

Summary of announcements: Aatma Nirbhar Bharat Abhiyaan

On May 12, the Prime Minister, Mr. Narendra Modi, announced a special economic package of Rs 20 lakh crore (equivalent to 10% of India's GDP) with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants who have been adversely affected by COVID. Following this announcement, the Finance Minister, Ms. Nirmala Sitharaman, through five press conferences, announced the detailed measures under the economic package. This note summarises the key measures proposed under the economic package.

Government Reforms

Policy Highlights

- **Increase in borrowing limits:** The borrowing limits of state governments will be increased from 3% to 5% of Gross State Domestic Product (GSDP) for the year 2020-21. This is estimated to give states extra resources of Rs 4.28 lakh crore. There will be unconditional increase of up to 3.5% of GSDP followed by 0.25% increase linked to reforms on - universalisation of 'One Nation One Ration card', Ease of Doing Business, power distribution and Urban Local Body revenues. Further, there will be an increase of 0.5% if three out of four reforms are achieved.⁵
- **Privatisation of Public Sector Enterprise (PSEs):** A new PSE policy has been announced with plans to privatise PSEs, except the ones functioning in certain strategic sectors which will be notified by the government. In strategic sectors, at least one PSE will remain, but private sector will also be allowed. To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised/ merged/ brought under holding companies.³

Measures for businesses (including MSMEs)

Financial Highlights

- **Collateral free loans for businesses:** All businesses (including MSMEs) will be provided with collateral free automatic loans of up to three lakh crore rupees.¹ MSMEs can borrow up to 20% of their entire outstanding credit as on February 29, 2020 from banks and Non-Banking

Financial Companies (NBFCs). Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnover will be eligible for such loans and can avail the scheme till October 31, 2020. Interest on the loan will be capped and 100% credit guarantee on principal and interest will be given to banks and NBFCs.

- **Corpus for MSMEs:** A fund of funds with a corpus of Rs 10,000 crore will be set up for MSMEs. This will provide equity funding for MSMEs with growth potential and viability. Rs 50,000 crore is expected to be leveraged through this fund structure.¹
- **Subordinate debt for MSMEs:** This scheme aims to support to stressed MSMEs which have Non-Performing Assets (NPAs). Under the scheme, promoters of MSMEs will be given debt from banks, which will be infused into the MSMEs as equity. The government will facilitate Rs 20,000 crore of subordinate debt to MSMEs. For this purpose, it will provide Rs 4,000 crore to the Credit Guarantee Fund Trust for Micro and Small Enterprises, which will provide partial credit guarantee support to banks providing credit under the scheme.¹
- **Schemes for NBFCs:** A Special Liquidity Scheme was announced under which Rs 30,000 crore of investment will be made by the government in both primary and secondary market transactions in investment grade debt paper of Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)/Micro Finance Institutions (MFIs). The central government will provide 100% guarantee for these securities. The existing Partial Credit Guarantee Scheme (PCGS) will be extended to partially safeguard NBFCs against borrowings of such entities (such as primary issuance of bonds or commercial papers (liability side of balance sheets)). The first 20% of loss will be borne by the central government. The PCGS scheme will facilitate liquidity worth Rs 45,000 crores for NBFCs.¹
- **Employee Provident Fund (EPF):** Under the PM Garib Kalyan Yojana, the government paid 12% of employer and 12% of employee contribution into the EPF accounts of eligible establishments for the months of March, April and May. This will be continued for three more

months (June, July and August). This is estimated to provide liquidity relief of Rs 2,500 crore to businesses and workers.

