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An analysis of economic and public policy measures taken by the Indian government to fight COVID-19 and the steps forward

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ABSTRACT

This research paper discussed the economics and public measures taken by Indian Government and Reserve Bank of India (RBI) to fight the COVID-19 in detail. It further highlights the impact of these measures and how the country had shaped up very well with digital adoption and initiatives covering points such as- Large inflow of funds through FPI/PE route, adoption od digital technology and the vaccination drive. It then explores and elaborates on the plan of action and steps which can be taken to fight and overcome the second wave of COVID which is emerging in the country.

Keywords— COVID-19, Indian Government, Economic Measures, Digitalization, Vaccination Drive

1. BACKGROUND

The outbreak of COVID-19 in March 2020 impacted everyone in the World. While on one hand the lockdown and social distancing resulted in productivity and income loss, on the other hand it caused a sharp decline in demand for goods and services by the consumers in the market. The pandemic broke the bone of the lower socio-economic of the society.

The pandemic impacted manufacturing and services sector—hospitality, tours and travels, healthcare, retail, banks, hotels, real estate, education, health, IT, recreation, media and others in India.

However, every crisis brings an opportunity. The COVID-19 forced India to adopt sustainable developmental models, which are based on self-reliance, inclusive frameworks and are environment friendly. While multinationals started losing trust in China, India launched 'Make in India' and also deepened its relationship with countries across the globe.

The Indian Government took several steps and overcome Covid 19 first wave, which has been praised globally.

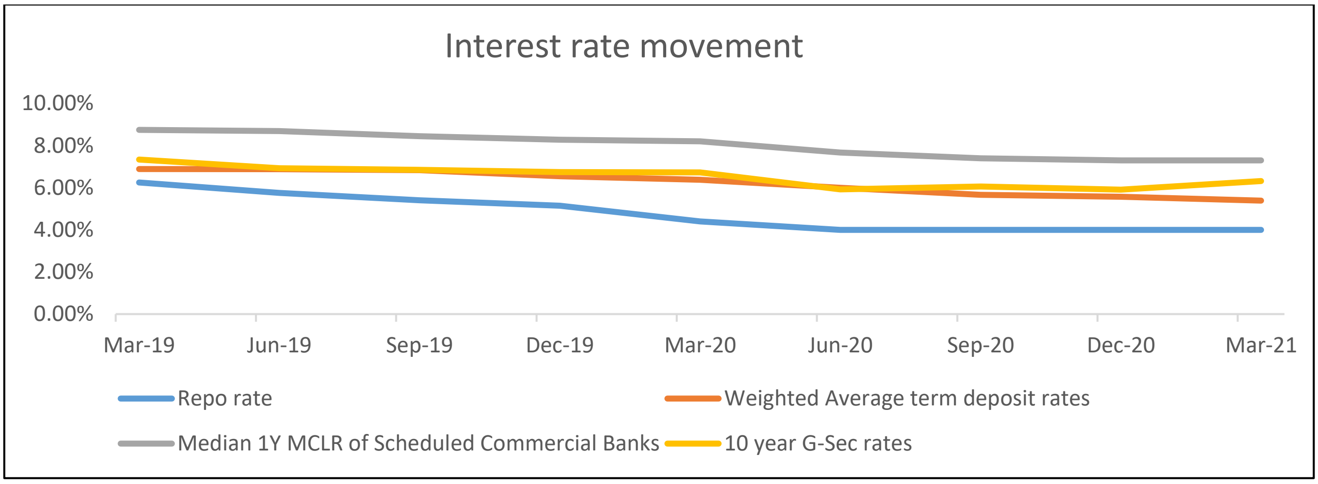
2. MEASURES TAKEN BY THE INDIAN GOVERNMENT

After detailed research, I hereby highlight 10 powerful measures taken by Indian Government and Reserve Bank of India (RBI) which had significant impact on the country.

