

# COVID-19: BIG BANG ECONOMIC PACKAGE FROM PM MODI PUTS THE COUNTRY IN RESET MODE

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PM Modi announces a 20 trillion stimulus package to reinvigorate the economy and a new strategy to ensure that the country becomes self-reliant

Prime Minister Narendra Modi on Tuesday announced a 20 trillion (\$265 billion) stimulus package, in one of the world's most aggressive bailouts in relation to economic size, equating to about 10% of gross domestic product (GDP).

The stimulus is aimed at softening the devastating fallout of the coronavirus lockdown that has rendered millions of people jobless and pushed thousands of businesses to the brink of bankruptcy as the economy has suddenly gone idle. The fiscal package, details of which will be announced by finance minister Nirmala Sitharaman starting Wednesday, also aims to build an India based on self-reliance, Modi said in a televised speech on Tuesday evening.

The plan for a self-reliant India, or *Aatmanirbhar Bharat*, will focus on land, labour, liquidity and laws, and will cater to various sections of the economy, including businesses, migrant workers and the middle class. The package, which equals to almost a full year of India's gross tax revenue collections, also includes the recent monetary easing announced by the Reserve Bank of India.

To fulfil the dream of making the 21st century India's, Modi said the way forward is to ensure the country becomes self-reliant.

Articulating his plan, Modi said the self-reliant strategy will depend on five pillars—growing a new economy, creating state-of-the-art infrastructure, setting up technology-based delivery systems, leveraging the young demography and exploiting domestic demand.

"We will make the best products, improve our quality and better our supply chain," he said.

India is looking to play a larger role in global supply chains, said Arindam Guha, partner, government and public services at Deloitte India. "While we wait for the fine print of the economic package, it is likely to prioritize sectors where there is a large domestic market and generate significant employment. We can also expect significant reforms impacting all stages of the value chain of these sectors from farm to consumer with the end objective of increasing ease of doing business. I am fairly confident that the package will leverage financial instruments like credit guarantees, etc., so that the country's fiscal situation is also factored in," he added.

So far, the US has announced the largest rescue package of any country with the total stimulus working out at \$2.7 trillion, or about 13% of GDP. Japan has declared a nearly \$1 trillion stimulus package, or about 20% of the country's economic output.

Modi's announcement comes amid growing demand by states for a fiscal stimulus package and more financing options to tide over the financial crunch. The states have been seeking support for small businesses, infrastructure projects, easing of interest rates on loans and assured market access for agricultural produce.

"We have to protect ourselves and also go ahead," Modi said. "In order to fulfil the dream of

making the 21st century India's, the way forward is through ensuring that the country becomes self-reliant," Modi said and added, "We are constantly monitoring the global situation."

The announcement comes as India plans to further open up its economy in the fourth phase of the national lockdown starting 18 May, with fewer restrictions.

The new package looks to empower everyone with a focus on labour, hawkers and street vendors, among other sections that tend to get neglected.

Drawing from his personal experience after the devastating Kutch earthquake in 2001, Modi said through determination and resolve, the area was back on its feet. A similar determination is needed to make the country self-reliant. "The crisis has brought a message to India, it has brought an opportunity," Modi said. "When the crisis started, India didn't manufacture even one PPE kit. There was hardly any manufacturing of N95 masks. Today, two lakh each of these are being manufactured daily in the country."

*Asit Ranjan Mishra contributed to this story.*

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