

FM - Press Conference – V: Additional Reforms

The 5th and final tranche of relief measures announced today by the Finance Minister laid emphasis on further sectoral reforms, ease of doing business and utilization of technology to cater to needs of the population. The Highlights of the Press Conference are as below:

1. MGNREGA – ADDITIONAL STIMULUS OF ₹40,000 CRORES

- ✓ Additional impetus of ₹40,000 crores over and above the estimate of ₹61,000 crores announced in Budget
- ✓ To facilitate monetary assistance to workers moving back to villages and enrolling in MGNREGA in their villages
- ✓ Expected to generate nearly 300 crore person days in total

3. EASE OF DOING BUSINESS

IBC RELATED

- ✓ Business have been severely affected
- ✓ Debts related to COVID to be excluded from default under IBC
- ✓ No fresh insolvency procedures to be initiated up to 1 year
- ✓ FOR MSMEs – a special insolvency framework will be notified u/s 240A under IBC
- ✓ Minimum threshold for initiating insolvency proceedings raised to ₹1 crore which is expected to support to MSMEs – an ordinance will be brought into this effect

CHANGES IN COMPANIES ACT

- ✓ Decriminalizing most of the sections in Companies Act (involving minor technical & procedural defaults)
- ✓ Compoundable offences to be settled under Internal Adjudicating Mechanism for de-cluttering of courts
- ✓ Ordinance to be brought into this effect
- ✓ 7 compoundable offence to be dropped and 5 to be dealt with alternative mechanism

FOR CORPORATES

- ✓ Companies allowed to directly list their securities in foreign jurisdictions
- ✓ Companies listing NCBs on stock exchange not to be regarded as listed companies
- ✓ Lower penalties for all defaults for Small Companies, One-person Companies, Producer Companies & Start Ups

4. REFORMS OF PSEs TO CURB WASTEFUL EXPENDITURE

- ✓ PSEs to continue in defined areas and play critical role
- ✓ GOI will announce a new policy where strategic sectors will be defined where presence of PSEs is required
- ✓ All sectors will be open to private investments
- ✓ In those sectors which get notified – at least 1 PSE will be present and not more than 4 PSE will exist in that notified sector to minimize wasteful administrative costs

5. ASSISTANCE TO STATE GOVERNMENTS

- ✓ States limit borrow increased to 5% up from 3% of Gross State Domestic Product
- ✓ **After 3% borrowing:**
 - First 0.5% - unconditional
 - Next 1% - to be disbursed in 4 tranches towards committed social goals/ reforms for the State
 - Remaining 0.5% - After milestones are achieved in 3 out of 4 reform areas
- ✓ **Reform linkage to be in four areas:**
 - Steps towards “One Nation One Ration Card”
 - Ease of Doing Business
 - Power Distribution
 - Urban Local Body Revenues
- ✓ Expect an additional outlay of ₹4.28 lakh crores to states

2. HEALTH & EDUCATION

HEALTH REFORMS

- ✓ Ramped up Health infrastructure to deal better with future emergency situations
- ✓ Investments at grassroots for health & wellness centers both at rural and urban levels will be ramped up
- ✓ Expenditure on public health related matters to be increased
- ✓ All districts will have Infectious Disease Hospital Blocks
- ✓ Strengthening Lab networks in all districts by setting up integrated Public Health Labs in block levels to manage pandemics

EDUCATION REFORMS

- ✓ PM eVidya program – PM online education program to be immediately launched for school education
- ✓ Multi – mode access to digital or online education; DIKSHA for school education
- ✓ One earmarked TV channel – 1 class 1 channel
- ✓ Extensive use of radio, community radio and podcasts
- ✓ Special e-content for visually and hearing-impaired children
- ✓ Top 10 universities to automatically begin online education from 30th May 2020
- ✓ Initiative for Psychological support (Manodarpan) for students, teachers and family being launched immediately

OUR VIEW

In its fifth press conference, the Government announced reforms for the corporates to ease their compliance burden. Focus was laid on health and education sector, and the measures are welcome. As has been the tone of all the 5 press conferences held in the last 5 days, the Government focused on mending legalities and procedures at grass root levels. Permitting entry of private investment in all sectors is a big step towards encouraging private players.

However, overall, it is our understanding that of the INR 20.97 lacs crores, most of the announcements / reform measures have been on either a) monetary or b) in the form of credit / loan guarantees etc. The dire need of the hour is to raise aggregate demand. Majority of the announcements have catered to the supply side. Direct fiscal intervention has been lacking in the announcements over the last week. Without direct fiscal intervention (viz., fiscal expenditure from the government account), supply side announcements are unlikely to lead to substantially meaningful outcome. The government will need to come out with a further outlay of fiscal measures. The government is probably shying away from direct intervention as it will have an impact on our Fiscal Deficit which in turn may adversely impact our credit rating. But when our economy is on the verge of shrinking there may not be an alternative to direct fiscal expenditure.

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