Reduction of Repo Rate by 115 basis points from 5.15% in March 2020 to 4.00% in March 2021. This resulted in reduction in interest rate in India and reduced cost of the borrowers. Indian Banking system has an advance of about Rs. 100 lakh crores and this move resulted in savings of more than Rs. 1 lakh crore for the Borrowers and improved their ability to meet obligations. The changes in other important benchmarks are as follows:

Particulars	At March 1, 2020	At April 1, 2021
SBI Home Loan	8.15%	6.95%
SBI 1 year FD rate	5.70%	4.90%
10 year G-Sec	6.98%	6.34%

Source: www.sbi.co.in, www.rbi.org.in



Source: www.rbi.org.in

During Covid 19, people realized the need of a bigger house since all activities including office work by adults and school classes for children were being done from home. Along with this, the sharp reduction in interest rates resulted in increase of housing demand which had a positive impact on entire real estate sector.

- **(a) Reduction in taxes:** The government has announced tax relief that will help clear unsold inventory of residential units valued at up to Rs. 20.0 million. Buyers have been allowed to purchase homes at 20% below the circle rate without attracting any tax penalties. Circle rate is the government-defined value at which property is registered, whereas agreement value is the one negotiated between the builder and the buyer. As prices of many unsold units have slumped below circle rates in many cities due to the economic downturn, market rates are much below the circle rates in these cities.
- **(b) Loan Moratorium for 6 months** (March 1 to August 31, 2020) wherein borrowers were allowed to defer payment of interest and principal to banks without impacting their asset classification and credit profile.
- **(c) Collateral free loans for businesses under Emergency Credit Line Guarantee Scheme (ECLGS)**: All businesses (including MSMEs) were provided with collateral free automatic loans of total amount agrrgating to Rs. 3.00 trillion. MSMEs were able to borrow up to 20% of their entire outstanding credit as on February 29, 2020 from banks and Non-Banking Financial Companies (NBFCs). Interest on the loan was capped and 100% credit guarantee on principal and interest was provided by the Government to banks and NBFCs. As a result, MSME sector did not collapse and many of them could revive with liquidity support.
- **(d) Government announced a special economic package of Rs. 20.00 trillion (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.
- **(e) The 'Pradhan Mantri Garib Kalyan Package Insurance Scheme for Health Workers Fighting COVID-19** was announced on March 30, 2020. This Central Sector Scheme provides an insurance cover of Rs. 5.0 million to healthcare providers, including community health workers, who may have to be in direct contact and care of COVID-19 patients and therefore at risk of being infected. This protected the healthcare community and they served the country day and night during this period.
- **(f) Income Tax Refunds**: Refunds of over Rs. 1,000.00 billion have been issued to more than 2.7 million taxpayers during H1-FY2021 to ease liquidity pressure amongst large number of people and companies.
- **(g) The Government announced many policy and regulatory relief measures** covering all industries to enable growth and sustainability. Some of the key measures are as follows:
  - Definition of MSME: The definition of MSMEs was 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. 2.5 million to Rs. 10.0 million for micro enterprises, from Rs. 50.0 million to Rs. 100.0 million for small enterprises, and from Rs. 100.0 million to Rs. 200.0 million for medium enterprises. A new criterion of annual turnover was introduced.
  - Expediting payment of dues to MSMEs: Payments due to MSMEs from the government and CPSEs was decided to be released within 45 days.
  - Disallowing global tenders: To protect Indian MSMEs from competition from foreign companies, global tenders of up to Rs. 2.00 billion will not be allowed in government procurement tenders.
- **(h) Initiation of insolvency proceedings:** The Insolvency and Bankruptcy Code, 2016 was amended to provide for the following: (i) minimum threshold to initiate insolvency proceedings increased from Rs. 0.1 million to Rs. 10.0 million; (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.
- **(i) Infrastructure sector is a key driver for the Indian economy:** The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. The Government of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport.
  - The infrastructure sector has become the biggest focus area for the Government of India. India plans to spend US$ 1.4 trillion on infrastructure during 2019-23 to have a sustainable development of the country.
  - National Pipeline Project which was launched by the Honorable Prime Minister has provided a whole new direction to the infrastructure of the country. The government has identified around 7000 infrastructure projects under the new National

Pipeline project and will spend huge amount to boost the overall infrastructure of the country with an objective to make the basic necessities like electricity, healthcare, telecom, public transport, etc. available to every citizen of the county and upgrade their standard of living.

