

BUSINESS

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Govt's 8 key relief measures to help create jobs, ease burden of borrowers, says India Inc

By FPJ Web Desk



Nirmala Sitharaman/ File | PTI Photo

The Centre on Monday announced eight economic relief measures for India Inc, state governments as well as micro finance credit users. Nirmala Sitharaman announced schemes entailing enhancement of existing relief measure such as ECGLS and support for state governments. Besides, a total four new measures were announced to provide loans to micro finance credit users as well as tourism industry.

Sitharaman announced a Rs 50,000 cr guaranteed loan for creation of medical infrastructure. She said that ECLGS scheme will be enhanced by Rs 1.5 lakh crore. The Finance Minister announced a Rs 1.1 lakh crore loan guarantee for scheme for COVID-affected sectors.

The travel sector too got a boost. Sitharaman said that the first 5 lakh tourist visas will be issued free of charge. This step will be taken once the visa issuance start.

Apart from these the Atmanirbhar Bharat Rozgar Yojana has been extended till March 31, 2022 entailing government nearing PF liability of employees and employers depending on the size of the organisation.

Industry weighs in

Commenting on the economic relief measures announced today, Mr Chandrajit Banerjee, Director General, CII, said “Extending liquidity support to the stressed sectors emanating from the pandemic, the announcement of slew of measures such as loan guarantees for healthcare, tourism sectors & small borrowers, in addition to increasing the scope of ECLGS by Rs 1.5 lakh crore are laudable. These measures are expected to address the severe cash flow distress precipitated by the business disruptions caused by the lockdowns in the wake of second wave of the pandemic.

“The additional tranche of economic revival measures with Rs 6,29 lakh crores spend announced will impart a significant impetus to growth this year” said Mr Banerjee.

Liquidity boosting measures to boost industry

Taking cognizance of the need to support the economy which has been adversely affected by the second wave of the pandemic, CII President T V Narendran said that “We are heartened by the targeted interventions announced by the government, with a special focus on health and tourism. The liquidity boosting measures to keep the enterprises afloat in the aftermath of COVID 2.0 in the form of extending loan guarantees to the healthcare, tourism sectors & small borrowers, in addition to increasing the scope of ECLGS by Rs 1.5 lakh crore are very welcome steps .

“Tourism sector has been one of the most impacted sectors, with the second wave having exacerbated its duress. With a significant contribution to both GDP and employment, the economic relief package announced for the tourism sector will usher in the much-needed liquidity and help revive this employment intensive sector”, said Narendran. The financial support in the form of working capital loans with 100 percent guarantee to more than 11,000 registered tourist guides and travel and tourism stakeholders will help save livelihoods, revive the sector and mitigate further closures and also create new job opportunities. Free Visas for the first 5 lakh tourists will provide the necessary welcome relief to foreign tourists coming into India and would help in promoting tourism after a massive disruption faced by this sector.

Relief measures to benefit MSMEs

D K Srivastava, Chief Policy Advisor, EY India, said, “The thrust of this package is to stimulate the sagging growth in credit offtake mainly by providing interest rate concessions with a focus on priority sectors such as health, power and other infrastructure. This will benefit a number of MSMEs, small borrowers and entrepreneurs in the contact intensive sectors including travel and tourism stakeholders. The direct stimulus however is limited to three main initiatives. These include extension of the distribution of free food grains under PMGKY with an estimated cost of Rs 93,869 crore. Further, additional health sector expenditure amounting to Rs 23,220 crore is being provided of which centre’s

share would be Rs 15,000 crore. In addition, for improving rural connectivity through expanding BharatNet an additional expenditure of Rs 19,041 crore spread over 2 years starting 2021-22 has been envisaged.

"Considering half of this amount as pertaining to the current fiscal year, the total additional burden on the 2021-22 budget from these three initiatives would be Rs 1,18,390 crore. This amounts to about 0.5 percent of estimated GDP for 2021-22. Although this is a limited magnitude of direct stimulus, it would be desirable to follow it up with another dose of stimulus later in the year. In addition, government would do well to ensure that the budgeted capital expenditure for 2021-22 is spent in the earlier part of the financial year so as to generate benefits of frontloading of expenditures", Srivastava said.

Relief measures to push economic growth

The calibrated and strategic economic reforms announced by Finance Minister Nirmala Sitharaman will push the economic growth trajectory on high road sooner than later, said Sanjay Aggarwal, President, PHD Chamber of Commerce and Industry. Meaningful and effective reform measures announced by Hon'ble Finance Minister will bring a broad based economic recovery through enhanced demand, job creation, private investments, manufacturing competitiveness, escalated exports, increased agricultural productivity and strong build-up of health infrastructure in non-metropolitan cities, he said.