- **Statutory PF contribution:** Statutory PF contribution of both the employer and employee will be reduced from 12% to 10% each for all establishments covered by EPFO for next three months. This scheme will apply to workers who are not eligible for the 24% EPF support under PM Garib Kalyan Package and its extension. However, Central Public Sector Enterprises (CPSEs) and State Public Sector Units (PSUs) will continue to contribute 12% as employer contribution.¹
- **Street vendors:** A special scheme will be launched within a month to facilitate easy access to credit for street vendors. Under this scheme, bank credit will be provided to each vendor for an initial working capital of up to Rs 10,000. This is estimated to generate liquidity of Rs 5,000 crore.²

Policy Highlights

- **Expediting payment of dues to MSMEs:** Payments due to MSMEs from the government and CPSEs will be released within 45 days.¹
- **Insolvency resolution:** A special insolvency resolution framework for MSMEs under the Insolvency and Bankruptcy Code, 2016 will be notified.
- **Disallowing global tenders:** To protect Indian MSMEs from competition from foreign companies, global tenders of up to Rs 200 crore will not be allowed in government procurement tenders.¹
- **Reduction in TDS and TCS rates:** The rates of Tax Deduction at Source (TDS) for the non-salaried specified payments made to residents and Tax Collected at Source (TCS) will be reduced by 25% from the existing rates. This reduction will apply from May 14, 2020 to March 31, 2021. This is estimated to provide liquidity of Rs 50,000 crore.¹
- **Ease of doing business for corporates:** Direct listing of securities by Indian public companies in permissible foreign jurisdictions will be allowed. Private companies which list Non-Convertible Debentures (NCDs) on stock exchanges will not be considered listed companies. NCDs are debt instruments with a fixed tenure issued by companies to raise money for business purposes. Unlike convertible

debentures, NCDs cannot be converted into equity shares of the issuing company at a future date.³

Legislative Highlights

- **Definition of MSME:** The definition of MSMEs will be changed by amending the Micro, Small and Medium Enterprises Development Act, 2006. As per the proposed definition, the investment limit will be increased from Rs 25 lakh to Rs 1 crore for micro enterprises, from Rs 5 crore to Rs 10 crore for small enterprises, and from Rs 10 crore to Rs 20 crore for medium enterprises. A new criteria of annual turnover will be introduced. The turnover limit for Micro, Small and Medium enterprises will be Rs 5 crore, Rs 50 crore, and Rs 100 crore, respectively. The current distinction between manufacturing and services MSMEs (to provide different investment limits for each category) will be removed.¹
- **Initiation of insolvency proceedings:** The Insolvency and Bankruptcy Code, 2016 will be amended to provide for the following: (i) minimum threshold to initiate insolvency proceedings will be increased from one lakh rupees to one crore rupees; (ii) suspension of fresh initiation of insolvency proceedings up to one year, depending upon the pandemic situation; (iii) COVID-19 related debt will be excluded from the definition of 'default' under the Code for triggering insolvency proceedings.³
- **Amendments to Companies Act, 2013:** The Companies Act, 2013 will be amended to provide for the following:³
 - i. Certain offences under the Companies Act, 2013 will be decriminalised. These include minor technical and procedural defaults such as shortcomings in CSR reporting, inadequacies in Board report, filing defaults, delay in holding of AGM. Several compoundable offences will be shifted to internal adjudication mechanism.³
 - ii. Currently, certain provisions from the Companies Act, 1956 continue to apply to producer companies. These provisions will be included in Companies Act, 2013. The National Company Law Appellate Tribunal (NCLAT) will be granted powers to create additional/specialised benches. All defaults by small companies, one-person companies, producer companies, and start-ups will be subject to lower penalties.

