CURRENT EVENTS AND ANALYSIS

(May 2020)

Indian Economy

Editor

R.C. Reddy

R.C. REDDY IAS STUDY CIRCLE
H.No. 3-6-275, Opp. Telangana Tourism Development Corporation,
Near Telugu Academy, Himayatnagar, Hyderabad - 500 029.
Phone No. : 040-23228513; 040-27668513; 040-27612673;
9346882593; 9573462587
Email : rcreddyiasstudycircle1989@gmail.com

May 2020 CURRENT AFFAIRS : Economy Section

Index **Page No:**

MACRO VIEW OF THE ECONOMY:

GDP Growth for 2019-20 at 4.2 Per Cent, Lowest in 11 Years

- Indian economy registered a growth rate of
  4.2 per cent in 2019-20. This is the lowest growth in the last 11 years.
- Gross Value Added (GVA) for 2019-20 is 3.9 per cent.
- Gross Value Added (GVA) is GDP minus taxes and reflects supply-side growth.
- **GDP growth rate in 2018-19:** 6.0 per cent
- Original GDP estimate for 2019-20: 8.5 per cent.

Sectoral Performance in 2019-20:

- Agriculture and Allied Sectors showed better performance with a growth rate of 4.0 per cent.
- Manufacturing sector performed the least with a growth rate of 0.03 per cent.

Growth Rates at a Glance:

Industry	**Percentage Change Over Previous Year**	
	2018-19	**2019-20**
1. Agriculture, Forestry & Fishing	2.4	4.0
2. Mining & Quarrying	-5.8	3.1
3. Manufacturing	5.7	0.03
4. Electricity, Gas, Water Supply & other Utility Services	8.2	4.1
5. Construction	6.1	1.3
6. Trade, Hotels, Transport, Communication and Services related to Broadcasting	7.7	3.6
7. Financial, Real Estate & Professional Services	6.8	4.6
8. Public Administration, Defence and Other Services	9.4	10.0
GVA at **Basic Prices**	**6.0**	**3.9**

Per Capita Income:

The Per Capita Income at constant prices registered a growth rate of 3.1 percent.

Per Capita Income in the last two years:

2019-20: Rs. 94,954

2018-19: Rs. 92,085

Fourth Quarter Growth at 3.1 Per cent:

GDP growth in the last quarter of 2019-20 (January-March 2020) was 3.1 per cent. This is the lowest growth in the last 44 quarters.

GDP Growth in the Last 4 Years:

Year	GDP Growth (in Per cent)
2016-17	8.3
2017-18	7.0
2018-19	6.0
2019-20	4.2

Prime Minister Announces Rs. 20 Lakh Special Economic Package and Reforms; Gives Call for Atma Nirbhar Bharat (Self Reliant India)

- On May 12, 2020, Prime Minister Narendra Modi announced Rs.20 lakh crore Special Economic and Package and Reforms in various sectors to revive the economy stalled under the impact of COVID.
- The 20 lakh crore is worth 10 per cent of Indian GDP.

Call for Atma Nirbhar bharat (Self Reliant India):

- The Prime Minister also gave a clarion call for Atma Nirbhar bharat (Self Reliant India).
- He stated that the definition of self reliance has undergone change in the globalised world.
- Self-reliance does not mean insularity and suspicion of the world as in the past, but embracing the world.
- The Prime Minister stated that the COVID crisis has taught us the importance of local manufacturing, local market and local supply chains.
- He stated that self reliance will prepare the country for tough competition in the global supply chain and it is important that the country wins this competition
- The Prime Minister stated that its **time to be vocal** about the **local products** and **help these local products become global.**
- The Rs.20 lakh crore Special Economic and Reform Package announced by the Government includes support for Industry, Micro Small and Medium Entrprises (MSMEs), Middle class, Poor, Labourers, among others.
- Reforms were also announced in Agriculture (supply chain reforms), Coal, Mining, Public Sector Enterprises, etc. with opening up of these sectors for more private players.

Major Components of Rs. 20 Lakh Crore Economic Package:

Measures	In Rs. Crores
RBI Masures to suppot liquidity	Rs. 8,01,603
Pradhan Mantri Gareeb Kalyan Yojana	Rs. 1,70,000
Health sector (COVID)	Rs. 15,000
Emergency Credit Facility for MSMEs	RS. 3,00,000
Fund of Fund for MSMEs	Rs. 50,000
Subordinate Debt for MSMEs	Rs. 20,000
Special Liquidity Scheme for NBFC, HFCs	Rs. 30,000
Liquidity Injection for DISCOMS	Rs. 90,000
Free Food grain Supply to Migrant Workers	Rs. 3,500
Special Credit Facility to Street Vendors	Rs. 5,000

Additional credit through Kisan Credit Cards	Rs.	2,00,000
Micro Food Enterprises	Rs.	10,000
Pradhan Mantri Matsya Sampada Yojana	Rs.	20,000
Agri Infrastructure Fund	Rs.	1,00,000
Promotion of Herbal Cultivation	Rs.	4,000
Viability Gap Funding	Rs.	8,100
Additional MGNREGA Allocation	Rs.	40,000

Reforms in Coal, Mining, Defence, Electricity and Other Sectors

On May 15, 2020, the Union Government announced reforms in the following sectors:

- Coal,
- Mining,
- Defence,
- Power sector,
- Civil aviation,
- Space, and
- Atomic energy

Details:

COAL SECTOR:

1. **Commercial Mining Allowed:** The Government has near monopoly over coal mining. Only select industries like power and steel were allotted coal blocks for captive consumption.

   Now, any party can bid for a coal block and sell it in the open market.

2. **Revenue Sharing Mechanism:** A revenue sharing mechanism instead of regime of fixed Rupee/tonne.

3. **Liberalised Entry Norms**: Entry norms will be liberalised. There will not be any eligibility condition, only upfront payment with a ceiling will be provided.

   Nearly 50 Blocks will be offered immediately.

4. **Incentives for quick production:** Production earlier than scheduled will be incentivised through rebate in revenue-share.

   The government allocated over Rs.50,000 crore for creating evacuation infrastructure for coal.

Reasons for reforms are

- Reducing import dependence on coal, and
- increasing self reliance in coal production.
- India imported 186 million tonnes of coal in 2019-20.

MINERAL SECTOR

- **Distinction** between **captive and non-captive mines has been removed**. This will allow transfer of mining leases and sale of surplus unused minerals.
- A seamless composite exploration-cum-mining-cum-production regime would be introduced.
- 500 mining blocks would be offered through an open and transparent auction process.
- Joint auction of bauxite and coal mineral blocks would be conducted.

Reasons for reforms:

- enhancing private investments in the mineral sector,
- bringing state-of-the-art technology especially in exploration, and
- boosting growth in the mining sector.

DEFENCE SECTOR

1. **Increase in FDI Limit to 74 Per cent:** Foreign Direct Investment (FDI) limit in the defence manufacturing under automatic route will be raised from 49% to 74%.
2. **Self Reliance in Defence Production:** Under 'Make in India' indigenous (domestic) defence production will be promoted for enhancing self reliance and reducing import dependence.
   a. A **list of weapons/platforms** banning imports would be notified with year wise timelines for ban.
   b. Spares which are currently being imported would be produced indigenously.
   c. A **separate budget** would be provided for domestic defence procurement.
3. 'Ordnance Factory Board' would be corporatised to provide autonomy, enhance accountability and efficiency in Ordnance Supplies.
4. Project Management Unit (PMU) would be set up for time-bound defence procurement process and faster decision making in defence issues.

CIVIL AVIATION SECTOR

1. **Easing of restrictions on Air Space:**

   Restrictions on utilisation of the Indian Air Space will be eased. At present only 60 per cent of Indian airspace is being utilised.Easing of restrictions will lead to optimal utilisation of airspace; reduction in fuel use, and time besides positive environmental impact due to reduction of carbon emissions.

2. **World class Airports through Public Private Partnership (PPP):**

   6 world-class airports would be developed through Public Private Partnership (PPP) in addition to the 6 airports awarded under PPP. Total private investment in these 12 airports is around Rs. 13,000 crores.

POWER SECTOR

1. **Progressive Reduction of Cross Subsidies:**

   Tariff Policy will be reformed through **progressive reduction of cross subsidies.** All subsidies will be shifted to Direct Benefit Transfer (DBT) mode.

