



AIR Discussions (June 4th Week)

AIR SPOTLIGHT: ECONOMIC RELIEF PACKAGE ANNOUNCED

CONTEXT: Union Minister for Finance & Corporate Affairs announced economic relief package.

HIGHLIGHTS:

- A total of **17 measures amounting to Rs. 6,28, 993 crore** were announced.
- The measures announced **can be clubbed into 3 broad categories:-**
 1. Economic Relief from Pandemic
 2. Strengthening Public Health
 3. Impetus for Growth & Employment

DETAILS:

1. Economic relief from Pandemic

- Eight out of 17 schemes announced aim at providing economic relief to people and businesses affected by the COVID-19 pandemic.
- Special **focus is on health and reviving travel, tourism sectors.**
- Schemes:
 - I. Rs 1.1 lakh crore Loan Guarantee Scheme for COVID Affected sectors**
 - This includes **Rs 50,000 crore for health sector and Rs 60,000 crore for other sectors, including tourism.**
 - While the guarantee cover will be 50% for expansion & 75% for new projects.
 - Maximum loan admissible is Rs. 100 crore and guarantee duration is up to 3 years.
 - II. Emergency Credit Line Guarantee Scheme (ECLGS): expanded by Rs 1.5 lakh crore.** Rs 2.73 lakh crore have been sanctioned and Rs 2.10 lakh crore already disbursed.
 - III. Credit Guarantee Scheme for Micro Finance Institutions:**
 - This is a completely new scheme which **aims to benefit the smallest of the borrowers who are served by the network of Micro Finance Institutions.**
 - Guarantee will be provided to Scheduled Commercial Banks for loans to new or existing NBFC-MFIs or MFIs for on lending upto Rs 1.25 lakh to approximately 25 lakh small borrowers.
 - IV. Scheme for Tourists guides/ stakeholders:** Another new scheme aims at providing relief to people working in tourism sector. **Working capital/personal loans will be provided to people in tourism sector to discharge liabilities and restart businesses impacted due to COVID-19 pandemic.**
 - V. Free one month tourist visa to 5 lakh tourists**
 - VI. Extension of Aatma Nirbhar Bharat Rozgar Yojana:**
 - It **incentivises employers for creation of new employment, restoration of loss of employment through EPFO.**
 - Under the scheme, subsidy is provided for two years from registration for new employees drawing monthly wages less than Rs. 15,000 for both Employer's and Employee's share of contribution (total 24% of wages) for establishment strength upto 1,000 employees; and only employee's share (12% of wages) in case of establishment strength of more than 1,000.



- VII. *Additional Subsidy for DAP & P&K fertilizers*
- VIII. *Free food grains under Pradhan Mantri Garib Kalyan Yojana (PMGKY) from May to November, 2021: Five kg of food grains will be provided free of cost to NFSA beneficiaries from May to November 2021.*
2. **Strengthening Public Health:** Rs. 23,220 crore more for public health with emphasis on children and paediatric care/paediatric beds
3. **Impetus for Growth and Employment:** For this the following eight schemes were announced:
- I. *Release of Climate Resilient Special Traits Varieties*
 - ICAR has developed bio-fortified crop varieties having high nutrients.
 - These varieties are **tolerant to diseases, insects, pests, drought, salinity, and flooding, early maturing and amenable to mechanical harvesting** also developed.
 - 21 such varieties of rice, peas, millet, maize, soyabean, quinoa, buckwheat, winged bean, pigeon pea & sorghum will be dedicated to the nation.
 - II. *Revival of North Eastern Regional Agricultural Marketing Corporation (NERAMAC):* was established in 1982 to support farmers of North-East in getting remunerative prices of agri-horticulture produces. It aims to enhance agricultural, procurement, processing and marketing infrastructure in North-East.
 - III. *Rs. 33,000 crore Boost for Project Exports through National Export Insurance Account:* National Export Insurance Account (NEIA) Trust promotes Medium and Long Term project exports by extending risk covers.
 - IV. *Rs. 88,000 crore boost to Export Insurance Cover:* Export Credit Guarantee Corporation (ECGC) promotes exports by providing credit insurance services. Its products support around 30% of India's merchandise exports.
 - V. *Digital India: Rs. 19,041 crore for Broadband to each Village through BharatNet PPP Model:* Out of 2,50,000 Gram Panchayats, 1,56,223 Gram Panchayats have been made service ready by 31st May, 2021.
 - VI. *Extension of Tenure of PLI Scheme for Large Scale Electronics Manufacturing:* PLI scheme provides incentive of 6% to 4% on incremental sales of goods under target segments that are manufactured in India, for a period of five years.
 - VII. *Rs 3.03 lakh crore for Reform-Based Result-Linked Power Distribution Scheme*
 - Revamped Reforms-Based, Result-Linked power distribution scheme of financial assistance to DISCOMS for infrastructure creation, up-gradation of system, capacity building and process improvement was announced in the Union Budget of 2021-22.
 - It aims at state specific intervention in place of "one size fits all".
 - Participation in the scheme is contingent to pre-qualification criteria like publication of audited financial reports, upfront liquidation of State Government's dues/subsidy to DISCOMS and non-creation of additional regulatory assets.
 - VIII. *New streamlined process for PPP Projects and Asset Monetization*

