
5)	<i>Decriminalization of Companies Act defaults</i>	<ul style="list-style-type: none"> • Decriminalization of Companies Act violations involving minor technical & procedural defaults. • Majority of the compoundable offences sections to be shifted to internal adjudication mechanism.
6)	<i>Public Sector Enterprise Policy for a new, self-reliant India</i>	<ul style="list-style-type: none"> • In strategic sectors, at least one enterprise and not more than four will remain in the public sector, and private companies will also be allowed. • In other sectors, PSEs will be privatized.
7)	<i>Supporting State Government</i>	<ul style="list-style-type: none"> • Increased the borrowing limits of states from 3% to 5%, for 2020-21 only which will release extra resource of INR 4.28 lakh crore. • A specific scheme to be notified by Department of Expenditure on the following form: <ul style="list-style-type: none"> ▪ Unconditional increase up to 0.5%. ▪ 1% in 4 tranches of 0.25%, with each tranche linked to clearly specified, measurable & feasible reform linked to one nation-one ration scheme, dis-com related, ease of doing business & urban local bodies. ▪ Further 0.5% if milestones are achieved in at least 3 out of 4 reform areas.

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