2. **Generation and transmission project developers** will be selected competitively.
3. **Privatisation of Distribution in UTs:**

   Power Utilities in Union Territories will be privatised. This will lead to better service to consumers and improvement in operational and financial efficiency in Distribution.

   This will also provide a model for emulation by other Utilities across the country.

SPACE SECTOR:

1. **Space sector** would be opened **to private players.**
2. **Private sector** will be **allowed to use ISRO facilities** and other relevant assets to improve their capacities.
3. Future projects **for planetary exploration, and outer space travel** will also be **open for private sector.**

4. A liberal geo-spatial data policy would be unveiled for providing remote-sensing data to tech-entrepreneurs.

ATOMIC ENERGY RELATED REFORMS

- A research reactor would be set up in Public private Partnership (PPP) mode for production of medical isotopes.
- Facilities would be established in PPP mode to use irradiation technology for food preservation.
- India's robust start-up ecosystem will be linked to nuclear sector.
- Technology Development-cum-Incubation Centres will be set up for fostering synergy between research facilities and tech-entrepreneurs.

Governance and Administrative Reforms for Agriculture Sector

Highlights:

On May 15, 2020, the Union Government announced

1. amendments to Essential Commodities Act to enable better price realisation for farmers,
2. agriculture marketing reforms to provide marketing choices to farmers, and
3. a legal framework for contract farming.

Details:

1. **Amendments to Essential Commodities Act to enable better price realisation for farmers:**

   Essential Commodities Act, 1955 was enacted in days of scarcity.

   At present, there is need **to enable better price realisation for farmers** by attracting investments and making agriculture sector competitive.

   Drawbacks of Essential Commodities Act, 1955:

   1. It is leading to harassment of traders on the suspicion of hoarding, and black marketing.
   2. It disincentivises investments in warehousing and storage facilities due to frequent and unpredictable imposition of stock limits.
   3. Food processors and exporters need to stock commodities for longer periods of time. But frequent and unpredictable imposition of stock limits does not allow such storage.
   4. Free trade and flow of commodities from surplus areas to markets with higher demand is hindered.
   5. The Act also distorts markets by increasing uncertainty and discouraging the entry of large private sector players into agricultural-marketing.

   Hence, **Government will amend Essential Commodities Act**.

   1. **Agriculture food stuffs** including **cereals, edible oils, oilseeds, pulses, onions and potato would be deregulated.**
   2. Stock limit would be imposed only under very exceptional circumstances like national calamities, famine with surge in prices.
   3. Food processors will be exempt from stock limits to the extent of their installed capacity
   4. Exporters also will be exempted from the stock limits.

2. **Agriculture Marketing Reforms:**

   Farmers are bound to sell agriculture produce only to Licensees in Agriculture Produce Market Committees (APMCs)

   This has resulted in

a) hindrances in free flow of agricultural produce and fragmentation of markets and supply chain, and

b) low price realiation for farmers.

Hence, a Central law will be formulated to provide

a) barrier free Inter-State Trade; and

b) a framework for e-trading of agriculture produce.

Above measures would provide adequate choices to the farmer to sell their produce at remunerative price.

3. **Agriculture Produce Pricing and Quality Assurance:**

Contract Farming:

The Government will finalise a ***facilitative legal framework*** to enable farmers to engage with processors, aggregators, large retailers, exporters etc. in a fair and transparent manner.

Risk mitigation for farmers, assured returns and quality standardisation will be integral part of the framework.

Government Announces Relief Measures for Businesses, MSMEs and Salaried Workers

On May 13, 2020, the Union Government announced the following measures for the Businesses and Micro Small and Medium Enterprises.

1. **3 lakh crore collateral free Emergency loan scheme to provide working capital:**

   3 lakh crore collateral free loan scheme (called Emergency Credit Line to Businesses and MSMEs) for meeting their working capital requirements.

   Borrowers with up to 25 crore outstanding loan and Rs. 100 crore turn over are eligible. They can borrow up to 20 per cent of their outstanding loan from Banks and Non Banking Financial Institutions (NBFCs). The Union Government would provide sovereign guarantee to these new emergency loans.

   This new emergency facility will help 45 lakh units to resume business activity and safeguard jobs.

2. **Subordinate Debt for Stressed MSMEs**

   There are 2 lakh MSMEs which are stressed or considered as non-performing assets (NPAs).

   The Centre will **facilitate provision** of ₹20,000 crore as subordinate debt through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

   Subordinate debt is an unsecured debt. In the case of borrower default, creditors who own subordinated debt are paid only after all other corporate debts and loans are repaid.

   Promoters of MSMEs will be given debt by the Banks which will be infused as equity by the promoters whose units which are under stress stressed or considered as non-performing assets (NPAs).

   Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) will provide partial credit guarantee for subordinated debt.

3. **Rs 50,000 crores Equity Support to SMSEs:**

   Govt will set up a Fund of Funds with a corpus of Rs 10,000 crore that will provide equity funding support for MSMEs. The Fund of Funds is expected to mobilise equity of about Rs 50,000 crores.

4. New definition of MSME:

Definition of MSME has been revised by raising the Investment limit.

An additional criteria of turnover is also being introduced in addition to investment in plant and machinery. The **distinction between manufacturing and service sector** will also be **eliminated.**

5. No Global tenders for Government tenders of up to Rs 200 crores.

General Financial Rules (GFR) of the Government will be amended to disallow global tender enquiries in procurement of Goods and Services of value of less than Rs 200 crores.

6. Rs 30,000 crores Special Liquidity Scheme for NBFC/HFC/MFIs

Non Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), and Micro Finance Institutions (MFIs) are finding it difficult to raise money in debt markets.

Hence, the Government will launch Rs 30,000 crore Special Liquidity Scheme for investing in debt papers of **NBFCs, HFCs and MFIs.**

7. Rs 45,000 crores Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs

Existing Partial Credit Guarantee scheme will be revamped and extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs).

8. Rs 90,000 crore for Power DISCOMs (Distribution Companies):

Power distribution companies are facing an unprecedented cash flow crisis. The dues of discoms to power generation and transmission firms are to the tune of Rs. 94,000 crore.

Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will provide Rs. 90,000 crore loans to power distribution companies. These loans should be guaranteed by respective state governments. State-owned PFC and REC have $80 billion by assets and are the largest lenders to the sector.

This amount will be used by DISCOMS to pay their dues to Transmission and Generation companies.

9. Relief to Contractors

All central agencies like Railways, Ministry of Road Transport and Highways, and Central Public Works Department (CPWD) will give extension of up to 6 months for completion of contractual obligations.

10. Six Months Extension for Real Estate Projects:

Registered real estate projects will get a six-month extension, with COVID-19 to be treated as a "force majeure" event (unforeseen event which is beyond the control of developer). This period may be further extended by another 3 months based on the State's situation.

11. Tax Relief to Business

The pending income tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives would be issued immediately.

12. EPF Contribution Reduced for Employers and Employees for 3 months

Statutory Provident Fund (PF) contribution of both employer and employee has been reduced to 10% each from existing 12% each for all establishments covered by Employee provident Fund organisation (EPFO) for next 3 months.

This will provide liquidity of about Rs.6,750 crore to employees and employers over a period of 3 months.

13. Employees Provident Fund Contribution Support for business and organised workers

Under Pradhan Mantri Garib Kalyan Package, Government of India is paying 12% contribution each of both employer and employee to Employee Provident Fund (EPF) for organisations employing workers up to 100 and 90 per cent of them having salary up to Rs.15,000.

This facility was for 3 months i.e. March, April, and May 2020. This has been extended for another 3 months June, July and August 2020.

This will provide liquidity of Rs 2500 crores to 72.22 lakh employees.

14. Tax related measures

In order to provide more funds at the disposal of taxpayers, the rates of Tax Deducted at Source (TDS) for all non-salaried payment to residents, and Tax Collected at Source (TCS) for sellers of specified goods will be reduced by 25 percent of the specified rates for the remaining period of Financial Year 2020-21. This will provided liquidity to the tune of Rs 50,000 Crore.

The due date of all Income Tax Returns for Assessment Year 2020-21 will be extended to November 30, 2020.

The date for making payment without additional amount under the "Vivad Se Vishwas" scheme (Dispute Resolution Scheme for Direct Taxes) will be extended to December 31, 2020.

Government Announces Relief Measures for Vulnerable Sections and Middle Class

On May 14, 2020, the Union Government announced the following relief measures for the poor and vulnerable sections like migrants, urban poor, street vendors, tiny businesses, and small and marginal farmers.