- Release of payments by National Highway Authority of India (NHAI): The National Highways Authority of India (NHAI) cleared bills worth Rs. 250.00 billion owed to contractors giving relief to large number of companies. The support by NHAI has resulted in liquidity availability with large number of developers and release of payments to MSMEs.

3. IMPACT OF THE MEASURES TAKEN BY INDIAN GOVERNMENT

As a result of these initiatives, the country got a significant boost and positive momentum got created. This led to economic recovery. It is said that one success leads to other and the same happened in India. I now highlight the impact of these initiatives and how the country had shaped up very well with digital adoption and initiatives.

3.1 Large inflow of funds through FPI/PE route

The market capitalisation of Indian companies listed in National Stock Exchange (NSE) increased from Rs. 109.79 trillion at March 31, 2020 to Rs. 199.46 trillion at March 31, 2021. The market capitalisation of top 10 companies in India is as per below:

(Rs. billion)

Name of Company	At March 31, 2020	At March 31, 2021	Increase/ (Decrease)	% change
Reliance Industries Limited	7,060.36	12,698.54	5,638.18	79.9%
Tata Consultancy Services	6,852.23	11,755.03	4,902.80	71.6%
HDFC Bank Limited	4,724.82	8,234.16	3,509.34	74.3%
Infosys Limited	2,732.08	5,827.74	3,095.66	113.3%
Hindustan Unilever Limited	4,975.84	5,712.97	737.13	14.8%
HDFC Limited	2,823.57	4,499.60	1,676.03	59.4%
ICICI Bank Limited	2,095.43	4,025.49	1,930.05	92.1%
Kotak Mahindra Bank Limited	2,478.65	3,473.78	995.13	40.1%
State Bank of India	1,756.81	3,251.24	1,494.43	85.1%
Bajaj Finance Limited	1,333.22	3,103.23	1,770.01	132.8%
Bharti Airtel Limited	2,405.36	2,841.03	435.67	18.1%
ITC Limited	2,110.58	2,689.27	578.69	27.4%

*Source: nseindia.com

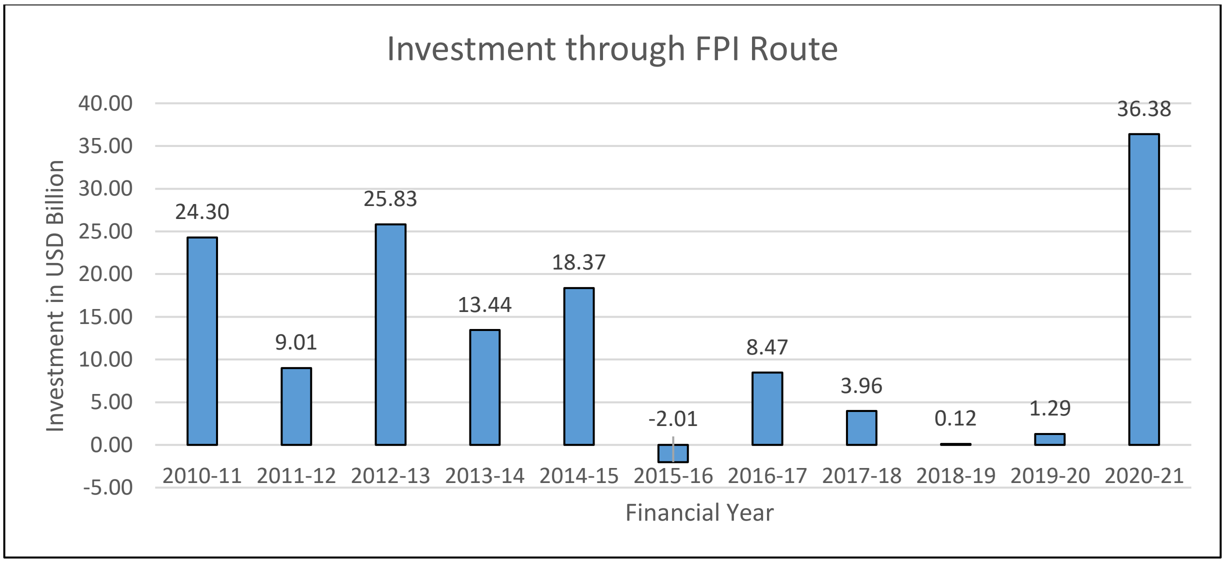
The significant increase in market capitalisation of Indian companies has been largely on account of large inflow of money from Foreign Portfolio Investment (FPI) and Private Equity funds. The details of flow into India during last 2 years is given below:

