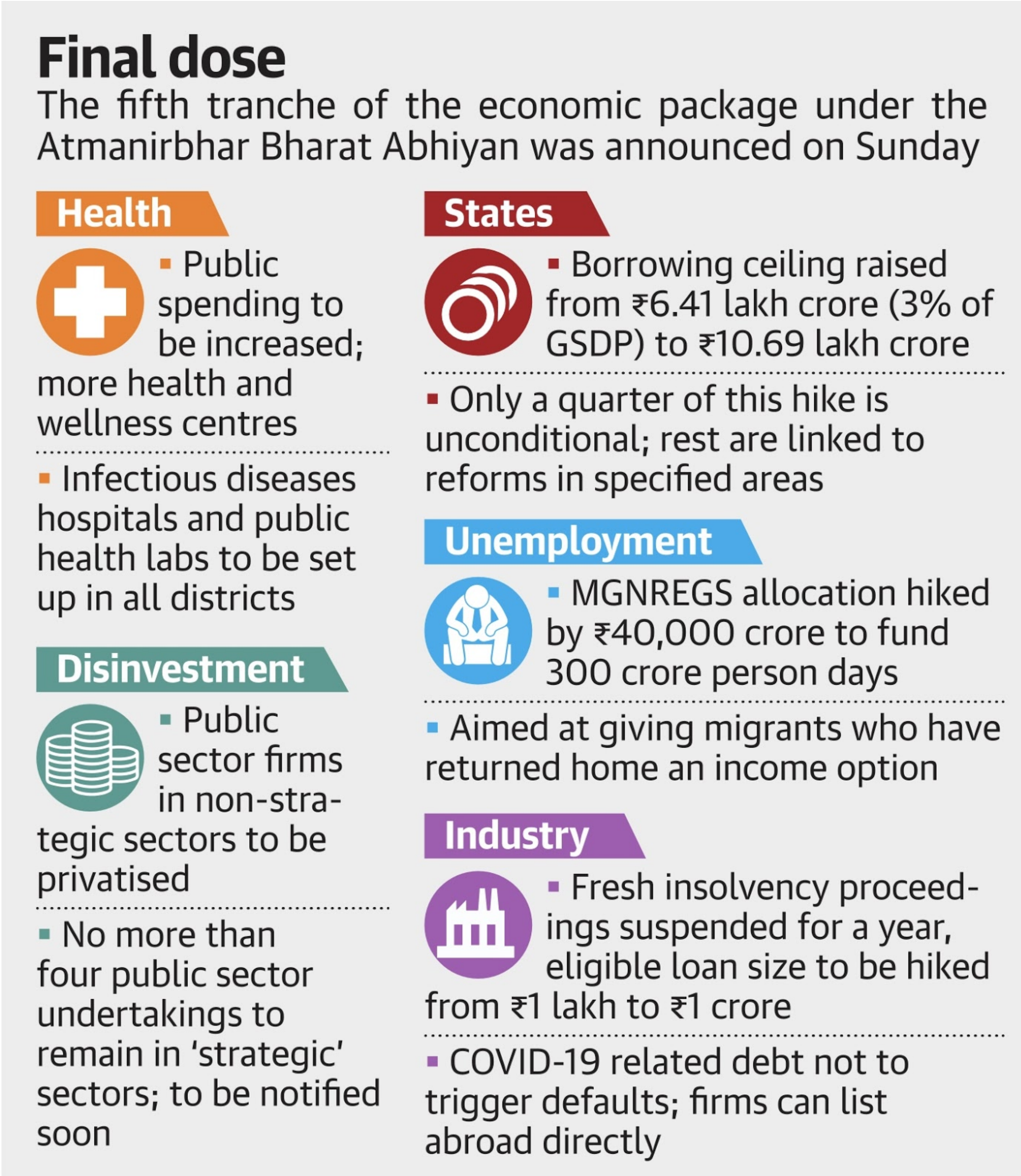
Economic Stimulus-V

Why in News

Recently, the Union Finance Minister announced the measures for providing employment and support to businesses, state governments as well sectors such as education and health as part of the **fifth and final tranche** of **Atmanirbhar Bharat Abhiyan**.

- The announced measures also form a part of the Rs. 20 lakh crore economic stimulus package to deal with the **Covid-19 pandemic**.
- Earlier, the **Economic Stimulus-I**, the **Economic Stimulus-II**, the **Economic Stimulus-III** and the **Economic Stimulus-IV** were announced.

Key Points



- **Increase in Allocation for MGNREGA**
  - The Government will allocate an **additional Rs.40,000 crore** under **Mahatma Gandhi National Rural Employment Guarantee Act**, **2005** (MGNREGA).
  - It will help **generate nearly 300 crore person days** in total, addressing the need for more work by the migrants who are returning to their hometowns due to the pandemic and **lockdown**.
  - **Creation** of a larger number of **durable and livelihood assets** including **water conservation assets** which will boost the rural economy through higher production.

- **Health Reforms and Initiatives**
    - **Public expenditure** on health will be **increased** by investing in grass root health institutions and ramping up health and wellness centres in rural and urban areas.
    - **Preparing India for future pandemics:**
        - Setting up of **Infectious Diseases Hospital Blocks** in all districts.
        - Strengthening of lab networks and surveillance (**Integrated Public Health Labs** in all districts and blocks)
        - The **National Institutional Platform for One Health** by **Indian Council of Medical Research** (ICMR) will encourage research.
        - Implementation of **National Digital Health Blueprint** under the **National Digital Health Mission** (NDHM).

