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NREGA outlay

"The final picture of central government's COVID-related stimulus package at the conclusion of the fifth tranche of finance minister's announcement amounts to 9.8% of FY21 GDP. Only about 10% of this stimulus can be traced as direct additional budgetary cost to the central exchequer. Nearly 5% of the stimulus relates to already budgeted expenditures. The rest of the stimulus primarily pertains to RBI's liquidity enhancement measures, government's credit guarantee programmes and insurance schemes."

The Opposition, too, raised questions about the scale of the package. "The government's economic package is only of ₹3.22 lakh crore and is only 1.6% of India's GDP and is not worth ₹20 lakh crore as announced by the prime minister," said Congress leader Anand Sharma, adding: "I am questioning the finance minister, disputing the announcement of Prime Minister and challenging the government to disprove me on the numbers given by me."

A key policy instrument that the government is relying on to accommodate the migrant workers returning home to their villages is the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS). On Sunday, the FM announced an allocation of ₹40,000 crore for the scheme — in addition to a little over ₹61,000 crore budgeted for 2020-21.

Experts, however, said the allocation must be viewed in the perspective of both the revision of wages under the scheme from ₹182 per day to ₹202, and an exodus of migrant labourers to villages.

"While ₹61,500 crore was allocated in the budget 2020, it might make more sense to compare with the expenditure last year, which was ₹71,000 crore. This year in the budget there was a reduction of funds allocated to MGNREGS. Now, an additional ₹40,000 crores are allocated, so the total allocation now is 42% higher than what was spent in the last fiscal year," Partha Chatterjee, professor at Shiv Nadar University, said.

The government has also decided to bring a new policy for public sector enterprises (PSEs). Besides opening up different sectors for private player participation, the policy will ensure that in "strategic sectors", for the sake of public interest, a minimum of one and a maximum of four PSEs continue to operate. The government will prepare a list of strategic sectors requiring presence of state-run companies in public interest. Both "strategic sector" and "public interest" will be defined later, she said.

According to Sumit Khanna, partner at consulting firm Deloitte India, "The government is continuing its ongoing reforms agenda ... announcement of strategic sectors with limited PSU [public sector undertaking] representation puts definition to the government's privatisation strategy".

The finance minister also said the Centre has also accepted the demand of states to raise their borrowing limit from 3% of the gross state domestic product (GSDP) to 5% of GSDP that would give them additional resources of ₹4.28 lakh crore at this time of crisis. The increased limit will, however, be conditional and depend on implementation of reforms by them in four areas — one-nation-one-ration card, ease of doing business, power distribution and urban local body revenues, she said. The FM, however, pointed out that at the moment, states had availed only 14% of the borrowing limit authorised to them.

Sitharaman said the government has taken several measures to ease compliance burdens of businesses and provided a shield to MSMEs by raising the minimum threshold of default from ₹1 lakh to ₹1 crore to initiate insolvency proceedings against them. "Special insolvency resolution framework for MSMEs under Section 240A of the Code [Insolvency and Bankruptcy Code] will be notified soon. Besides, the government has suspended fresh initiation of insolvency proceedings up to one year for all businesses, depending upon the pandemic situation," she said. The central government can also exclude Covid-19 related debt from the definition of default under the Code for the purpose of triggering insolvency proceedings, she added.

"Allowing companies to focus on getting their businesses back on track post the Covid-19 crisis, without the fear of insolvency, is a welcome move," said Dinkar Venkatasubramanian, partner and leader - restructuring and turnaround services at EY India.

Sitharaman said the series of measures included the entire gamut of land, labour, liquidity and law issues, crucial for achieving the self-reliant India goal. "As a nation, we stand at a very crucial juncture. Covid-19 pandemic has brought a message and an opportunity. We need now to build an Aatmanirbhar Bharat," she said.

Experts agree that measures are not just confined to immediate relief from Covid-19 pandemic. Nilaya Varma, co-founder and CEO of consultancy firm Primus Partners, said, "Through these measures, the government attempts to unlock the potential of India by removing key bottlenecks. It also attempts to protect the most vulnerable through direct cash transfer and food security. Successful and early implementation of proposed reforms in agriculture, MSMEs [micro, small and medium enterprises], defence and PSEs [public sector enterprises] can pave the way for Make in India."

EY India's Srivastava, too, said that a number of structural reforms were also part of the package that would have a "far-reaching efficiency-augmenting" impact. "Most of these relate to the supply side of the economy. However, one important demand component was brought in by the enhancement of the budgeted MGNREGA allocation of ₹61,500 crores in FY21 by ₹40,000 crores. Together, these add to about 0.5% of GDP which is a substantive amount to support rural demand and agricultural prices," he said.

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