Economic package announced by the Indian Government to overcome Covid-19 crises

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Abstract: The main aim of this article is to discuss the precautionary measures taken by the Indian Government to overcome the crises of covid – 19 and the economic package announced by our government to boost our economy. The package announced by the government was categorised into 5 tranches. This article covers only the Part I of Stimulus. It covers Emergency Working Capital Facilities, Subordinate Debt, Fund of Funds for MSME, Reduction in EPF rates for Employees, Liquidity scheme for Financial Company and Financial Institutions, Liquidity Injection for Power Generation Companies and Liquidity through TDS Rate Reduction.

Keywords: Coronavirus, Pandemic, Stimulus Announcement, MSME, Power Generation Company, Financial Institutions.

1. Introduction

Covid-19 is the infectious disease, which caused by the most recently discovered corona virus. This Coronavirus was first identified in Wuhan, China, in December 2019. Most people infected with the Covid-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. As of 2nd June 2020, more than 6.25 million cases have been reported across 188 countries and territories, resulting in more than 375,000 deaths. More than 2.69 million people have recovered. In India first coronavirus case was confirmed in the month of January 2020. Immediately the Indian government took precautionary steps as per the Ministry of Health & Family Welfare. In the month February the Central Government announced the lockdown and also instructed to close all the manufacturing sectors and not import or export goods from one country to another country. This decision affected the many people and in this situation the government announced Rs. 20 Lakh Crore amount for development of Indian economy in coronavirus crises. After that Finance Minister provided a tranche wise breakup of Rs 20 Lakh Crore Economic Package announced by our Prime Minister to boost the economy of coronavirus crisis. The amount have categorized into 5 Tranches. Central government announced Earlier measures include PMGKP amount is Rs.1,92,000 Crore. And Reserve Bank of India announced actual measures amount is Rs. 8,01,603 Crore. Tranche 1 amount is Rs. 5,94,550 Crore. Tranche 2 amount is Rs. 3,10,000 Crore. Tranche 3 amount is Rs. 1,50,000 Crore. and tranche 4+5 amount is Rs. 1,50,000 Crore.

Chart No: 1 – Economic Package Proportion of 5 Tranche.
1.1 Origin of Corona virus

[The Coronaviruses are a group of viruses that can motive sickness in each animals and humans. The virus pressure recognized SARS-CoV, (The excessive Acute Respiratory Syndrome) is an example of a coronavirus. SARS spread unexpectedly in 2002–2003. The new strain of coronavirus is known as intense acute respiration syndrome coronavirus 2.] The virus causes coronavirus disease 19. [The recent outbreak began in Wuhan, a city in the Hubei province of China. Reports of the first Covid-19 cases started in December 2019. Coronaviruses are common in certain species of animals, such as cattle and camels.] [The transmission of coronaviruses from animals to humans is rare, some researcher suggest that it might be spread through bats or pangolins, however it remains unclear exactly how the virus first spread to humans].

The coronavirus has spread unexpectedly in many components of the world. On March 11, 2020, the World Health Organization declared Covid-19 a pandemic. A Pandemic takes place when an ailment that people aren’t immune to spreads across big regions.

1.2 Spread of Covid – 19

[The coronavirus which originating in Wuhan, China reading into neighbouring Asian countries, and as far afield as Australia, the USA and Europe. Over the world 213 Countries and Territories around the world have reported a complete of 6,568,510 confirmed cases of the coronavirus Covid-19 that originated from Wuhan, China, and a loss of life toll of 387,957deaths.] Initially it changed into spread best through human touch with animals. The virus spreads more because of the crowd and people who migrate them from one USA to other. [The First identified case in human in Wuhan, Chinese; it was a fish and live animal market so it was confirmed that the coronavirus can also be spread through human-to-human contact.]

1.3 Objectives of the Article

1. To understand the steps taken by Indian Government during the covid-19 period.
2. To know about the Stimulus Provided Announcement in Part-1.
3. To find the beneficial sectors in MSMEs and how the economic package has been allocated to various sectors.