Agriculture and Allied sectors

Financial Highlights

- **Concessional Credit Boost to farmers:** Farmers will be provided institutional credit facilities at concessional rates through Kisan Credit Cards. This scheme will cover 2.5 crore farmers with concessional credit worth two lakh crore rupees.²
- **Agri Infrastructure Fund:** A fund of one lakh crore rupees will be created for development of agriculture infrastructure projects at farm-gate and aggregation points (such as cooperative societies and Farmer Producer Organizations). Farm gate refers to the market where buyers can buy products directly from the farmers.³
- **Emergency working capital for farmers:** An additional fund of Rs 30,000 crore will be released as emergency working capital for farmers. This fund will be disbursed through NABARD to Rural Cooperative Banks (RCBs) and Regional Rural Banks (RRBs) for meeting their crop loans requirements. This fund is expected to benefit three crore small and marginal farmers. This is in addition to the financial support of Rs 90,000 crore that will be provided by NABARD to RCBs and RRBs to meet the crop loan demand this year.²
- **Support to fishermen:** The Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be launched for integrated, sustainable, and inclusive development of marine and inland fisheries. Under this scheme, Rs 11,000 crore will be spent on activities in Marine, Inland fisheries and Aquaculture and Rs 9,000 crore will be spent for developing infrastructure (such as fishing harbours, cold chain, markets).⁴
- **Animal Husbandry infrastructure development:** An Animal Husbandry Infrastructure Development Fund of Rs 15,000 crore will be set up, with the aim of supporting private investment in dairy processing, value addition, and cattle feed infrastructure. Incentives will be given for establishing plants for export of niche dairy products.⁴
- **Employment push using CAMPA funds:** The government will approve plans worth Rs 6,000 crore under the Compensatory Afforestation Management and Planning Authority (CAMPA) to facilitate job creation for tribals/adivasis.² Funds under CAMPA will be used for: (i) afforestation and plantation works, including in urban areas, (ii) artificial regeneration, assisted

natural regeneration, (iii) forest management, soil and moisture conservation works, (iv) forest protection, forest and wildlife related infrastructure development, and wildlife protection and management. Note that the CAMPA funds are currently used for protection of forest and wildlife management.

Legislative Highlights

- **Amendments to the Essential Commodities Act:** The Essential Commodities Act, 1955 empowers the central and state governments control the production, supply and distribution of certain commodities to avoid scarcity in the country. Commodities covered under the Act include edible oil and seeds, pulses, sugarcane and its products, and rice paddy. The Act will be amended to deregulate food items including cereals, edible oils, oilseeds, pulses, onions and potato. This is expected to allow better price realisation for farmers by attracting investments and enabling competition in the sector. Stock limit will be imposed under very exceptional circumstances such as national calamities and famines with surge in prices. Further, no such stock limit will apply to processors or value chain participant, subject to their installed capacity, or to any exporter subject to the export demand.⁴
- **Agriculture marketing reforms:** A central law will be formulated to provide: (i) adequate choices to farmers to sell their produce at remunerative prices, (ii) barrier free inter-state trade, and (iii) a framework for e-trading of agriculture produce. Currently, farmers are bound to sell their produce only to the licensees in Agricultural Produce Market Committees (APMCs). The proposed amendments seek to enable free flow of agricultural produce and establish a smooth supply chain providing options of better price realisation to farmers.⁴
- **Agriculture Produce Pricing and Quality Assurance:** A facilitative legal framework will be created to enable farmers to engage with processors, aggregators, large retailers, and exporters in a fair and transparent manner. Risk mitigation for farmers, assured returns, and quality standardisation will form an integral part of the framework. This is aimed at enabling farmers to predict the price of crops at the time of sowing and will also increase private sector investment in the sector.⁴

Migrant Workers

Policy Highlights

- **One Nation One Card:** Migrant workers will be able to access the Public Distribution System (Ration) from any Fair Price Shop in India by March 2021 under the scheme of One Nation One Card. The scheme will introduce the inter-state portability of access to ration for migrant labourers. By August 2020 the scheme is estimated to cover 67 crore beneficiaries in 23 states (83% of PDS population). All states/union territories are required to complete full automation of fair price shops by March 2021 for achieving 100% national portability.²
- **Free food grain Supply to migrants:** Migrant workers who are not beneficiaries under the National Food Security Act ration card or state card will be provided 5 kg of grains per person and 1 kg of chana per family per month for two months. Rs 3,500 crore will be spent on this scheme, and eight crore migrants are estimated to benefit under it.²
- **Affordable Rental Housing Complexes (ARHC) for Migrant Workers / Urban Poor:** The migrant labour/urban poor will be provided living facilities at affordable rent under Pradhan Mantri Awas Yojana (PMAY).² This will be achieved by: (i) converting government funded housing in the cities into ARHCs through PPPs, and (ii) incentivising manufacturing units, industries, institutions, associations to develop ARHCs on their private land and operate them.