Highlights:

- Free food grains supply to migrants for 2 months,
- implementation of 'One Nation one Ration Card' by March 2021 to enable migrants to access PDS(Ration) from any Fair Price Shop in India,
- Scheme for Affordable Rental Housing Complexes for Migrant Workers and Urban Poor,
- 2% Interest Subvention for 12 months for Shishu MUDRA loanees,
- Rs 5000 crore credit facility for street vendors,
- Rs70,000 crore boost to housing sector of middle income group through extension of Credit Linked Subsidy Scheme for MIG under PMAY(Urban),
- Rs 6,000 crore for creating employment for the poor and tribals using Compensatory Afforestation Management & Planning Authority (CAMPA) funds,
- Rs 30,000 crore additional emergency working capital for small and marginal farmers through NABARD, and
- Rs 2 lakh crore concessional credit boost to 2.5 crore farmers under Kisan Credit Card Scheme.

Details:

Migrants:

- Migrants were subject to huge suffering due to nationwide lockdown imposed to control the transmission of coronavirus disease.
- They lost their livelihoods in cities due to lockdown. As a result, they could not afford food and shelter in cities.
- For the welfare of migrants, the Government announced the following **short** and **long term measures.**

Free Food Grains Supply to Migrants for 2 months:

- Migrants who are not covered under National Food Security Act or without a ration card in the State/UT in which they are stranded will be provided 5 kg of grains per person and 1 kg Chana per family per month for two months i.e. May and June, 2020 free of cost.
- 8 Lakh MT of food-grains and 50,000 MT of Chana will be allocated.
- About 8 crores migrants are expected to benefit.
- Rs. 3500 Crore will be spent on this intervention for 2 months.
- Cost will be fully borne by the Government of India
- State Governments are responsible for implementation, identification of migrants and food distribution.

'One Nation One Ration Card' by March, 2021:

- At present, migrant families are not able to access food in other states through Public Distribution System (PDS).
- The Union Government is already implementing pilot project for portability of ration cards under which cardholders can access PDS Ration from any Fair Price Shop in India.
- This project called 'One Nation One Ration' will be extended to 23 states by August 2020.
- By this, 67 crore beneficiaries covering 83% of PDS population will be covered by National portability of Ration Cards.
- **100% National portability will be achieved by March, 2021.**
- This scheme will enable migrant workers and their family members to access PDS benefits from any Fair Price Shop in the country.

Affordable Rental Housing Complexes for Migrant Workers and Urban Poor:

- Migrant labour and urban poor face challenges in getting houses at affordable rent.
- Government will launch a scheme under *Pradhan Mantri Awas Yojana* (PMAY) for migrant labour and urban poor to provide housing at affordable rent by;
  1. converting government funded housing in the cities into Affordable Rental Housing Complexes (ARHC) under Public Private Partnership (PPP) mode;
  2. incentivising manufacturing units, industries, institutions, associations to develop Affordable Rental Housing Complexes (ARHC) on their private land and operate; and
  3. incentivising State Government Agencies / Central Government Organisations to develop Affordable Rental Housing Complexes (ARHC) and operate.

2% Interest Subvention for 12 months for Shishu MUDRA loanees:

- Small businesses under MUDRA have been disrupted the most by COVID. This has also impacted their capacity to pay EMIs. Loan moratorium has already been granted by RBI.
- The current portfolio of MUDRA-Shishu loans is around Rs 1.62 Lakh crore. Maximum loan amount under MUDRA-Shishu loans is 50,000 Rs.
- Government of India will provide Interest Subvention of 2% for prompt payees for a period of 12 months.
- This would provide relief of Rs 1500 crore to MUDRA-Shishu loanees

Rs 5,000 crore Credit facility for Street Vendors

- A special scheme will be launched to facilitate easy access to credit to Street vendors, who are also amongst the most adversely impacted by COVID.

- 50 lakh street vendors will be benefitted under this scheme.
- Credit of Rs. 5,000 crore would flow to them.
- Initial working capital up to Rs. 10, 000 would be provided for each street vendor. This would enable them to restart their businesses.
- This scheme will cover urban as well as rural vendors doing business in the adjoining urban areas.
- Use of digital payments and timely repayments will be incentivised through monetary rewards.

Rs 70,000 crore for Housing Sector and Middle Income Group:

- The Credit Linked Subsidy Scheme for Middle Income Group (annual Income between Rs 6 and 18 lakhs) was operationalised from May 2017 and extended up to March 31, 2020. So far, 3.3 lakh middle class families benefitted from the scheme.
- Under the Credit Linked Subsidy Scheme for Middle Income, the Union Government provides 4 per cent interest subsidy for Middle Income Group I (those with annual household income between Rs. 6 to 12 lakhs) and 3 per cent Middle Income Group II (those with annual household income between Rs. 12 to 18 lakhs.
- This scheme will be extended up to March 2021.
- This will benefit 2.5 lakhs middle income families during 2020-21 and will lead to investment of over Rs 70,000 crore in housing sector.
- This will create significant number of jobs by giving boost to Housing sector.
- This will also stimulate demand for steel, cement, transport and other construction materials.

Rs 6,000 crore for Creating employment using CAMPA funds

- Approximately Rs 6,000 crore of funds under Compensatory Afforestation Management & Planning Authority (CAMPA) will be used for Afforestation and Plantation works in rural and urban areas.
- Funds will be used for
  a) Artificial Regeneration of forests, assisted Natural Regeneration,
  b) Forest management, soil & moisture conservation works,
  c) Forest protection, forest and wildlife related infrastructure development,
  d) Wild Life protection and management, etc.
- Government of India will grant immediate approval to these plans amounting to Rs 6000 crore.
- This will create job opportunities in urban, semi-urban and rural areas and also in Tribal areas (Adivashis).

About CAMPA Funds:

- These are funds collected whenever a forest land is diverted for non-forest purposes by taking into account the net present value of the forest area diverted, cost of compensatory afforestation, etc. These funds are used for compensatory afforestation activities.

Rs 30,000 crore Additional Emergency Working Capital for farmers through NABARD

- Regional Rural Banks (RRBs) and Rural Cooperative banks are main source of credit for Small farmers (owning up to two hectare) and Marginal Farmers (owning up to one hectare).
- NABARD will extend additional refinance support of Rs. 30,000 crore for crop loan requirement of Rural Co-op Banks & RRBs.
- This is over and above Rs 90,000 crores to be provided by NABARD through the normal refinance route during this year
- This facility will benefit around 3 crore farmers - mostly small and marginal farmers and meet their post harvest (Rabi) & Kharif requirement in May and June 2020.

Rs 2 lakh crore credit boost to 2.5 crore farmers under Kisan Credit Card Scheme

- A special drive to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards.
- Fisherman and Animal Husbandry Farmers will also be included in this drive.
- This will inject additional liquidity of Rs 2 lakh crore in the farm sector.
- 2.5 crore farmers will be covered.

FISCAL POLICY:

Union Government Raises Its Borrowings Limit to Rs.12 lakh Crore in 2020-21

- On May 8, 2020, the Union Government increased its market borrowings target from

  7.9 lakh crore to

  12 lakh crores for **2020-21 financial year**.
- The revised target is **50 per cent more than the original estimate** for 2020-21.
- Government resorts to market borrowings by issuing Government securities to make up for mismatch between its revenue and expenditure. This is called Fiscal Deficit.
- The estimated Fiscal Deficit for 2020-21 was 3.5 Per cent of GDP. With increase the targeted borrowings, Fiscal deficit could widen to 6 per cent of GDP.

Reasons for Increasing the Borrowing Target:

1. **Shortfall in revenues:**

   There would be shortfall in revenue collections due to the impact of COVID and subsequent lockdown which severely affected economic activities.
2. **Additional Expenditure by the Government:**

   The Government also took relief measures for various sections (poor and migrant labourers) and businesses (MSMEs, NBFCs, HFCs, etc) to mitigate the impact of COVID which involves more spending by the Government.

Borrowing Limits of State Governments Increased to 5 Per cent of GSDP with Conditions

- On May 17, 2020, the Union Government increased the borrowing limits of States from

  3% of Gross State Domestic Product (GSDP) to

  5% of Gross State Domestic Product (GSDP).
- **Benefit:** States can raise **Rs. 4.28 lakh crore** through additional borrowings.
- This **relaxation** is **only for 2020-21 financial year.**

Conditions:

- Out of additional 2 % increase in borrowing limit,
- 0.50% increase is unconditional,
- 1 % linked to reform actions in the following areas.
  a) 0.25%: Universalisation of 'One Nation One Ration card'.
  b) 0.25%: Ease of Doing Business.
  c) 0.25%: Power distribution reforms.

d) 0.25%: Urban Local Body revenues.