(USD billion)

Segment	FY 2020	FY 2021
Private Equity	18.60	41.32
FPI route	1.29	36.38
Total	19.89	77.70

**Source: NSDL and RBI Bulletin*

Investment through FPI route has increased multifold from USD 1.29 billion in FY2020 to USD 18.60 billion in FY2021 which clearly indicating the confidence of global investors on India.

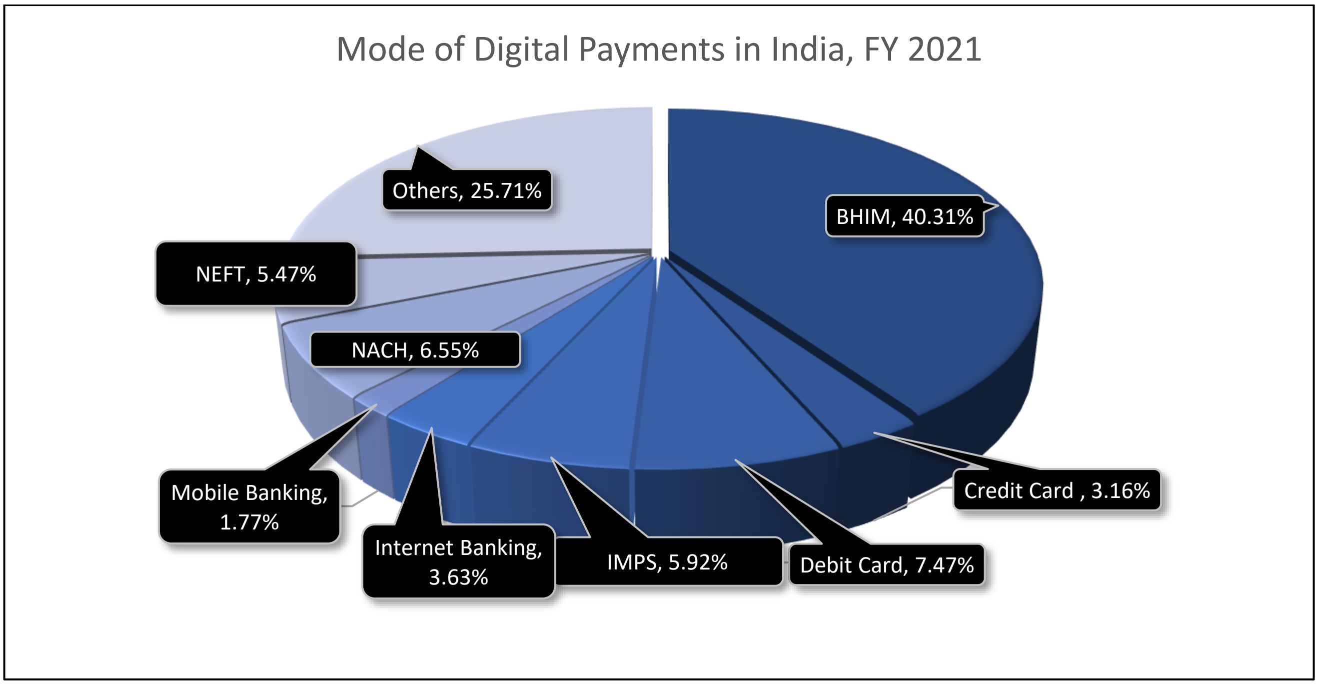


Source: NSDL

The total FPI investment in India during the 6-year period from April 1, 2014 to March 31, 2020 was USD 30.20 billion. India recorded record FPI investment of USD 36.38 billion during FY2021 which was more than the total amount received during previous six years.