Civil Aviation

Policy Highlights

- **Efficient airspace management:** Restrictions on utilisation of the Indian Air Space will be eased so that civilian flying becomes more efficient. This is estimated to allow optimal utilisation of airspace, reduction in fuel use, and time, and save about Rs 1,000 crore per year for the aviation sector.⁵
- **Public Private Partnership (PPP) model for airports:** World-class airports will be built through PPP model. In the first round, the Airport Authority of India (AAI) has awarded three airports (Ahmedabad, Lucknow and Mangaluru) out of six bid for operation and maintenance on PPP basis. Six more airports have been identified for 2nd and 3rd round of bidding process each. The private sector

investment in these 12 airports is expected to be around Rs 13,000 crore.⁵

Defence

Policy Highlights

- FDI limit in defence manufacturing under automatic route will be increased from 49% to 74%.⁵
- Make in India initiative will be promoted in the defence sector aiming to make the country independent in terms of production. A list of weapons/platforms will be released which will be banned for import based on a year wise timeline. Further, the government has planned to improve the autonomy, accountability and efficiency in Ordnance Supplies by corporatisation of Ordnance Factory Board.⁵

Energy

Financial Highlights

- **Liquidity support for distribution companies (discoms):** A liquidity support of Rs 90,000 crore will be provided to power discoms. These will be in the form of funds from Power Finance Corporation and Rural Electrification Corporation. Discoms will also be provided with state government guaranteed loans exclusively for discharging their liabilities to power generation companies.⁴
- **Coal evacuation:** Rs 50,000 crore will be spent on infrastructure development for evacuation of coal. This includes Rs 18,000 crore worth of investment in mechanised transfer of coal (conveyor belts) from mines to railway sidings.⁵

Policy Highlights

- **Safeguarding consumer rights:** Inefficiencies of discoms will not be passed on to the consumers. Standards of Service and associated penalties for DISCOMs will be defined prompting discoms to ensure adequate power and avoiding load-shedding.⁵
- **Regulatory assets:** Regulatory assets in the power sector will be eliminated. Regulatory asset is the fund which belongs to discom due to approved tariff hike. This is not realised in revenue as it not passed on to the consumers to avoid instability among them. The discoms are allowed to recover this fund at a later stage from state governments or from consumers in form of an approved surcharge. As of now, significant capital is held in form of regulatory assets across

different states which could be used by discoms of the respective states as liquidity.

- **Privatisation of power distribution:** Power departments/utilities in union territories will be privatised.⁵
- **Commercial coal mining:** In March 2020, the Mineral Laws (Amendment) Bill was passed, which opened up the coal sector for commercial mining. Auctions will be conducted for allocation of coal mines. Any party can bid for a coal block and sell in the open market. Entry norms will be liberalised and nearly 50 blocks will be offered immediately.⁵

Legislative Highlights

- **Reduction in cross-subsidy:** The Electricity Act, 2003 will be amended to ensure a progressive reduction in cross-subsidies in the sector.⁵ Direct Benefit Transfer (DBT) is being planned for providing subsidy to eligible consumers.⁵

Housing

Financial Highlights

- **Credit Linked Subsidy Scheme for Middle Income Group (MIG):** The Credit Linked Subsidy Scheme for Middle Income Group (annual income between Rs 6 lakh and Rs 18 lakh) will be extended by one year up to March 2021. The government has estimated that this will lead to an investment of over Rs 70,000 crore in the housing sector.²

Policy Highlights

- **Support to real estate sector:** COVID 19 will be treated as an event of “Force Majeure” under Real Estate Regulatory Authority (RERA) by states/union territories and their Regulatory Authorities. An extension of six months will be given on registration and completion dates of all registered projects expiring on or after March 25, 2020 without individual applications, which can be further increased by three more months at the discretion of the Regulatory Authorities. Partial bank guarantees will also be released by government agencies to ease cash flows.¹

Social Sector

Policy Highlights

- **Public health:** The investment in public health will be increased along with investment in grass root health institutions of urban and rural areas.³ The lab networks are being strengthened in

districts and block levels for efficient management of the pandemic. The National Digital Health Blueprint will be implemented, which aims at creating an ecosystem to support universal health coverage in an efficient, inclusive, safe and timely manner using digital technology.