- Further, 0.50% increase if milestones are achieved in at least three out of four reform areas.

Borrowings of States at 3 % of GSDP:

- In rupee terms, Borrowing ceiling of States for 2020-21of States is **Rs. 6.41 lakh crore,** based on 3 per cent of Gross State Domestic Product (GSDP).
- 75 per cent thereof was authorised to them in March 2020 itself and timing was left to the States.
- States have, so far, borrowed only 14 per cent of the limit authorised. 86 per cent of the authorised borrowing remains unutilised.

Other Transfers to the States:

1. **Devolution of Taxes :** Rs. 46,038 crore was transferred to states in April 2020 as their share in devolution of taxes even though actual revenue shows unprecedented decline from Budget Estimates due to COVID.
2. **Revenue Deficit Grants:** Rs. 12,390 crore has been given to states as revenue deficit grants in April and May 2020, despite the Centre's stressed resources.
3. **State Disaster Response Funds (SDRF) :** Rs.11,092 crores State Disaster Response Funds (SDRF) were transferred to states in advance in the first week of April 2020 as COVID has been declared as a 'notified disaster'.
4. **COVID Response Allocation:** Rs. 4,113 crore was released by the Union Health Ministry for strengthening response to COVID activities (setting up of COVID hospitals, laboratories, buying personal protective equipment, procuring essential medical supplies, etc.)
5. **Raise in Ways & Means Advance Limits:** In addition, at the Centre's request, the RBI has increased "Ways & Means Advance limits of States by 60 per cent.
6. **Overdraft Limit Relaxation:** The number of days the State can be in continuous overdraft has been increased from 14 to 21.

   The number of days the State can be in overdraft in a quarter has been increased from 32 to 50 days.

MONETARY POLICY:

Reserve Bank of India Cuts Repo Rate to 4 Per cent

- On May 22, 2020, the Monetary Policy Committee (MPC) of Reserve Bank of India (RBI) **reduced the Repo rate from**

  4.40 Per cent to

  4 Per cent.
- Repo Rate is the rate at which Banks borrow from the Reserve Bank of India for meeting its short term fund requirements.

Reasons for Rate Cut:

- COVID has destroyed economic activities and livelihood opportunities. The rate cut is intended to make credit more affordable and revive consumption demand and investment.

Impact:

- This measure is expected to bring down the lending rates and deposit rates.

Other Measures Announced by the RBI:

Refinancing Facility for Small Industries Development Bank of India (SIDBI)

- The RBI in April 2020 announced a special refinance facility of Rs. 15,000 crore to SIDBI at RBI's policy repo rate for a period of 90 days for on-lending/refinancing. In order to provide greater flexibility to SIDBI, it has been decided to roll over the facility at the end of the 90th day for another period of 90 days.

Rs.15,000 Crore Liquidity Facility for Exim Bank of India:

- EXIM (Exports Imports) Bank predominantly relies on foreign currency resources raised from international financial markets for its operations. Due to COVID pandemic, EXIM Bank is facing challenges to raise funds in international debt capital markets.
- Hence, the RBI has been decided to extend a line of credit of ₹15,000 crore to the EXIM Bank for a period of 90 days from the date of availment with rollover up to a maximum period of one year. This will enable it to avail a US dollar swap facility to meet its foreign exchange requirements.

Extension of Time for Payment for Imports:

- COVID-19 related disruptions to cross-border trade have led to slowdown in manufacturing/sale of finished products, and delay in realisation of sale proceeds, both domestically and overseas. This has elongated the operating cycle for business entities.
- However, at present, remittances for normal imports (excluding import of gold/diamonds and precious stones/jewellery) into India are required to be completed within a period of six months from the date of shipment by the overseas supplier under the Foreign Exchange Management Act (FEMA).
- Due to the impact of COVID, RBI decided to extend the time period for completion of remittances against normal imports into India from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.
- The measure will provide greater flexibility to importers in managing their operating cycles in a COVID-19 environment.

Extension of Moratorium on Term Loan Instalments

- On March 27, 2020, the RBI permitted all lending institutions to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.
- In view of the extension of the lockdown and continuing disruptions on account of COVID-19, RBI permitted the lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020.

Consolidated Sinking Fund:

States to Get Rs. 13,300 Crore from Consolidated Sinking Fund

On May 22, 2020, the Reserve Bank of India (RBI) announced relaxation of rules governing withdrawal from Consolidated Sinking Fund (CSF) for the year 2020-21.

With this relaxation, states would get additional funds of Rs.13,300 crore.

What is Consolidated Sinking Fund (CSF)?

- It was set up by the Reserve Bank of India in 1999.
- State Governments maintain the Consolidated Sinking Fund (CSF) with the Reserve Bank as a buffer for repayment of their liabilities.
- The 12th Finance Commission recommended that all states to set up Consolidated Sinking Fund (CSF) with the RBI.
- Under the Consolidated Sinking Fund (CSF) scheme, a state government could contribute 1 to 3% of their annual outstanding debt liabilities to the Consolidated Sinking Fund (CSF) to create a buffer for repayment of their future liabilities.
- The amount in the CSF is invested in the Government of India securities.

- The interest earned on the investments in securities should be used the State Government for redemption of its outstanding liabilities. Redemption means repayment of interest and principle amount of borrowings.
- **Special Drawing Facility:** Net incremental annual investment of states (outstanding balance over and above the level in corresponding period of the previous year) in CSF is eligible for Special Drawing Facility. Under the Special Drawing Facility, States borrow from RBI at 2 per cent below the repo rate.

Present Funds in Consolidated Sinking Fund:

- The CSF has accumulated reserves worth Rs 1.3 lakh crore as on March 31, 2020.
- Barring Uttar Pradesh, Madhya Pradesh, Rajashthan, Jharkhand, Himachal Pradesh and Jammu & Kashmir (now a UT), all States have CSF.

States with highest corpus in CSF:

Maharashtra : Rs.37,252 crore

Gujarat : Rs.13,004 crore,

Odisha : Rs. 12,759 crore,

West Bengal : Rs. 10,503 crore

Bihar : Rs. 7,524 crore.

Detailed Guidelines to be Issued by RBI:

Detailed guidelines relaxing the rules governing withdrawal from Consolidated Fund will be announced by the Reserve Bank of India.

BANKING:

IBC:

Government Announces Changes to Insolvency and Bankruptcy Code

On May 17, 2020, the Union Government announced following changes to the Insolveny and bankruptcy Code (IBC).

1. Minimum threshold to initiate insolvency proceedings has been raised to Rs. 1 crore from Rs. 1 lakh. This measure largely insulates Micro, Small and Medium Enterprises (MSMEs).
2. Special insolvency resolution framework for MSMEs under Section 240A of the Code will be notified.
3. Fresh initiation of insolvency proceedings would be suspended up to one year.
4. Central Government would be empowered to exclude COVID 19 related debt from the definition of “default” under the Code for the purpose of triggering insolvency proceedings.

About Insolvency and Bankruptcy Code, 2016:

- The Insolvency and Bankruptcy Code, 2016 was enacted to resolve insolvency issues (defaults) in a time bound manner. When a default in repayment occurs, creditors gain control over debtor’s assets and must take decisions to resolve insolvency.
- It was enacted by consolidating all the laws relating to insolvency resolution.
- Defaults of corporate companies, partnership firms and individuals are covered under the Insolvency and Bankruptcy Code, 2016.
- The proceedings of the resolution process will be adjudicated by the National Companies Law Tribunal (NCLT), for companies and the Debt Recovery Tribunal (DRT) for individuals

Need for Insolvency and Bankruptcy Code:

- The Code was necessitated due to huge pile-up of non-performing loans of banks and delay in debt resolution.
- Insolvency resolution in India took 4.3 years on an average against other countries such as United Kingdom (1 year) and United States of America (1.5 years).
- Through time bound resolution of insolvency,
- Non Performing Assets of Banks can be reduced, and
- Bank capital can be deployed more productively.