2. Steps taken by Indian Government to control Covid - 19

The Government of India Under Prime Minister Narendra Modi Ordered a nationwide lockdown for 21 days, on 24th March, that limit movement of the entire 1.3 billion population of India as a preventive measure against the Covid-19 pandemic in India.[It was ordered after a 14-hour voluntary public curfew on 22 March. All cross-national borders were sealed, and railway operations were suspended. And all schools, gyms, malls, clubs, hotels, community halls, etc. were shut. On 14 April, Prime minister Narendra Modi extended the nationwide lockdown until 3 May,2020. On 1 May, the Government of India extended the nationwide lockdown further by two weeks until 17 May. The Government divided all the districts into three zones based on the spread of the virus as green, red and orange, with some relaxations. On 17 May, the lockdown was further extended till 31 May.]

On 30 May, it was announced that the ongoing lockdown would be further extended till 30 June in containment zones, with some relaxations from 8 June. The government has taken two major steps to overcome the panic of covid-19. They are

a. Medical Steps

[The government has designated 72 centres across the country for the diagnosis and treatment of Covid-19. As per the WHO estimate, there should be 3 beds/1,000 people while India has only 0.7 beds/1,000 people. Thus, to provide for more isolation wards, the government converted 20,000+ railway coaches into isolation stations. Meanwhile, the centre has also ramped up steps to develop a vaccine for the pandemic.]

b. Financial Steps

[The Reserve Bank of India undertook emergency measures cutting various interest rates to a record low to increase liquidity in the economy by over Rs. 3.7 lakh crores. It also ordered a 3-month EMI moratorium from banks and financial institutions such as Tata Capital, as well as provided relief for taxpayers by deferring the ITR and GST filing dates until June 2020. Moreover, to help low-income households, migrant workers and daily wage labourers cope with the situation, the government has issued relief packages (worth Rs. 1.7 lakh crores for food and direct cash transfers), opened shelter homes, and other securities.]

2.1 Stimulus Provided Announcement in Part-1

The Finance Minister provided tranche wise breakup of Rs 20 Lakh Crore Economic Package announced by our Prime Minister to boost the economy of coronavirus crisis. This article related the stimulus provided announcement in part-1. In this Part-1 they have allotted a total amount of Rs. 5,94,550Crore. This amount has been divided into Nine items.[First one is Emergency W/C Facility for Businesses include MSMEs amount is Rs. 3,00,000 Crore, second is Subordinate Debt for Stressed MSMEs is Rs.20,000 Crore, third is Fund of Funds for MSMEs amount is Rs. 50,000 Crore, fourth one is EPF Support for Business & Workers amount is Rs. 2,800 Crore, fifth is Reduction in EPF Rates amount is Rs. 6,750 Crore, sixth is Special Liquidity Scheme for NBFCs/HFCs/MFIs amount is Rs.30,000 Crore, seventh is Partial credit Guarantee scheme 2.0 for liabilities of NBFCs/MFIs amount is Rs.45,000 Crore, eighth is Liquidity Injection for DISCOMs amount is Rs 90,000 Crore, and the ninth is Liquidity through TDS/TCS rate reduction amount is Rs 50,000 Crore.]
Stimulus Provided Announcement in Part-1

<table>
<thead>
<tr>
<th>S.No</th>
<th>Items</th>
<th>Rs. (in Crores)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Free Loans for Business incl MSMEs</td>
<td>3,00,000</td>
</tr>
<tr>
<td>2</td>
<td>Subordinate Debt for Stressed MSMEs</td>
<td>20,000</td>
</tr>
<tr>
<td>3</td>
<td>Fund of Funds for MSMEs</td>
<td>50,000</td>
</tr>
<tr>
<td>4</td>
<td>EPF Support for Business &amp; Workers</td>
<td>2,800</td>
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<tr>
<td>5</td>
<td>Reduction in EPF Rates</td>
<td>6,750</td>
</tr>
<tr>
<td>6</td>
<td>Special Liquidity Scheme for NBFCs/HFCs/MIIs</td>
<td>30,000</td>
</tr>
<tr>
<td>7</td>
<td>Partial credit Guarantee scheme 2.0 for liabilities of NBFCs/MIs</td>
<td>45,000</td>
</tr>
<tr>
<td>8</td>
<td>Liquidity Injection for DISCOMs</td>
<td>90,000</td>
</tr>
<tr>
<td>9</td>
<td>Reduction in TDS/TCS Rates</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>5,94,550</strong></td>
</tr>
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The above table clearly shows the amount segregated for the Stimulus provided announcement in Part-1 and it is discussed below in detail.

