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COVID-19 Economic Relief Package

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Why in News

The Union Finance Minister has announced Rs **1.70 lakh crore relief package** under the **newly framed Pradhan Mantri Garib Kalyan Yojana** for the poor to help them fight the battle against **CoronaVirus (COVID-19)**.

- As part of the **lockdown** to stem the spread of the deadly virus, the government has stopped public transport, airlines and construction work, bringing to a halt most economic activities and **leaving millions of workers in the informal economy without a livelihood**.
- The central government's package **comes a week after Kerala first announced a Rs 20,000-crore support** for its people. Many states including Uttar Pradesh, Uttarakhand, Punjab, Telangana and Rajasthan followed suit.

Key Components

Booster dose

Main features of the economic relief package announced by the Finance Minister on Thursday



Insurance cover of **₹50 lakh** per person for doctors and medical workers fighting COVID-19



80 crore poor people will receive 5 kg wheat or rice and 1 kg of preferred pulses for free every month for the next three months. Free grains can be availed of in two installments

- Increase in MGNREGA wage to **₹202** a day from ₹182 for **13.62 crore** families

- **20.4 crore** Jan Dhan women account holders to get **₹500** per month for next three months



Union Finance Minister Nirmala Sitharaman announcing the measures in New Delhi on Thursday. ■ PTI



Ex-gratia of **₹1,000** to 3 crore senior citizens, disabled and widows among the poor



Government to front-load **₹2,000** to **8.7 crore** farmers in the first week of April under the existing PM Kisan Yojana



8.3 crore below the poverty line families to receive free cylinders for the next three months



Wage-earners below ₹15,000 per month in businesses having less than 100 workers to receive **24%** of their monthly wages into their **PF accounts** for the next three months



The Centre has directed the State governments to use the Construction Workers Welfare Fund to give relief to **3.5 crore** registered workers

• Insurance Scheme for Health Workers

- The Centre would provide **Rs. 50 lakh medical insurance cover** for the next **three months** for about 22 lakh health workers in government hospitals fighting the spread of the virus at personal risk.
- The health workers include **ASHA (Accredited Social Health Activist) workers**, medical sanitary workers in government hospitals, paramedics, nurses and doctors.

• Food Security for the Next Three Months (PM Gareeb Kalyan Ann Yojana)

- Each person who is covered under the **National Food Security Act** would get an additional five kg wheat or rice for free, in addition to the 5 kg of subsidised foodgrain already provided through the Public Distribution System (PDS).
- One kg of pulse a household would also be provided for free, according to regional preferences. This is expected to benefit about 80 crore people.

- **Cash Transfers and Other Benefits over Next Three Months**
 - About 3 crore poor pensioners above 60 years, widows and disabled people would be given ₹1000 in two instalments.
 - The 20 crore women holding **Jan Dhan Yojana** accounts would get ₹500 a month.
 - The 8.3 crore poor households, which received cooking gas connections under the **Ujjwala scheme**, would get free gas cylinders.
- **For Workers**
 - Wages are being hiked under the **Mahatma Gandhi National Rural Employment Guarantee Act** scheme, from **₹182 to ₹202 a day**.
 - The Centre is directing the States to use the ₹31,000 crore held by **Building and Other Construction Workers Welfare Boards** to provide support to the 3.5 crore registered workers.
 - The States can also use the money available under **District Mineral Funds** for medical screening, testing and treatment.
- **For Land-owning Farmers**

The first instalment of ₹2000 due to them under the **PM-KISAN** income support scheme will be paid promptly in April, the first month of the financial year.
- **For Companies & SHGs**
 - For small companies with **100 employees or less**, of whom 90% earn less than ₹15,000 a month, the **Centre will bear the cost of both employer and employee contribution (a total of 24%) to the Employees Provident Fund (EPF)** for the next three months. This will benefit 80 lakh employees, and incentivise 4 lakh establishments.
 - Collateral free loans provided for women **self-help groups** under the **National Rural Livelihood Mission** are being doubled to ₹20 lakh, potentially benefiting seven crore households.

Immediate Impact of the Announcement on the Market

- Sentiments in the **market improved** leading to gains in **BSE Sensex and NSE Nifty**. Earlier, Sensex and Nifty have crashed badly during the pandemic.
- The **rupee appreciated 57 paise** to 75.37 against the US Dollar in intraday trade. Rupee has weakened against the US Dollar during the pandemic.
- The other news that is positive for India's fiscal health is the fall in crude oil prices.

Analysis of the Package

- **Positive Points**

- **It covers various sections of the vulnerable**, ranging from farmers to healthcare workers.
- It is appreciable on the part of the government that it has **made the use of existing schemes** like PM Kisan in the package. The efforts appear to keep the **funding within the budget** as much as possible and **retain control over the deficit**.
- Application of PM Gareeb Kalyan Yojana will **help in the disposal of excess stocks with the Food Corporation of India (FCI)**.
The Food Corporation of India (FCI) and the National Agricultural Cooperative Marketing Federation of India are now holding some 77.6 mt of cereals (3.5 times more than required) and 2.2 mt of pulses respectively.
- The offer to pay both employer and employee contributions to the Provident Fund for very small business enterprises will offer **relief to those businesses that have been forced to shut down operations**.

- **Negative Points**

- The **effectiveness of PM Gareeb Kalyan will be more in states with well-functioning PDS**. That is, Kerala, Tamil Nadu, Chhattisgarh and Odisha — but not Uttar Pradesh or Bihar.
- When daily wage earners are supposed to remain at their homes (lockdown), **the only way to compensate them under MNREGA is through unemployment allowance**.
- **Farmers** are facing both lower crop prices due to a coronavirus-induced market collapse, and higher harvesting costs on account of labour shortages from the lockdown, **no new benefit** has been announced for them in the package.
- Another challenge for **the government will be to locate and deliver support to the migrant workers**, many of whom are trekking hundreds of kilometres to their homes or lining up at shelters for a meal.
- **Corporate sector and middle class people not being beneficiaries**.

Way Forward

- Globally, many countries had announced stimulus packages involving 10-12% fiscal expansions. In comparison, this package is only **about 0.75% of India's GDP**, which is marginal.
- The **Government should now turn its focus towards businesses** that are running out of cash and may soon default on even salaries and statutory commitments if relief is not given.
- **Part II of the economic relief package** should not be delayed beyond the next couple of days.