NBFCs:

‘Partial Credit Guarantee Scheme for NBFCs and HFCs’ Modified

In May 2020, the Union Government modified the ‘Partial Credit Guarantee Scheme for Non Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs)’.

What is Partial Credit Guarantee Scheme for NBFCs and HFCs?

- Under Partial Credit Guarantee scheme, which was launched in December 2019, banks can purchase high rated pooled assets (rated BBB+ or above) from NBFCs & HFCs.
- The Government guarantees for the losses suffered by Banks.
- This guarantee is limited to first loss of up to 10% of assets or Rs. 1 lakh crore of assets whichever is lower.

What are Pooled Assets?

- A pool of assets is a classification of loan portfolio for securitisation.

  Securitisation means converting financial assets (similar types of consumer loans, example: home loans) into securities and selling them.
- A pool of assets (say home loan of a particular size or geography) are sold by a NBFC / HFC to banks in return of upfront payment.
- The NBFC gets the much needed funds and the bank gets the interest paying assets.

Modifications to the Partial Credit Guarantee Scheme:

Widening the Coverage:

- Earlier, NBFCs/HFCs accounts reported as Special Mention Account-0 (SMA-0) on technical reasons was eligible.
- Now, NBFCs/HFCs accounts reported as SMA-1 or SMA-2 have also been made eligible.

Relaxation of Profit Criteria:

- Earlier, the NBFC/HFC should have made a net profit in at least one of the financial years of 2017-18 and 2018-19.
- Now, another year has been added i.e. 2019-20. NBFC/HFC should now have made a profit in at least one of the financial years of 2017-18, 2018-19 and 2019-20.

Extension of the Scheme:

- The operation of the scheme has been extended from original period June 30, 2020 to March 31, 2021.

New Rs. 10000 Crore Facility:

- The Union Government also approved following changes to the Partial Credit Guarantee Scheme to address temporary liquidity/ cash flow mismatches of NBFCs/ HFCs/ MFIs without having to resort to distress sale of their assets for meeting their commitments,

- A new 10,000 crore partial credit guarantee facility has been opened.
- Under this, Government would provide sovereign guarantee 20 per cent of pooled assets.
- Bonds or Commercial Papers (CPs) with a rating of AA and below (including unrated paper with original/ initial maturity of up to one year) issued by NBFCs/ HFCs have been made eligible for sovereign guarantee.
- State-owned banks can purchase above bonds or commercial papers of NBFCs, MFIs and housing finance companies (HFCs).

Additional information:

Special Mention Accounts:

Before a loan account turns into a NPA, banks are required to identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given in the table below:

SMA Sub-categories	Basis for classification
SMA-0	Principal or interest payment overdue for a period of 30 days after the due date of payment. This means account is showing signs of incipient stress
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

Non Performing Asset:

A loan account which has remained overdue for 90 days or more is classified as a Non-Performance Assets (NPA).

Rating of Assets:

Rating Agencies assess credit risk of a company (Public as well as Private) and provide credit worthiness rating.

This rating is used as benchmark for investment decisions.

Three most prominent rating agencies in the world are

1. Standard & Poor’s;

2. Moody’s investor services; and

3. Fitch Ratings.

The rating is given in letters (A, B, etc,) based on the risk.

Example: Standard & Poor gives the following rating for credit risks

AAA	This is the highest rating. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.
AA	An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.
A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.
BBB	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
BB, B, CCC, CC, and C	Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest.

Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Note: The above list is only indicative and not exhaustive.

Rs. 30,000 Crore Special Liquidity Scheme for NBFCs/HFCs

In May 2020, the Union Government approved a 'Special Liquidity Scheme for Non Banking Finance Companies (NBFCs) and Housing Finance Companies (HFCs)' to improve their liquidity position.

Details:

- A special purpose vehicle (SPV) would be set up by a large public sector bank.
- A Stressed Asset Fund (SAF) would be set up by the SPV.
- Special Purpose Vehicle would issue special securities under the Stressed Assets Fund.
- These securities would be guaranteed by the Government of India and purchased by the Reserve Bank of India (RBI).
- The proceeds of sale of such securities would be used by the SPV to acquire short-term debt of NBFCs/HFCs (maturity up to 3 months) which is in investment grade.
- To be qualified as investment grade debt, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's. Anything below this 'BBB' rating is considered non-investment grade.
- The scheme will be administered by the Department of Financial Services, which will issue the detailed guidelines.
- This Rs.30,000 crore Special Liquidity Scheme is in addition to the Partial Credit Guarantee Fund for Non Banking Finance Companies (NBFCs) and Housing Finance Companies (HFCs)'.

Difference between Partial Credit Guarantee Scheme and Partial Credit Guarantee Scheme:

- Partial Credit Guarantee Scheme which involves multiple bilateral deals between various public sector banks and NBFCs.
- The Special Liquidity Scheme would be a one-stop arrangement between the Special Purpose Vehicle SPV and the NBFCs.
- Thus, the Special Liquidity Scheme is likely to be easier to operate and also augment the flow of funds from the non-bank sector.
- But, Special Liquidity Scheme would be beneficial for only investment grade debt of NBFCs and HFCs, while under the Partial Credit Guarantee Scheme even unrated bonds issued by the NBFCs and HFCs are eligible.

INDUSTRY:

Public Sector Enterprise Policy for a New Self-reliant India

On May 17, 2020, the Union Government announced a new Public Sector Enterprises (PSEs) Policy.

1. List of strategic sectors requiring presence of PSEs in public interest will be notified
2. In strategic sectors, at least one enterprise will remain in the public sector, but private sector will also be allowed
3. In other sectors, Public Sector Enterprises (PSEs) will be privatised.

MSMEs:

Rs 3 Lakh Crore 'Emergency Credit Line Guarantee Scheme' to Provide Additional Funding to MSMEs and MUDRA Loan Borrowers

- In May 2020, the Union Government approved **'Emergency Credit Line Guarantee Scheme'** to provide additional funding up to Rs.3 lakh crores to eligible Micro, Small and Medium Enterprises (MSME) and interested MUDRA loan borrowers.

What is the Need for the Scheme?

- SMSEs contribute significantly to the Indian economy in terms Gross Value Addition (31 per cent), Exports (48 per cent) and Employment generation (11crore).
- COVID-19 and the consequent lockdown has severely impacted MSME sector.
- The Scheme aims at mitigating the economic distress being faced by MSMEs and MUDRA loan borrowers.

Significance of the Scheme:

- Additional funding up to Rs.3 lakh crores would be provided by Lending Institutions (Banks, Financial Institutions (FIs) and Non-Banking Financial Companies) to eligible Micro, Small and Medium Enterprises (MSME) and interested MUDRA loan borrowers.
- The Government would provide **100 per cent guarantee** for any **losses suffered** by Lending institutions due to non-repayment by borrowers.
- Since there is 100 per cent guarantee from the Government for losses of borrowers, it would act as an incentive to lending institutions to increase lending to borrowers under this scheme. This would enhance availability of additional funds to SMSEs and MUDRA loan borrowers.

Who are Eligible for the Scheme:

- MSMEs and Business Enterprises with outstanding loan up to Rs. 25 crore and turnover up to Rs. 100 crore in 2019-20.
- Additional funding would be given up to 20 per cent of outstanding credit.
- Loans will be given for a maximum of four years.
- Interest rate charged is capped at 9.25 per cent for banks and 14 per cent for NBFCs..
- The Scheme would be implemented by the National Credit Guarantee Trustee Company Limited (NCGTC).
- A corpus of Rs. 41,600 crore would be provided to the NCGTC for the implementation of the Scheme.

Additional information:

MUDRA Loans:

- MUDRA Loans are given under the Pradhan Mantri MUDRA Yojana (PMMY) scheme launched in 2015.
- Under the MUDRA scheme, loans up to 10 lakh are provided to the non-corporate small/micro enterprises.
- The biggest bottleneck to the growth of entrepreneurship in the Non–Corporate Small Business Sector (NCSBS) is lack of financial support to this sector. More than 90% of this sector does not have access to formal sources of finance.
- Hence, the Government set up Micro Units Development & Refinance Agency (MUDRA) Ltd., for catering to the needs of the Non–Corporate Small Business Sector (NCSBS) segment.

- Non–Corporate Small Business Segment (NCSB) comprise of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.

National Credit Guarantee Trustee Company Limited (NCGTC).