2.1.1 Free Loans for Businesses including MSMEs Rs. 3, 00,000 Crore

Many businesses in MSMEs have badly hit due to COVID-19. They need additional funding to reconstruct their operational liabilities built up, buy new raw materials and restart their business. They provide emergency credit line Upto 20% to business/MSMEs from bank and NBFC of entire outstanding credit on February last. It will benefit and borrower with up to Rs. 25 Crore exceptionally and Rs 100 Crore turnover desirable. Government will provide collateral free automatic loans worth Rs.3 lakh Crore to MSMEs. This loan will have different schedules and there is no principle repayment for 12 months to reduce the outstanding loan amount. Loans will be for 4-year tenure and be 100% guaranteed. No principal repayment for 12 months will be required. Loans will benefit 45 Lakh units, allowing them to reconstruct their work and prevent their job.

2.1.2 Subordinate Debt for Stressed MSMEs is Rs.20,000 Crore

The government has declared subordinate debts as Rs 20,000 Crore amount will be announced for 2 lakhs stressed MSMEs and Stressed MSMEs need equity support. This will benefit for those non-performing assets or stressed MSMEs. Government will provide a support of Rs 4,000 Crore to CGTMSE (Credit Guarantee funds Trust for Micro and Small Enterprises) to make availability collateral free credit to micro & small enterprise sector. CGTMSE will provide partial credit guarantee support to bank the extent of guarantee cover is 85%. Promoters of MSME will give debts by bank, which will be infused by promoters as equity in the unit.

2.1.3 Fund of Funds for MSMEs is Rs. 50,000 Crore

The another economic package of Rs 50,000 Crore equity infusion through Mother Fund-Daughter fund for MSMEs that are viable but need handholding. This fund is going to be operated through mother and daughter fund framework to help MSMEs expand capacity and will provide equity funding for MSME growth potential and viability. MSMEs face intense shortage of Equity. A fund of funds with corpus of Rs 10,000 crore will to face the shortage of equity and help them list on Markets if they choose. It will encourage MSMEs to get listed on main board of stock exchange.

2.1.4 Revised Definition of MSMEs

Definition of MSMEs has been revised to allow MSMEs to aim for expansion and not to lose their benefits. Also, there will be no difference between manufacturing & services sector MSMEs.

2.1.4.a Services Sector

Micro units earlier it was less than Rs. 10 lakh now it has been been changed into turnover up to Rs .5 Crore. Small units earlier its investment till Rs. 25 lakh turnover upto Rs. 5 Crore now it will be changed into turnover up to Rs 50 Crore. Medium units earlier its investment till Rs 5 lakh turnover Upto Rs 10 Crore now it will be changed into turnover up to Rs 100 Crore.

2.1.4.b Manufacturing sector

[1] [Micro unit earlier it was investment less than Rs 10 Lakh now it will be changed into investment less than Rs 1 Crore. Small unit earlier it was investment less than Rs 5 Crore now it will be changed into investment less than Rs 10 Crore. Medium unit earlier it was investment less than Rs 10 Crore it will be changed into investment less than Rs 20 Crore]

2.1.5 Global tenders will be disallowed up to Rs. 200 Crore for government contracts.

Some Indian MSMEs and many companies in India have faced unfair competition from foreign companies. For that reason, global tenders will be disallowed in government procurement tenders Upto Rs 200 Crore for necessary amendment of general financial rules will be affected. Due to Covid-19 MSMEs currently face marketing and liquidity problem. So, e-market linkage for MSMEs helps to promoted to act a replacement for trade fair and exhibitions. It will ensure e-market linkages are provided across the board in the absence of non-participation in trade fairs due to Covid Govt of India and PSUs. This will step towards self-reliant India and...
also help MSMEs to increase their business. Government have continuously observed and check the progress of settlement of due to MSMEs vendors from government and central public sector undertaking.