            NDHM was recommended to be established as a purely government organization with complete functional autonomy on the lines of **Unique Identification Authority of India** (UIDAI) and **Goods and Services Network GSTN.**
- **Technology Driven Education with Equity**
    - Government will launch **PM eVIDYA,** a programme for multi-mode access to digital/online education with immediate effect. It **consists** of:
        - **DIKSHA for school education in States/UTs:** e-content and QR coded Energized Textbooks for all grades (one nation, one digital platform)
        - One earmarked TV channel per class from 1 to 12 **(One class, One channel)**
        - Extensive **use of Radio,** Community radio and Podcasts.
        - **Special e-content for visually and hearing impaired.**
        - **Top 100 universities** will be permitted to automatically start **online courses** by 30th May, 2020.
    - **Manodarpan,** an initiative for **psycho-social support** for students, teachers and families for mental health and emotional well-being will be launched.
    - **New National Curriculum and Pedagogical framework** for school, early childhood and teachers will be launched.
    - **National Foundational Literacy and Numeracy Mission** for ensuring that every child attains learning levels and outcomes in grade 5 by 2025 **will be launched by December 2020.**

- **Measures Related to IBC**
    - **Minimum threshold** to initiate insolvency proceedings has been **raised to Rs.1 crore** (from Rs.1 lakh, which largely insulates **Micro, Small and Medium Enterprises**-MSMEs).
    - **Special insolvency resolution framework** for MSMEs under **Section 240A of the Insolvency and Bankruptcy Code** (IBC) will be notified.
    - Suspension of fresh initiation of insolvency proceedings up to one year, depending upon the **pandemic.**
    - Empowering the Central Government to **exclude Covid-19 related debt** from the definition of "default" under the IBC for the purpose of triggering insolvency proceedings.
- **Measures Related to the Companies Act**
    - Decriminalisation of Companies Act, 2013 **violations involving minor technical and procedural defaults** (shortcomings in **Corporate Social Responsibility** (CSR) reporting, inadequacies in Board report, filing defaults, etc).
    - Majority of the compoundable offences sections to be shifted to **Internal Adjudication Mechanism** (IAM).
    - The amendments will **de-clog the criminal courts and National Company Law Tribunal** (NCLT).
- **Ease of Doing Business for Corporates**

    Key reforms include:
    - Direct listing of securities by Indian public companies in permissible foreign jurisdictions.
    - Private companies which list **Non-Convertible Debentures** (NCDs) on **stock exchanges** not to be regarded as listed companies.
    - Including the provisions of **Part IXA (Producer Companies)** of **Companies Act, 1956** in **Companies Act, 2013**.
    - Power to create additional/specialized benches for **National Company Law Appellate Tribunal** (NCLAT).
    - **Lower penalties for all defaults** for Small Companies, One-person Companies, Producer Companies and StartUps.
- **Public Sector Enterprise Policy for a New, Self-reliant India**

    Government will announce a **new policy** whereby:
    - List of strategic sectors requiring the presence of **Public Sector Enterprises** (PSEs) in public interest will be notified.
    - In strategic sectors, at least **one enterprise will remain in the public sector** but **private sector** will also be **allowed.**
    - In other sectors, **PSEs will be privatized** (timing to be based on feasibility etc.).

- **Support to State Governments**
  - The Centre has decided to **increase borrowing limits of States from 3% to 5% for 2020-21 only** which will give States extra resources of Rs.4.28 lakh crore.
  - Part of the borrowing will be linked to **specific reforms** (including recommendations of the **Finance Commission**).
  - **Reform linkage will be in four areas:**
    - Universalisation of **'One Nation One Ration card'**.
    - **Ease of Doing Business.**
    - Power distribution.
    - Urban Local Body revenues.
  - **States can borrow more** in the following pattern, notified by the Department of Expenditure:
    - The first 0.5% will be an unconditional increase.
    - Next 1% in 4 tranches of 0.25%, with each tranche linked to clearly specified, measurable and feasible reform actions.
    - The last 0.50% if milestones are achieved in at least three out of four reform areas.

Analysis

- **On Increase in Allocation for MGNREGA**
  - The step to **allocate more resources to MGNREGA** was **widely welcomed** as it will support rural livelihoods in the time of crisis.
  - However, given that **States account for 40% of MGNREGA expenditure,** including most upfront costs, they will also have to spend on the scheme.
  - Demand for work under MGNREGA had surged to a **nine-year high in 2019-20** as 5.47 crore households availed of the scheme, the highest since 2010-11.
- **On Support to State Governments**
  - The **expansion of the fiscal deficit** has been **welcomed by the states** because **GSDPs (Gross State Domestic Product) are likely to contract** and further shrink the possible borrowing at a time when States are at the frontline of containment and relief operations.
  - However, the **conditions on additional loans have been criticised** on the grounds that in future, severe conditions may be imposed on even normal loans.
  - The **utilisation of additional 2%** borrowing by states **can be lower because states** may settle on borrowing less **to avoid undertaking politically difficult reforms.**
  - A likely increase in borrowing cost due to the **emerging gap between total Public Sector Borrowing Requirement** (PSBR) and **available resources** will also lead to states not opting for the increased borrowing.

- **On Public Sector Enterprise Policy**

  It was criticised on the grounds that privatising PSUs would **find fewer buyers at a time of global recession,** while any potential buyer would be spending money which could have gone into fresh investment on a financial transfer instead, **effectively contracting demand.**

Source: PIB/IE/TH