- **Allocation for MGNREGS:** To help boost rural economy, an additional Rs 40,000 crore will be allocated under MGNREGS. This increases the Union Budget allocation for MGNREGS from Rs 61,500 crore to Rs 1,01,500 crore (65% increase) for 2020-21.⁵
- **Viability Gap Funding:** Viability Gap Funding (VGF) for social infrastructure projects will be increased by up to 30% of the total project cost. The total expense for developing the social infrastructure is estimated to be Rs 8,100 crore.⁵
- **Technology driven education:** PM eVidya will be launched for multi-mode access to digital/online education. This program will include facilities to support school education in states/UTs under the DIKSHA scheme (one nation, one digital platform). National Foundational Literacy and Numeracy Mission will be launched by December 2020 to ensure that every child attains learning level and outcomes in grade 5 by 2025.³

Key Measures Taken by Reserve Bank of India (RBI)¹

The overall financial package that has been announced also includes the liquidity generated by measures announced by RBI. Some of these measures include:

- Cash Reserve Ratio (CRR) was reduced which resulted in liquidity support of Rs 1,37,000 crore.
- Banks’ limits for borrowing under the marginal standing facility (MSF) were increased. This allowed banks to avail additional Rs 1,37,000 crore of liquidity at reduced MSF rate.
- Total Rs 1,50,050 crore of Targeted Long Term Repo Operations (TLTRO) has been planned for investment in investment grade bonds, commercial paper, non-convertible debentures including those of NBFCs and MFIs.
- Special Liquidity Facility (SLF) of Rs 50,000 crore was announced for mutual funds to provide liquidity support.

- Special refinance facilities worth Rs 50,000 crore were announced for NABARD, SIDBI and NHB at policy repo rate.
- A moratorium of three months has been provided on payment of installments and interest on working capital facilities for all types of loans.

Break-up of the Aatma Nirbhar Bharat Abhiyaan economy package

The table below shows measure components of the entire special economic package:

Table 1: Break-up of stimulus from Aatma Nirbhar Bharat Abhiyaan package

Item	Amount (in Rs crore)
Stimulus from earlier measures	1,92,800
Stimulus provided by announcements in Part 1	5,94,550
Stimulus provided by announcements in Part 2	3,10,000
Stimulus provided by announcements in Part 3	1,50,000
Stimulus provided by announcements in Part 4 and Part 5	48,100
Sub Total	1,295,400
RBI Measures (Actual)	8,01,603
Grand Total	20,97,053

Source: Presentation made by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy in fight against COVID-19, Ministry of Finance, May 13, 2020, PRS.

¹ Presentation made by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy in fight against COVID-19, Ministry of Finance, May 13, 2020,

<https://static.pib.gov.in/WriteReadData/userfiles/Aatmanirbhar%20Presentation%20Part-1%20Business%20including%20MSMEs%2013-5-2020.pdf>.

² Presentation of details of Tranche 2 by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy in fight against COVID-19, Ministry of Finance, May 14, 2020, <https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20presentation%20Part-2%2014-5-2020.pdf>.

³ Presentation of details of 3rd Tranche by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy in fight against COVID-19, May 15, 2020, <https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20Presentation%20Part-3%20Agriculture%2015-5-2020%20revised.pdf>.

⁴ Presentation of details of 4th Tranche announced by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy

in fight against COVID-19, May 16, 2020,

<https://static.pib.gov.in/WriteReadData/userfiles/AatmaNirbhar%20Bharat%20Full%20Presentation%20Part%204%2016-5-2020.pdf>.

⁵ Presentation of details of 5th Tranche announced by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman under Aatmanirbhar Bharat Abhiyaan to support Indian economy in fight against COVID-19, May 17, 2020,

<https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20%20Presentation%20Part%205%2017-5-2020.pdf>.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgment of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.