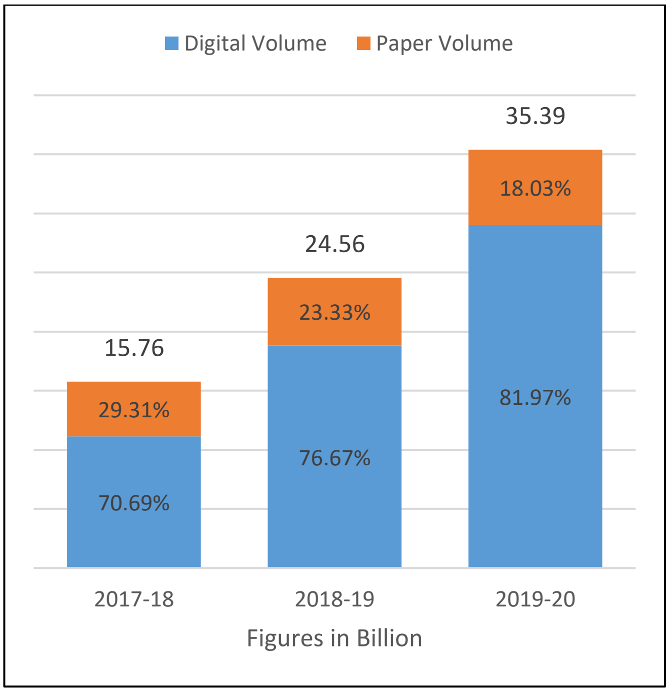
3.2 Adoption of Digital Technology

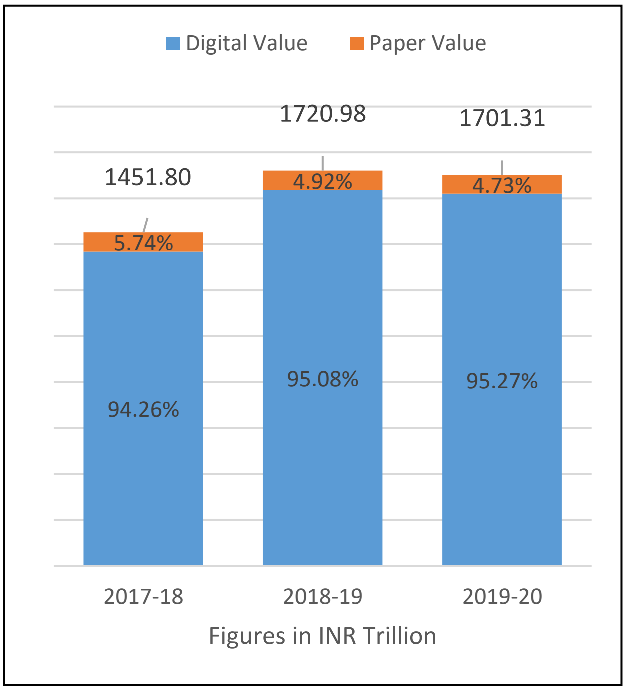
National Payments Corporation of India (NPCI), has been pivotal to the emergence of the digital payment ecosystem in India, launching innovative and successful initiatives such as UPI, IMPS, Bharat Bill Pay, and ETC (electronic toll collection) through FASTags.