- The Union Government has set up various credit guarantee funds through announcements in the Union Budgets.
- In 2014, National Credit Guarantee Trustee Company Ltd (NCGTC) was set up by the Department of Financial Services, Ministry of Finance, Government of India to act as a common trustee company to manage and operate various credit guarantee trust funds.

The following are the current Trust Funds under the trusteeship management of NCGTC:

1) Credit Guarantee Fund for Skill Development (CGFSD)

Guarantees for Skill Development Loans by the member banks up to ₹ 1.5 lakh extended without collateral or third-party guarantee and the fund has a Target of 10-20 lakh loans to be guaranteed in a year.

2) Credit Guarantee Fund for Education loans (CGFEL)

Guarantees for Education Loans by the member banks up to ₹ 7.5 lakh extended without collateral or third-party guarantee and the fund has a Target of 10 lakh loans to be guaranteed in a year.

3) Credit Guarantee Fund for Factoring (CGFF)

Guarantees for domestic factored debts of MSMEs.

Debt factoring is a financial arrangement in which a *factoring* company takes responsibility for collecting money relating to a business's invoices, and immediately pays that business part of the total amount owed on the invoices. Businesses can improve cash flows through *debt factoring. Invoices are sold to factoring company at a discount in return for quick cash flows.*

4) Credit Guarantee Fund for Micro Units (CGFMU)

Guarantees for loans up to the specified limit(currently ₹ 10Lakh) sanctioned by Banks / NBFCs / MFIs / other financial intermediaries engaged in providing credit facilities to eligible micro units. Further, Overdraft loan amount of ₹ 5,000/- sanctioned under PMJDY accounts shall also be eligible to be covered under Credit guarantee Fund.

5) Credit Guarantee Fund for Standup India (CGFSI)

Guarantees for credit facilities of over ₹ 10 lakh & upto ₹ 100 lakh sanctioned by the eligible lending institutions, under the Stand Up India Scheme(SC/ST/Women for setting up Greenfield enterprises).

Micro, Small and Medium Enterprises (MSMEs) Definition Revised

- On May 13, 2020, the Union Government revised the Definition for Micro, Small and Medium Enterprises.
- Existing Criteria is based on investment in plant and machinery.
- In the revised definition, an additional criteria of turnover has been introduced in addition to investment in plant and machinery.
- The criteria for manufacturing and services units were different. This **distinction between manufacturing and service sector** has been **removed.**
- Micro, small and medium enterprises get incentives like
  1. lower interest rate on bank loans for purchase of plant and machinery,
  2. collateral-free loans (government provides guarantee for loans),

3. credit-linked capital subsidy for technology upgradation, and
4. preference in public procurement with 25 per cent of the purchases by the government are reserved for the micro and small players.

Existing MSME Criteria			
Investment in Plant and Machinery			
Classification	**Micro**	**Small**	**Medium**
Manufacturing Enterprise	Investment < Rs. 25 Lakhs	Investment < Rs. 5 Crore	Investment < Rs. 10 Crore
Service Enterprise	Investment < Rs. 10 Lakhs	Investment < Rs. 2 Crore	Investment < Rs. 5 Crore
Revised MSME Criteria			
Investment in Plant and Machinery			
Classification	**Micro**	**Small**	**Medium**
Manufacturing & Service Enterprise	Investment < Rs. 1 Crore and Turnover < 5 Crore	Investment < Rs. 10 Crore and Turnover < 50 Crore	Investment < Rs. 20 Crore and Turnover < 100 Crore

Impact of Revised Criteria:

- With the revision of investment limit, more MSMEs can avail Government benefits.
- But, there is also concern that bigger players in the medium enterprise category may corner grater benefits at the cost of micro and small firms. Banks would always prefer to lend to a company which has large cash flow.
- Hence, there is a demand that there should be separate schemes and incentives for the three different kinds of firms (Micro, Small and Medium) as their requirements are different.

AGRICULTURE:

Government Announces Measures for Agriculture, Fisheries and Food Processing Sector

On May 15, 2020, the Union Government announced measures to strengthen infrastructure, logistics and capacity building for Agriculture, Fisheries, and Food Processing Sectors**.**

Highlights:

- Rs 1 lakh croreAgri Infrastructure Fund for farm-gate infrastructure for farmers,
- Rs 10,000 crore scheme for formalisation of Micro Food Enterprises (MFE),
- Rs 20,000 crore for Fishermen through Pradhan Mantri Matsya Sampada Yojana (PMMSY),
- Rs. 15,000 crore for setting up of Animal Husbandry Infrastructure Development Fund ,
- promotion of Herbal Cultivation with an outlay of Rs 4,000 crore,
- promotion of beekeeping initiatives with an outlay of Rs 500 crore, and
- expansion of 'Operation Greens' to all fruits and vegetables.

Details:

Rs 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers

- Lack of adequate cold chain & Post Harvest Management infrastructure in the vicinity of farm-gate is causing gaps in creation of value chains.

- So far, focus has been on short term crop loans while investment in long term agriculture infrastructure has often not been enough.
- Hence, financing facility of Rs. 1,00,000 crore will be provided for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Start-ups, etc.)
- Impetus for development of farm-gate and aggregation point, affordable and financially viable Post Harvest Management infrastructure.
- Fund will be created immediately.

Impact of the Fund:

- Post-harvest losses and wastage would be minimised due to scientific storage facilities.
- Farmers would get better prices for their produce.
- Storage facilities also facilitate value addition of agricultural produce.

Rs 10,000 crore Scheme for Formalisation of Micro Food Enterprises (MFE)

- Unorganised Micro Food Enterprises (MFEs) units need technical upgradation to attain Food Safety and Standards Authority of India (FSSAI) food standards, build brands and marketing.
- Hence, the Government would launch a Rs. 10,000 crore scheme to support existing micro food enterprises, Farmer Producer Organisations, Self Help Groups and Cooperatives.
- Cluster based approach (e.g. Mango in UP, Kesar in J&K, Bamboo shoots in North-East, Chilli in Andhra Pradesh, Tapioca in Tamil Nadu etc.) would be adopted.
- Focus will be on women and SC/ST owned units and those in Aspirational Districts.
- Expected outcomes: Improved health and safety standards, integration with retail markets, reaching untapped export markets, and improved incomes to enterprises.

Rs 20,000 crore for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY)

- The Government will launch the PMMSY for integrated, sustainable, and inclusive development of marine and inland fisheries.
- Rs 11,000 crore would be provided for activities in Marine, Inland fisheries and Aquaculture and
- Rs. 9000 crore would be provided for Infrastructure - Fishing Harbours, Cold chain, Markets, etc.
- This will lead to
  a) additional fish production of 70 lakh tones over 5 years,
  b) employment to over 55 lakh persons, and
  c) doubling the exports to Rs 1,00,000 crore.

Animal Husbandry Infrastructure Development Fund - Rs. 15,000 crore

- Many areas in the country with high milk production have great potential for private investment in Dairy.
- Government aims to support private investment in Dairy Processing, value addition and cattle feed infrastructure
- An Animal Husbandry Infrastructure Development Fund of Rs. 15,000 crore will be set up.
- Incentives will be given for establishing plants for export of niche products.

Promotion of Herbal Cultivation: Outlay of Rs. 4,000 crore

- The National Medicinal Plants Board (NMPB) has supported 2.25 lakh hectare area under cultivation of medicinal plants.

- 10,00,000 hectares will be covered under Herbal cultivation in next two years with outlay of Rs. 4,000 crore. There will be network of regional *Mandis* for Medicinal Plants.
- This will lead to Rs. 5,000 crore income generation for farmers.
- National Medicinal Plants Board (NMPB) will also develop a corridor of medicinal plants along the banks of Ganga in 800 hectare area.

Beekeeping initiatives - Rs 500 crore

- Government will implement a scheme for Infrastructure development related to Integrated Beekeeping Development Centres, Collection, Marketing and Storage Centres, Post Harvest & value Addition facilities etc;
- This will lead to increase in income for 2 lakh beekeepers and quality honey to consumers.

From 'TOP' to TOTAL - Rs 500 crore

- "Operation Greens" run by Ministry of Food Processing Industries (MOFPI) will be extended from **Tomatoes, Onions and Potatoes (TOP)** to **all fruits and vegetables.**
- The Scheme would provide 50% subsidy on transportation from surplus to deficient markets, and 50% subsidy on storage, including cold storages.
- It will be launched as a pilot project for the next 6 months and will be expanded.
- This will lead to better price realisation to farmers, reduced wastage of fruits and vegetables, and affordability of products for consumers.