2.1.6 EPF Support for Business & Workers Rs. 2,800 Crore
A liquidity relief of Rs.2,500 Crore EPF support is being given to all EPF establishments. It will provide relief to 3.67 lakh establishments and for 72.22 lakh employees. This will allow employees to take away high salaries. EPF (Employee’s Provident Fund) contribution will be paid by Govt. of India for another 3 months June, July and August 2020. Business in India continue to face financial stress this will help them to get back to work. Under Pradhan Mantri Garib Kalyan Package (PMGKP), payment of 12% of employer and 12% employee contribution was made into EPF accounts of eligible establishment. It was provided earlier for salary months of March, April and May 2020.

2.1.7 Reduction in EPF Rates amount is Rs. 6,750 Crore
For Employees
Business wants more support to grow up their production over next quarter. Statutory EPF contribution for all organizations and their employees covered by EPFO has been reduced to 10% earlier it was 12% earlier. This does not apply for all government organizations. This liquidity Rs.6,750 Crore in this EPF organizations Employers and Employees over 3 months May, June and July. This scheme will be provide for workers who are not suitable for 24% EPF support under PM Garib Kalyan Package and its extending.

2.1.8. Special Liquidity Scheme for NBFCs/HFCs/MFIs is Rs.30,000 Crore
These above companies and institutions are finding more difficult to raise money in debt markets. So, the government decided to launch Rs 30000 crore as special Liquidity Scheme. Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper. Securities will be fully guaranteed by Government of India and this would provide liquidity support for Financial companies, financial Institutions and in mutual funds. This would create confidence in the Market. Partial credit Guarantee scheme 2.0 for liabilities of NBFCs/MFIs Rs.45,000 Crore. These with low credit rating require liquidity to do fresh lending to MSMEs and Individual. Existing PCGS scheme Should be extended to cover borrowing such as primary issuance of bond/ CPs of such entities. The government of India has decided that First 20% of loss will be borne by them. This scheme will consequence in liquidity amount of Rs 45,000 Crore.

2.1.9 Liquidity Injection for DISCOMs is Rs 90,000 Crore
Revenues of power Distribution companies have sudden drop down due to covid-19 crisis, to uplift such companies, the government decided to spend Rs 90000 crore for it. Unprecedented cash flow problem accentuated by demand reduction. DISCOM payables to Power Generation and Transmission Companies is currently Rs 94,000 Crore. PFC/REC to infuse liquidity of Rs 90,000 Crore to DISCOM against receivables. Loans to be given against state guarantees for exclusive purpose of discharging liabilities of Distribution companies to Power Generation companies. Digital payments facility by discoms for customer, liquidation of outstanding dues of state governments, plan to reduce financial and operational losses.

2.1.10 Liquidity through TDS/TCS rate reduction is Rs 50,000 Crore
In order to provide more funds at the disposal of the taxpayers, the rates of Tax Deduction at Source for non-salaried person specified made to residents and rates of Tax Collection at source for the specified receipts shall be reduced by 25% of the existing rates. Payment for contract, professional fees, interest, rent, dividend, commission, brokerage, etc. shall be permitted for this less amount rate of TDS. This reduction shall be suitable for the remaining part of the FY 2020-2021 which is until 31st March, 2021. This Measure will release Liquidity of Rs.50,000 Crore.

2.1.11 Other Direct Tax Measures
All the pending refunds to charitable trust and non-corporate business & professions shall be issued immediately. The due date of all income tax return for FY 2019-20 will be extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and Tax audit from 30th September, 2020 to 31st October 2020. Period of Vivad se Vishwas Scheme for making payments without added extra amount will be extension period of 31st December, 2020.

¢ Liquidity Injection for DISCOMs amount is Rs 90,000 Crore.
¢ Liquidity through TDS/TCS rate reduction amount is Rs 50,000 Crore.

3. Conclusion
A Pandemic is not new in human history, but what makes the covid-19 special is that if takes place in an unprecedented backdrop when the interconnectivity and interdependence between people, between countries and between continents are so deep. This coronavirus had wrecked the Indian Economy, it is very difficult to determine the exact situation of Coronavirus will have on the economy. So, the Public has to utilize the scheme properly which is provided by the government of India, to control over the sudden dropdown in the economy.

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