Source: rbi.org.in

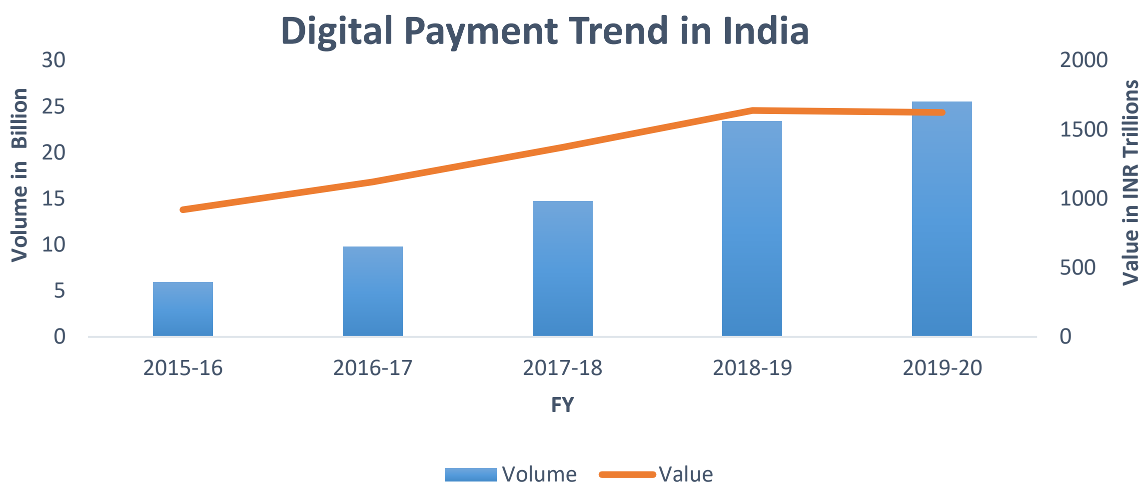
The virus outbreak is spurring the adoption of contactless digital payments; and there has been a surge in digital payment volumes across online grocery stores, small retail outlets, online pharmacies, vegetable and fruit vendors, recharges, bill payments as well as OTT (telecom and media) and EdTech players.





Source: rbi.org.in

Since the beginning of its COVID-19 lockdown in late March, India has distributed around $5 billion in cash benefits to its citizens who need assistance the most, entirely through payments made via digital platforms.



Source: rbi.org.in

The digital reset of the Indian economy has seeped into almost every aspect of life. Almost every Indian now has the digitally authenticated Aadhar identification number. The connection of Aadhar with bank accounts (under a financial inclusion scheme called Jan Dhan), and mobile phones (India has more than a billion mobile phone subscriptions), or what has been called JAM, is the bedrock of much of this reset.

With the lockdown placing immense strain on the household budgets of several sections of society, JAM played the role of a safety net and helping millions who need immediate monetary aid through ubiquitous direct transfer of state benefits. Aadhar is also the base for India Stack, a set of open APIs (Application Programme Interface) which developers can use as the foundations for their applications.

And that is not all. To effectively track and monitor the spread of COVID-19, India's National Informatics Centre created the Aarogya Setu app, which has been downloaded by a large number of Indians.

Aarogya Setu and other allied initiatives like the National e-Health Authority and new tele-medicine guidelines are coalescing towards a National Health Stack which is aimed to be completed by 2022. From filling healthcare needs in remote areas to building data-driven public policy on health, the use of technology fulfills many roles and most importantly in some of the most remote areas of the country.

3.3 Vaccination Drive

India is home to the world's largest vaccine makers and is running one of the biggest immunization programs. India was also one of the earliest countries to test and produce COVID-19 vaccines. The country's strong manufacturing base, especially in pharmaceuticals, helped accelerate co-patented vaccine production and the manufacturing of new vaccines.

The Indian government approved two vaccines for use in January 2021 and another six are under consideration. The first is Covishield, a brand of the Oxford University–Astra Zeneca vaccine. Covishield is being manufactured by the world's largest vaccine manufacturer, the Serum Institute of India. The second is Covaxin, an Indian vaccine developed by Bharat Biotech in partnership with the Indian government.