Fisheries:

Pradhan Mantri Matsya Sampada Yojana

- On May 20, 2020, the Union Government approved Pradhan Mantri Matsya Sampada Yojana.
- It is a scheme to bring about Blue Revolution in the fisheries sector by addressing critical gaps in fish production and productivity, quality, technology, post-harvest infrastructure, modernization and strengthening of value chain, sanitary and phyto-sanitary matters that impact the competitiveness of India's exports, etc.

The **major objectives** of the scheme are to

1. enhance fish production to

   220 lakh metric tons by 2024-25 from

   137.58 lakh metric tons in 2018-19. (An average annual growth rate of about 9%).
2. **increase in the contribution of fisheries** sector to the Agriculture GVA from 7.28% in 2018- 19 to about 9% by 2024-25,
3. **double export earnings** to about Rs.1,00,000 crores by 2024-25 (from Rs.46,589 crores in 2018-19),
4. **enhancing productivity** in aquaculture from the present national average of 3 tonnes to about 5 tonnes per hectare,
5. reduction of **post-harvest losses** from the reported 20-25% to about 10%,
6. enhancement of the **domestic fish consumption** from about 5-6 kg to about 12 kg per capita as fish is a affordable source of nutrition, and
7. **generating** about **55 lakhs direct and indirect employment opportunities** in the fisheries sector along the supply and value chain.

Thrust Areas under the Scheme:

Thrust will be given towards enhancement of fish production and productivity through following measures.

- Major investments in

  construction and modernization of Fishing Harbours and Landing centers for hygienic handling of fish,

  urban marketing infrastructure to deliver quality and affordable fish,

  development of state of the art whole sale fish markets, and retail markets,

  E-marketing and E-trading of Fish.
- promotion of high value fish species and establishing a national network of Brood Banks for all commercially important species,
- Support to fishermen for acquisition of technologically advanced fishing vessels for promotion of deep-sea fishing,
- strengthening extension services through 'sagar mitras' in coastal villages,
- creating post-harvest infrastructure,
- encouraging private participation and development of entrepreneurship for modernisation and strengthening of value chain, and
- enhancement of fisheries export competitiveness.

Investment:

- Under the scheme, an investment of Rs. 20,050 crores would be made in the fisheries sector out of which
- Central share of Rs. 9407 crore,
- State share of Rs 4880 crore and
- Beneficiaries contribution of Rs. 5763 crore.
- Implemention Period: 5 years (2020-21 to 2024-25).

Additional background Information:

Significance of Fisheries Sector:

- Fisheries and aquaculture are an important source of food, nutrition, employment and income in India.
- The sector provides livelihood to more than 20 million fishers and fish farmers at the primary level and twice the number along the value chain.
- The Gross Value Added (GVA) of fisheries sector in the national economy during 2018-19 stood at Rs 2,12,915 crores (current basic prices) which constituted 1.24% of the total National GVA and 7.28% share of Agricultural GVA.
- The sector has immense potential to double the fishers and fish farmers' incomes as envisioned by government.
- Foreseeing the immense potential for development of fisheries and for providing focused attention to the sector, the Government launched the Pradhan Mantri Matsya Sampada Yojana (PMMSY).

Food Processing:

'Scheme for Formalisation of Micro Food Processing Enterprises' Approved

On May 20, 2020, the Union Government approved 'Scheme for formalisation of Micro Food Processing Enterprises (FME)'

Objectives of the Scheme are

- increased access to credit for existing micro food processing entrepreneurs, women entrepreneurs and entrepreneurs in the Aspirational Districts,

- better integration with organised markets,
- increased access to common services like sorting, grading, processing, packaging, storage etc, and
- enabling micro enterprises to formalise, grow and become competitive.

Salient features of the scheme:

- **Outlay:** Rs. 10,000 crore.
- **Implementation:** 5 years. 2020-21 to 2024-25.
- It is a Centrally Sponsored Scheme. Expenditure will be shared between the Union Government and States in the ratio of 60:40
- Beneficiaries: 2,00,000 micro-enterprises would be assisted with credit linked subsidy.
- Micro enterprises will get credit linked subsidy @ 35% of the eligible project cost with ceiling of Rs.10 lakh.
- Beneficiary contribution will be minimum 10% and balance from loan.
- Seed capital will be given to SHGs (@Rs. 4 lakh per SHG) for loan to members for working capital and small tools.
- Grant will be provided to FPOs for backward/forward linkages, common infrastructure, packaging, marketing & branding.
- There would be special focus on women entrepreneurs and Aspirational districts.
- **Employment Potential:** 9 lakh skilled and semi-skilled jobs.

Need for the Scheme:

- 98% of the food processing enterprises in the country are unorganised and informal sector. In absolute numbers, there are estimated at 25 lakh units in unorganised sector.
- Out of the 25 lakh units 80% of them are family-based enterprises, and
- nearly 66 % of these units are located in rural areas.

Challenges:

- This sector faces a number of challenges including the
- inability to access credit,
- high cost of institutional credit,
- lack of access to modern technology,
- lack of integration with the food supply chain, and
- compliance with the health &safety standards.

Benefits of the Scheme:

- Strengthening this segment will lead to
- reduction in wastage,
- creation of off-farm job opportunities, and
- aid in achieving the overarching Government objective of doubling farmers' income.

INFRASTRUCTURE:

Viability Gap Funding:

Viability Gap Funding for Social Infrastructure Projects Enhanced to 30 Per cent of Total Project Cost

On May 15, 2020, the Union Government

- enhanced Viability Gap Funding (VGF) from 20 per cent to 30 per cent of the total project cost for social infrastructure, and
- announced that Rs.8,100 crore would be provided as Viability Gap Funding for social infrastructure proposed by Central Ministries, State Governments, and Statutory bodies (municipal bodies, etc.)

What is Viability Gap Funding?

- Viability Gap Funding is a grant provided by the Central Government for financially unviable projects in Public Private Partnership (PPP) mode.
- Such grant is provided when a private developer cannot recover his investments in a reasonable time. Example: toll fee collected on roads.
- The Central Government provides 20 per cent of the project cost as grant.
- State Government or a statutory body (municipalities) may provide additional grant of 20 per cent of the project cost as Viability Gap Funding.

Eligible Projects for Viability Gap funding:

- Both Physical Infrastructure and Social Infrastructure.
- **Physical Infrastructure:**

  Roads, Ports, Airports, Inland waterways, Power, Telecommunication towers, Oil and Gas Pipelines, Infrastructure projects in SEZs and internal infrastructure in National Investment and Manufacturing Zones, Irrigation, Urban Transport, Water supply, sewerage, solid waste management, tourism projects, international convention centres, Common infrastructure in agriculture markets, Cold chains and post harvest storage, and Soil testing laboratories.
- **Social Infrastructure:**

  Health, Education and Skill Development.

Energy Transition Index:

India Ranked 74th in 'Energy Transition Index' of World Economic Forum

India was ranked 74th out of 115 countries in the '**Energy Transition Index'** of World Economic Forum (WEF) released on May 13, 2020.

Top Ranking Countries:

Rank	**Country**
1.	Sweden
2.	Switzerland
3.	Finland
4.	Denmark
5.	Norway

About 'Energy Transition Index':

- The ETI is a composite score of 40 indicators, sourced from reliable international data.

- The index benchmarks **115 economies** on the **current performance of their energy systems** across a) economic development and growth, b)environmental sustainability, and c) energy security and access indicators- and **their readiness for transition** to secure, sustainable, affordable, and inclusive energy systems.
- These 115 countries covered in the index constitute 90% of the global population, 93% of global total energy supply and 98% of global nominal GDP.
- The index is released annually by the 'World Economic Forum'.

On India's Progress:

- India has made significant strides in energy efficiency through bulk procurement of LED bulbs, smart meters, and programs for labelling of appliances.
- Similar measures are being experimented to drive down the costs of electric vehicles.
- India is one of the few countries in the world to have made consistent year-on-year progress since 2015.
- Government is also pushing for expansion of renewable energy with a target of to 275 GW by 2027.

SOCIAL SECTOR:

Employment:

Rs 40,000 Crore Increase in Allocation for MGNREGS

- On May 15, 2020, the Union Government increased allocation for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) by Rs. 40,000 crore to provide employment opportunities in rural areas.
- The 2020-21 budget provided Rs.61,500 crores for MGNREGA. Now, the Government decided to allocate another Rs. 40,000 crore for MGNREGA.