Small borrowers will get support

Chandrajit Banerjee, Director General, CII, said, "Extending liquidity support to the stressed sectors emanating from the pandemic, the announcement of slew of measures such as loan guarantees for healthcare, tourism sectors & small borrowers, in addition to increasing the scope of ECLGS by Rs 1.5 lakh crore are laudable. These measures are expected to address the severe cash flow distress precipitated by the business disruptions caused by the lockdowns in the wake of second wave of the pandemic. The additional tranche of economic revival measures with Rs 6,29 lakh crores spend announced will impart a significant impetus to growth this year," said.

"The government's backing by guaranteeing commercial banks for their lending to NBFC-MFIs to lend to small borrowers will help financial support to such small borrowers and also enhance NBFCs capacity to lend". Lalit Kumar, Partner, J Sagar Associates.

Kuldip Maity, MD & CEO of Village Financial Services (VFS) welcomed the initiative to facilitate loans to bottom-of-the-pyramid borrowers through microfinance institutions. The move will benefit both the NBFC-MFIs and their borrowers in these tough times as the disbursements by MFIs have taken a hit because of cash flow issues which eventually left borrowers in distress as they were unable to carry on their income generating activities due to lack of funds. We appreciate that the government has recognised the need of such borrowers. The measure will help restore the disbursements by MFIs and the marginalized borrow-ness operations hit by the pandemic, will be benefitted with funds at lower rates.

"Though we believe there is room for more as the MFI industry caters to around 6 crore borrowers across the nation and are hopeful that Government will expand this facility to cover large number of borrowers", he said.

Equity infusion in ECGC hailed

"The Finance Minister has announced Rs. 88,000 crore equity infusion into ECGC over 5 years, which may enhance insurance cover for India's exports to 50% in the next five years from the current 30 percent," said Vijay Kalantri, Chairman, MVIRDC World Trade Center, Mumbai. "Going ahead, to boost exports further, the government should also release the much-awaited rates for Remission of Duties and Taxes on Exported Products (RoDTEP) scheme for exporters, disburse pending Service Export India Scheme (SEIS) benefits to service sector exporters", he said.

Dhiraj Relli, MD & CEO, HDFC Securities said, "A lot of thought seems to have gone into the announcements with a wide spectrum of population intended to get reliefs. Although the total impact amount seems large at ~Rs.6.29 lac crores, a large portion of this is by way of credit guarantee schemes where there is no immediate outflow. However provision of credit guarantee oils the wheels of the respective focus areas enabling faster return to normalcy. Additional food subsidy, health spends for children and broadband support for 94000 villages are some of the announcements that will need actual and immediate spends on causes that are well deserved. The impact of these announcements on the fiscal deficit will be limited while the stock markets could give a mild positive reaction to them."

Broadband announcement welcomed

HP Singh, Chairman & Managing Director, Satin Creditcare Network Limited said, an additional amount of Rs 19,041 crore provided to Bharat Net to take broadband to each village of the country will spur digitalization, financial inclusion as well as improve the disbursements and collection efficiency of various financial institutions. "We appreciate the government and RBI's proactive and pre-emptive approach and thoughtful measures which will prove as testament to the resilience of the economy," he said.

Subsidy route relied upon

Although a still bolder approach towards fiscal measures with major direct expenditure was expected, the government has relied more on the subsidy route for fertilizers and Atma Nirbhar Rojgar Yojna, said Jyoti Prakash Gadia, MD, Resurgent India. "The extension of Garib Kalyan Yojana with incremental expenditure is on expected lines as a socio-economic relief.

"An important feature of the announcements is that this time detailed study and assessment of ground-level realities has been done for the impacted sectors and suitable measures taken accordingly to plug the gaps wherever necessary, including PPP projects and asset monetisation in Infra", he said.

Boost to tourism sector

Vikash Agarwal, President, Indian Chamber of Commerce (ICC), said: "The ICC highly appreciates the new announcements today by the Finance Minister to provide respite to the pandemic struck economy, liquidity starved sectors. ICC compliments the thoughtful gesture by FM to zero-in on areas which were most harshly hit and currently going through difficult phases. This timely intervention will definitely provide a boost to sectors like health, micro finance, tourism, fertilizer, export, digital connectivity, electronics, power distribution etc.

"The Ministry's decision to revive tourism sector of the country through providing financial support to more than 11000 registered tourist guides and other tourism stakeholders. We think this decision was long due. Providing free tourist visa to 5 lakh tourist is also a commendable initiative.

Extension to PLI scheme hailed

A. Gururaj, Managing Director, Optiemus Electronics Limited said, "Optiemus Electronics welcomes the government's move to extend the tenure of the PLI scheme. We are grateful to the government for having considered the industry's request in view of some of the problems faced due to the pandemic. Optiemus is fully committed to working towards the Atma Nirbhar Bharat initiatives of the Hon Prime Minister and we are confident Optiemus will show positive results as a result of the PLI scheme."