

AIR Spotlight - Relief Measures Announced by FM for Covid-19 Affected Sectors

AIR Spotlight is an insightful programme featured daily on the All India Radio Newsonair. In this program, many eminent panelists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, the topic of discussion is the relief measures announced by the Finance Minister for the sectors affected by Covid-19.

Participants:

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Context:

Finance Minister Nirmala Sitharaman announced major economic relief measures of more than 6,28,000 crore rupees to boost the COVID-19 affected sectors.

Introduction:

- The Finance Minister on 28th June 2021 announced several relief measures to empower the sectors impacted by the [Covid-19 pandemic](#).
- The eight economic measures amount to Rs. 6,28,993 crore and include relief for the industry, healthcare, tourism sector, farmers, state governments, and microfinance institutions.
- This package is largely focused on addressing the concerns in the healthcare sector in the sense that the loan guarantee program has been expanded. Earlier it was 3,00,000 crore rupees and now it has gone up to Rs. 4,50,000 crore.
- The utilization of the package announced in 2020 was not complete in the sense even within the Rs. 3,00,000 crore [Emergency Credit Line Guarantee Scheme](#) (ECLGS) scheme, not the entire money was used up. Now, the sectors have been expanded in the new scheme. Some sectors such as the healthcare sector, the tourism sector, and the microfinance sector have been included in the scheme.
- This move will help address the issues of the sectors worst affected by the Covid-19 pandemic.

Will the scheme affect the fiscal deficit of the government?

This scheme will not have any direct bearing on the [fiscal deficit](#) of the government since it is a guarantee scheme and its impact will be very limited on the government expenditure outlay.

Key highlights of the announcement:

The important takeaways of the announcement are as follows:

Healthcare infrastructure:

- A Rs 1.1 lakh crore guarantee for COVID-affected sectors, and in that, the health sector with a Rs 50,000 crore cover receives attention, for scaling up medical infrastructure.

- Other than 8 metropolitan cities, the health and medical infrastructure in all other areas will be looked at. Here, the guarantee coverage will be for totally new projects (up to 75%) and projects underway (up to 50%).
- Mrs. Sitharaman said apart from the credit guarantee scheme for the healthcare sector, Rs 23,220 crore has been earmarked for expansion of medical infrastructure for one year.
- This funding aims to increase the number of ICU beds and enhance the availability of equipment and liquid medical oxygen (LMO).
- The Covid-19 pandemic has created a severe impact on all the regions but the second wave hit the rural areas drastically. Hence, the focus will be on creating efficient health infrastructure in rural areas.
- Special emphasis will be laid on the preparedness of the healthcare infrastructure in terms of child and pediatric care.

Fresh Loans through Micro Finance Institutions:

- The Micro Finance Institutions (MFIs) reach those segments of the society where the organized banking sector does not have easy access. Hence MFIs play a very important role in credit allocation.
- A new scheme is being launched to facilitate loans through micro-finance institutions. The aim is to reach out to 25 lakh small borrowers from the MFIs and give them a maximum loan of Rs 1.25 lakh and the rate will be at least 2% below the maximum rate prescribed by the [Reserve Bank of India](#).
- The focus of this new credit guarantee scheme will be on new lending, not on existing loans. This scheme will be in place till March 31, 2022, or up to the exhaustion of the Rs 7,500 crore guarantee being extended under the scheme.
- All borrowers including defaulters of up to 89 days will be eligible for the scheme, which will have a maximum loan tenure of 3 years.
- Recently, RBI came up with a new regulatory framework for MFIs under which more loans will be available for MFIs. Therefore, it can be said that the Government and RBI are making the MFIs more competent to deal with the post-Covid challenges.

Boost to Tourism Sector:

- Financial support will be provided to over 11,000 registered tourist guides and travel agencies and stakeholders to help them survive the second wave.
- Working capital or personal loans will be provided to people in the sector to discharge liabilities and restart businesses affected by COVID-19. Loans will be provided with a 100% guarantee under the scheme to be administered by the Ministry of Tourism.
- Once visa issuance begins again, the first 5 lakh tourist visas will be issued totally free of charge.
- The scheme will be applicable till March 31, 2022, or till the first 5 lakh, tourist visas are issued. The total financial implication of this free visa scheme would be Rs 100 crore. After the expiry of the scheme, regular visa fees will be resumed.

Extension of the Aatmanirbhar Bharat Scheme:

- Atmanirbhar Bharat Rozgar Yojana has been extended to March 31, 2022, in order to incentivize employers to create new jobs and restore loss of employment through the EPFO.
- Under the scheme, the government provides subsidies for new employees earning less than Rs. 15,000 a month through full EPF contributions (24% of salary) for two years in firms with less than 1,000 employees.
- For firms with over 1,000 employees, the government is bearing half of the EPF contribution. Rs 902 crores have been disbursed under the scheme so far.

National Export Insurance Account:

- The government has decided to extend support to the National Export Insurance Account (NEIA), which shall now underwrite an additional Rs 33,000 crore for project exports over the next five years through the [Exim Bank](#) of India. India's project exports have been doing well and will get a boost from this.
- For merchandise exports, the Export Credit Guarantee Corporation provides support to 30% of India's merchandise exports.
- Over the next five years, they will be given equity so as to leverage the equity and provide coverage to Rs 88,000 crore of merchandise exports.
- Merchandise goods exports have performed really well in the last three months and Indian exports are getting better unit value realization.
- This move will help the merchandise goods exporters to explore new markets and grab new opportunities in the post-covid world.
- This will probably nurture the early signs of revival that one is seeing under the export sector.

PLI scheme extended:

- The [Performance Linked Incentive \(PLI\) scheme](#) for large-scale electronics manufacturing provides incentives of 6% tapering down to 4% on incremental sales of goods.
- The incentives were to be applicable from August 1, 2020. The government has extended the tenure of the scheme by one year till 2025-26, and those who made investments in 2020-21 will get counted in this because the government has given them the option to choose any five years to meet the production target.
- The companies which were not able to achieve targets had very many legitimate reasons so they have been given more time.
- It is a major reform that will have a State-specific approach, not a one size fits all approach. The scheme has been allocated Rs 3.03 lakh crore, with the Centre's share at Rs 97, 631 crores.
- In sectors where there is a scope for backward integration such as mobile phones, green technology, etc. the PLI scheme goes a long way in addressing the concerns and creating new opportunities along with increasing the domestic capacity.
- But there is one fear attached with the PLI scheme that if it is extended beyond these sectors, the resources will be split thin and the benefits that the PLI scheme can bring from a few sectors which have the advantage of backward and forward integration will be lost.

- Hence, the idea of PLI is very important but these schemes should be implemented with caution and with a focus on areas that have the national advantage of economies of scale.

Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY):

- The Finance Minister also announced the extension of the Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY) till November of this year.
- The North Eastern Regional Agricultural Marketing Corporation (NERAMAC) will also be revived. A stimulus of Rs 77.45 crore has been earmarked for this purpose to enhance agriculture-related activities in the North East.

Conclusion:

- The Finance Minister addressed the needs of different sectors of the economy in this package. The government has identified those sectors which are badly affected by the pandemic and included them under the stimulus package such as tourism, healthcare, export, etc.
- There are a few sectors that may probably require further support also but it should be noted that the government finances are limited and if the schemes will be further extended, then it will ultimately put a burden on the exchequer.
- Hence, the government should adopt a balanced approach and it should be tackled in a prudent manner that will not only address the citizens' interest but also ensure less burden on government finances.