Reasons:

- To meet the increasing demand for work in rural areas due to return of migrants to villages as a result of COVID-19.

Impact:

- Rs 40,000 crore allocation will generate nearly 300 crore person days of employment.
- Work would be provided in monsoon season also.

About MGNREGA:

- The MGNREGA provides at least 100 days unskilled wage employment in rural areas mostly in non agricultural season.
- Additional 50 days of wage employment is provided to every Scheduled Tribe Household in a forest area, provided that these households have no other private property except the land rights provided under the Forest Rights Act (FRA Act), 2006.

Eligible works:

- Around 43 categories of works like water conservation and harvesting structures, drought proofing works, renovation of traditional water bodies, etc. are allowed.

  Works can be taken up in convergence with schemes of other departments and ministries like construction of anganwadi centres, rural connectivity projects, Pradhan Mantri Awas Yojana, National Rural Livelihood Mission as well as schemes of Departments of Agriculture, Forest, Horticulture, Fisheries, Animal husbandry, etc.

Social Security:

‘Pradhan Mantri Vaya Vandana Yojana’ Modified and Extended

- On May 20, 2020, the Union Government modified and extended the ‘Pradhan Mantri Vaya Vandana Yojana (PMVVY)’ up to March 31, 2023.

Details:

- Pradhan Mantri Vaya Vandana Yojana (PMVVY)’ is a social security scheme for senior citizens aged 60 and above.
- The scheme provides an assured return of 8% per annum for 10 years.
- The differential return, i.e. the difference between return generated by LIC and the assured return of 8% per annum would be borne by Government of India as subsidy on an annual basis.
- Pension is payable at the end of each period during the policy tenure of 10 years as per the frequency of monthly/quarterly/ half-yearly/yearly as chosen by the subscriber at the time of purchase.
- Minimum purchase price under the scheme is Rs.1,50,000/- for a minimum pension of Rs. 1,000/- per month and the maximum purchase price is Rs.15,00,000/- for a maximum pension of Rs.10,000/- per month.
- The scheme is exempted from Goods and Services Tax.
- The scheme is being implemented by the Life Insurance Corporation (LIC).

Modifications to the Scheme:

- The Scheme was started in 2017 and ended on March 31, 2020.
- Considering the popularity of the scheme and the need to provide assured returns to senior citizens, the Union Government, on May 20, 2020, extended the scheme up to March 31, 2023. However, the Government two modifications to the scheme.

1. **Assured Rate of Return:**

- The assured return has been reduced to 7.40 % per annum for the year 2020-21 per annum. Thereafter, the assured return would be reset every year.
- Assured rate of interest would be reset annually with effect from April 1st of every financial year in line with revised rate of returns of Senior Citizens Saving Scheme (SCSS) up to a ceiling of 7.75% .
- Difference between the market rate of return generated by Life insurance Corporation (LIC) and the guaranteed rate of return under the scheme would be paid by the Government to the LIC.

2. **Minimum investment:**

The minimum investment has also been revised to Rs.1,62,162 (from Rs.1,50,000 earlier) for getting a minimum pension amount of Rs.1000/- per month under the scheme.

BALANCE OF PAYMENTS:

FDI:

Foreign Direct Investment in 2019-20

- Foreign direct investment (FDI) in India grew by 13% to in 2019-20 according to the data released by Department of Industrial Policy and Promotion on May 28,2020.

Year	FDI (in US $ Billon)
2019-20	$ 49.97
2018-19	$ 44.36

Sectors which attracted maximum foreign inflows during 2019-20 include :

- Services ($ 7.85 billion), computer software and hardware ($ 7.67 billion), telecommunications ($ 4.44 billion), trading ($ 4.57 billion), automobile ($ 2.82 billion), construction ($ 2 billion), and chemicals ($ one billion).

Source Countries :

- Singapore emerged as the largest source of FDI in India during the last fiscal with $ 14.67 billion investments.
- It was followed by Mauritius ($ 8.24 billion), the Netherlands ($ 6.5 billion), the US ($ 4.22 billion), Caymen Islands ($ 3.7 billion), Japan ($ 3.22 billion), and France ($ 1.89 billion).

States which Received High FDI:

- Maharashtra garnered the highest share of FDI at 30% ($7.26 billion).
- Karnataka and Delhi followed with 18% and 17% share, respectively.

Significance of FDI:

- Major source of non debt capital.
- It plays a critical role in employment generation.
- It contributes to economic growth.

External Assistance:

$1 Billion World Bank Loan Assistance to Protect India's Poorest from COVID

- On May 15, 2020, Government of India signed an agreement with the World Bank for $1 billion loan to support India's efforts in providing social assistance to the poor and vulnerable households, severely impacted by the COVID-19 pandemic.
- This takes the total commitment from the Bank towards emergency COVID-19 response in India to $2 billion.
- A $1 billion support was announced in April 2020 towards immediate support to India's health sector.
- **This new support will be funded in two phases –** an immediate allocation of $750 million for fiscal year 2020 and a $250 million second tranche that will be made available for fiscal year 2021.

Need for the Fund?

- COVID-19 pandemic has put the spotlight on some of the **gaps in the existing social protection systems.**
- A **strong** and **portable social protection system** is **critical** to **carry** vulnerable households through the current and future crises.

How Will the World bank's Assistance Be Used?

- **The assistance from World bank called 'Accelerating India's COVID-19 Social Protection Response Programme'** will expand the impact and coverage of India's social protection system by helping vulnerable groups access more social benefits **directly and across the country.**

The Programme will

1. help India move from 460 plus fragmented social protection schemes to **an integrated system** that is fast and more flexible;
2. enable **geographic portability of social protection benefits** that can be accessed from **anywhere** in the **country, ensuring food, social insurance and cash-support** for all, including for migrants and the urban poor; and

3. move **India’s social protection system** from a predominantly **rural focus to a pan national one** that recognises the needs of the urban poor.

Importance of Social Protection:

1. **Poverty:** Social protection is a critical investment since **half of India’s population earns less than $3 a day** and are precariously close to the poverty line.
2. **Large Informal Workforce:** Over **90 per cent of India’s workforce is employed in the informal sector,** without access to significant savings or workplace based social protection benefits such as paid sick leave or social insurance.
3. **Migration:** Millions of migrants, who cross state borders to work each year, are also at greater risk as social assistance programmes in India largely provide benefits to residents within states, without adequate portability of benefits across state boundaries.
4. **Pan India Coverage:** Importantly, in an urbanising India, cities and towns will need targeted support as India’s largest social protection programmes are focused on rural populations.

Implementation:

- The **first phase** of the programme will be implemented countrywide through the **Pradhan Mantri Garib Kalyan Yojana** (PMGKY). It will immediately help scale-up cash transfers and food benefits, using a core set of pre-existing national platforms and programmes such as the Public Distribution System (PDS) and Direct Benefit Transfers (DBT); provide robust social protection for essential workers involved in COVID-19 relief efforts; and benefit vulnerable groups, particularly migrants and informal workers, who face high risks of exclusion under the PMGKY.
- In the **second phase**, the programme will deepen the social protection package, whereby additional cash and in-kind benefits based on local needs will be extended through state governments and portable social protection delivery systems.

$ 145 Million World Bank Bank Loan to Reduce Flooding and Improve Irrigation in Damodar Valley Command Area

- On May 15, 2020, Government of India signed an agreement with the World Bank for a $145 million for ‘**West Bengal Major Irrigation and Flood Management Project’** to improve irrigation services and flood management in the Damodar Valley Command Area (DVCA) in West Bengal.

Need for the Project:

- Existing infrastructure is 60 years old and needs modernisation.
- The Lower Damodar basin area is also historically flood-prone. This downstream part of the project area lacks the infrastructure to protect against recurrent flooding.
- The World Bank assistance will be invested in measures to reduce flooding, including strengthening of embankments and desilting of Lower Damodar basin area.

Total Cost:

- The total value of the project is $413.8 million, co-financed between IBRD ($145 million), the Asian Infrastructure Investment Bank ($145 million), and the Government of West Bengal ($123.8 million).
- The $145 million loan from the International Bank for Reconstruction and Development (IBRD) has a 6-year grace period, and a maturity of 23.5 years.

Impact:

- 2.7 million farmers from five districts of West Bengal and 393,964 hectares area will be benefitted with better irrigation services and improved protection against annual flooding.