According to health officials, India administered 14,09,16,417 (140.0 million) vaccine doses across the country as of April 20, 2021. India has recently announced vaccination for all people above the age of 18 years from May 1, 2021.

India requires 1.68 billion doses to vaccinate all adults in India. At current production levels (90.0 million doses a month), this will require 18 months to achieve. Even 70% coverage, related to the notion of herd immunity (notwithstanding its limited usefulness to containing the epidemic), will take up one year. These numbers don't include children, who will have to be included as and when safe, efficacious vaccines are available for them.

As India's economy embarks on a new financial year, a dark cloud is on the horizon: The second wave. With the daily run rate of cases surpassing the first-wave peak, it's no longer just a wave, but a potential tsunami. At present, one in five infections in the world is currently being reported from the country.

However, India is a country, that never gives up. **"No matter how far life pushes you down, no matter how much you hurt, you can always bounce back".**

I am confident that together as a nation, we will overcome this also with the support of Government of India and under able leadership of Hon'ble Prime Minister, Shri Narendra Modi.

4. ACTION PLAN TO OVERCOME THE SECOND COVID WAVE

The following are some measures which I believe will be effective and can be undertaken to overcome the second wave of COVID-19:

4.1 Vaccine Availability

- Domestic Production: Immediate increase in domestic production capacity is needed to cater to the large demand of vaccines. Government needs to support financial and operational challenges, if any faced by the domestic vaccine manufacturers to fast track the enhanced capacity. Grants and subsidies should be granted to domestic producers, if required. Create a fund to provide money to those in the private sector who can produce vaccines on a large scale.
- Imports: Negotiations with Pfizer may be a good place to start since the company has already demonstrated its willingness to sell its vaccine in India. The government has allowed import of Sputnik by Dr. Reddy, which will boost the overall supply and availability of vaccines in India.
- Reducing export: India's foreign diplomacy program has been quite successful till now and will go a long way in establishing India as one of the global leaders. But the focus should be on the domestic vaccination drive and ensuring herd immunity in the country. Minimising exports will ensure an increased supply of vaccine doses in the country which is much required.
- Distribution: Availability and transportation of vaccines to Government Hospitals and Labs will play a critical role in determining the speed of vaccination. Logistics planning and dedicated transportation through support from Rail and Air will be very important for timely delivery of vaccines across the country.

Nothing is impossible; the word itself says "I'm possible". Immediate vaccinations through increase in domestic production, import and planned distribution would not only ensure fewer hospitalisations and deaths from COVID affected cases but would also help in reducing the fear.

It is reasonable to expect that the pace of new infections will slow down as the domestic vaccination drives picks up the pace. Whether or not India's favourable GDP revisions undergo a downgrade will depend on how fast vaccinations pick up, which will determine the time it will take to flatten the second wave.

4.2 Support from Non-Resident Indians "India needs you"

In light of the latest Covid-19 wave that has rocked India this week, Non-Resident Indians (NRIs) and Indians living abroad have expressed their desire to help and contribute. In 2020, more than 18.0 million people from India were living outside their country of birth. **Launch a Slogan "India needs you".**

The Indian Government can launch a scheme for tax free investment opportunities by NRIs into the country including easy ways for donation. The large wealthy population of NRIs can act as a strong means to raise funds which can be utilised for overcoming the current Pandemic.

4.3 Continued Government support to MSMEs and Small Businesses

Government had given various financial reliefs to MSMEs in the form of collateral free loans from banks/financial institutions which were guaranteed by the Government to overcome the first wave of Covid 19. The scheme may be extended further with a higher eligibility amount and tenure to overcome working capital crunch and manage liquidity issues.

RBI may also consider extending loan moratorium to existing borrowers for a further period of 3-6 months to ease the liquidity pressure on companies and prevent them from financial default. This would also help banks/financial institutions to classify such accounts as non-performing and provide timely solution to borrowers.

MSME will require unprecedented support not only from the government, but also from large industries. While Central and State governments can look at the range of possible solutions, big corporates can look at compassionate capitalism to help MSMEs survive, stabilise and surge ahead into the future

Have conference calls with large industrialist and explain: **"Supporting micro and small units is CSR"** and allow them to use CSR funds for this.

