

NIRVIK Scheme

The NIRVIK Scheme is a scheme implemented under the Export Credit Guarantee Corporation of India (ECGC) with a view to ease lending of loans and enhance credit availability to small-scale exporters.

Announced by the Finance Minister during the Union Budget on 2020-2021 on February 1st 2020, the NIRVIK Scheme will boost the export segment of the Indian economy.

This article will give further details about the NIRVIK Scheme within the context of the IAS Exam.

Details of the NIRVIK Scheme

The NIRVIK Scheme (also known as Niryat Rin Vikas Yojana) is aimed at providing high insurance coverage for exporters while reducing the premiums on small-scale exporters. It is believed that such a move will lead to higher export credit disbursement.

The scheme was announced at a time when 10 of the 30 exporting sectors showed a sharp decline with respect to outbound shipment in 2019. India's exports in December 2019 fell for the fifth time in a row by around 1.8% to USD 357.39 billion, leaving a trade deficit of USD 118.10 billion.

The development of the NIRVIK Scheme was significant as exporters were concerned about credit availability. As it happened credit disbursement declined to Rs 9.57 lakh crore in 2018-2019 from Rs 12.39 lakh crore in 2017-18.

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Features of the NIRVIK Scheme

- Insurance coverage will be upto 90% of principal amount and interest
- The extended coverage will make sure that foreign export credit interest rates are below 4%. The rupee export credit interest rates will be limited to 8%.
- Both pre and post-shipment credit will be covered under the new scheme
- Borrowers from the gems, jewellery and diamond with a limit of over Rs 80 crore will have a higher premium rate as compared to those from other sectors as the loss ratio is high.
- Those accounts that have limits below Rs. 80 crore, the premium rates will be moderated to 0.60 per annum. For those whose limits are beyond Rs. 80 Crore, the rates will be 0.72 per annum.

- In the event that there will be losses exceeding Rs. 10 Crores, the exporter will be subjected to inspection by the ECGC Banks shall pay a premium to the ECGC on a monthly basis as the principal and interest are covered for both outstandings.

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Benefits of the NIRVIK Scheme

- The NIRVIK Scheme will play a crucial role in improving accessibility and affordability of credit for exporters making Indian exports more competitive
- It will dispense with the usual red-tape and other procedural hurdles in order to become exporter friendly.
- The extended insurance cover is likely to bring down the cost of credit with factors such as capital relief, better liquidity and quick settlement of claims in play.
- MSME's (Micro, Small and Medium Enterprises) will stand to benefit as well due to improvement in the ease of doing business and making ECG procedures much more simplistic.