A major help from large companies during this crisis period will be to clear the payment dues of MSMEs on a war footing. The move will improve their liquidity and fund flow positions. Big companies should also handhold MSMEs with some waivers and other support measures.

4.4 Divestment of PSU assets and Monetisation of large Land Bank at speed to raise liquidity

The Government as part of its Union Budget has targeted to raise Rs. 1.75 trillion from stake sale in public sector companies and financial institutions, including 2 PSU banks and one general insurance company during FY2022. The Government needs to fast track divestment of identified PSUs and set a deadline to relevant ministries.

Initial Public Offering (IPO) of Life Insurance Corporation of India (LIC) which is the country's oldest and largest life insurer has been planned during FY2022 by the Government. We need to expedite fund raising through this IPO. There are large non-core assets primarily in the form of surplus land with government Ministries/Departments and Public Sector Enterprises. **Monetizing of land can either be by way of direct sale or concession or by similar means.** Transparent auction process to sell large parcels of land available with the Government also needs to be undertaken.

This can significantly contribute to the funds needed by the Government to implement various plans and policies to overcome the second wave of Covid.

4.5 Attracting Global Investors and promoting ease of doing business

"Every crisis also brings opportunity". Covid crisis has forced companies and countries to seek alternative manufacturing destinations to China. As one of the prospective alternatives, India could not have asked for a better opportunity in attracting foreign investments in diverse domains, including manufacturing.

Much will depend on the appropriate policy initiatives that address the needs of global investors. The government could also provide additional incentives and benefits for foreign investors that align their plans with 'Make in India'.

The time is also ripe for a renewed push for 'Start-up India'. With the focus on Atmanirbhar Bharat, start-ups will play a pivotal role in reducing the nation's dependence on foreign goods and services, especially in the tech-heavy space.

As countries globally move away from Chinese origin apps, many emerging Indian start-ups have the potential to become global leaders in their fields. Providing the right regulatory and investment climate is essential to nurture these seedlings.

Should we not aspire to become the largest start up in the World**.** India had only 32 Unicorns (start-ups valued at $1 billion+) against 288 in the US and 133 in China at April 1, 2021.

4.6 Restriction on all public gatherings (more than 10 people) for social functions, religious events, and entertainment

Awareness about appropriate behaviour and pitfalls of public gatherings needs to be communicated to everyone. Government needs to take immediate steps in this direction and make strict guidelines to restrict public gatherings for social and religious meetings including all events and entertainment related activities.

Spurt in infections is happening primarily due to careless behaviour at gatherings, weddings and various functions. Stopping commercial activities, markets, offices and business activities may not be the solution.

4.7 Young vs Covid Cartoon

Indian listen to their children. Children like cartoons. We should advertise through cartoons that the youngest member of the family is fighting Covid and he should question the family members "Why do you need to go out and are you taking all precautions while going out"

4.8 Focus on Exports

To encourage exports and attract allied investments, India must focus on trade agreements with other nations. India is among the leading Asian countries that have the ost number of withheld FTAs (Free Trade Agreements) and PTAs (Preferential Trade Agreements). Whereas many are under negotiation, this is the perfect moment to negotiate, sign and implement these trade agreements because most nations are eager to break free from Chinese shackles.

However, to become an attractive investment destination for foreign investors, India needs to further improve its business environment doing away with complex red tape and undertaking necessary economic reforms.

5. CONCLUSION

In summary, the health crises unleashed by the pandemic represent a challenge for the Indian economy. Serious efforts have been made to stabilize the economy and meet the public health challenge.

Some success has been achieved in both these areas, but much will depend on how the pandemic pans out, the availability of a vaccine and the public's response.

People's continued participation in the process of healing from the both the economic and the health crises is central. At the same time, the pandemic represents an opportunity for India to carry out reforms that would not have been possible under ordinary circumstances.

I would conclude with "Where there is a will, there is a way".

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