ANALYSIS OF THE PACKAGE:

- **Pros:**
 - The announcements are **likely to help several Covid-affected sectors, businesses and even individuals.**
 - The **focus is on new lending** and not on repayment of old loans.
- **Cons:**
 - New loan guarantees and higher cap for the Emergency Credit Line Guarantee Scheme will **provide temporary relief but will fall short of booting economic growth over a longer period.**
 - The latest economic relief package— like all the earlier relief packages — **lacks direct measures.**
 - India's relief packages have **differed significantly from the ones announced by other major economies, which offered huge financial aid to households, businesses and people who lost jobs.**
 - India has **relied on pumping funds into infrastructure and state-guaranteed loans since the last year.**



- These measures **rely excessively on bank loans**, banking sector is already under stress.
- **Working of the earlier packages:**
 - **Centre is yet to give any stimulus package to over 81,000 self-employed and MSMEs** following the COVID-19 pandemic lockdown, a survey conducted by the Consortium of Indian Associations revealed.
 - This accounts for **88 per cent of the business category**.

Earlier policy packages in India to combat COVID-19

| MEASURES | NATURE | POLICY TOOLS |
|-------------------------------|---|---|
| Containment measures | <ul style="list-style-type: none"> • Containment and Closure Policy • Transmission prevention | <ul style="list-style-type: none"> • Nation-wide and state-wise lock-down • Travel bans/restrictions • Closure of public places/cancellation of public events • Curtailment of non-essential economic activities • Risk profiling of districts • Social distancing norms • Mandatory use of masks |
| Fiscal Policy Measures | <ul style="list-style-type: none"> • Health • Welfare • Tax Measures • Demand push • Investment push | <ul style="list-style-type: none"> • Emergency health fund (INR 150 billion) • Pradhan Mantri Garib Kalyan Yojana • Increment in daily wage under MGNREGS • Garib Kalyan Rojgar Abhiyaan • Tax & contribution policy changes • Support to States, linking borrowings to Reforms <p>AatmaNirbhar Bharat Package 1</p> <ul style="list-style-type: none"> • Emergency Credit Line Guarantee Scheme for MSME • Subordinate Debt for Stressed MSMEs and Equity Infusion through Fund of Funds for MSME • Extension of Partial Guarantee Scheme to help NBFCs & MFIs • Special Credit Facility to Street Vendors • Liquidity Injection for DISCOMs • Special liquidity Scheme for NBFC/HFC/MFIs • Interest Subvention for MUDRA Shishu Loans • Housing Credit Linked subsidy Scheme -MIG • Additional Emergency Working Capital through NABARD • Additional credit through KCC • Creation of Agri Infrastructure Fund, Animal Husbandry Infrastructure Development Fund • Promotion of Herbal Cultivation • Beekeeping Initiative • Viability Gap Funding Scheme for Social Infrastructure projects <p>AatmaNirbhar Bharat Package 2</p> <ul style="list-style-type: none"> • Boost Capital Expenditure • LTC voucher Scheme • Festival Advance <p>AatmaNirbhar Bharat Package 3</p> |



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|---------------------------|---|--|
| | | <ul style="list-style-type: none"> • Production Linked Incentives • Boost for Rural Employment • R&D Grant for COVID Suraksha • AtmaNirbhar Bharat Rozgar Yojana • Industrial Infrastructure, Industrial Incentives and Domestic Defence Equipment • Support for Agriculture – Fertiliser Subsidy • Housing for All - PMAY-U • Boost for Infrastructure-equity infusion in NIIF Debt PF • Boost for Project Exports – Support for EXIM Bank |
| Monetary measures | <ul style="list-style-type: none"> • Policy Rates • Liquidity • Asset Purchases • Loan moratorium | <ul style="list-style-type: none"> • Lowering of Repo and reverse repo rate by 115 and 155 bps respectively. • Injection of durable liquidity through Open Market Operation • Targeted Long Term Repo Operations of up to three years' • Reduction in the CRR requirement of banks • Raised bank's borrowing limit • Working capital support- term loan moratorium, deferment of interest and easing of financing requirements • Enhanced WMA borrowing limits and relaxation of CSF withdrawal rules • Easing of compliance to stressed asset classify • Deferment, easing of capital buffer & liquidity coverage requirements • Deferring compliance requirements for FPIs under Voluntary Retention Route (VRR) |
| Structural reforms | <ul style="list-style-type: none"> • Agriculture • MSMEs • Labour • BPO • Power • Privatization of PSUs • Mineral Sector • Industry • Space • Defence | <p>Agriculture</p> <ul style="list-style-type: none"> • Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 • Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020 • Essential Commodities (Amendment) Act, 2020 <p>MSMEs</p> <ul style="list-style-type: none"> • New MSME definition- Removal of artificial separation between manufacturing and service <p>Labour</p> <ul style="list-style-type: none"> • Enactment of four labour codes • 'One labour return, one licence and one registration' <p>Business Process Outsourcing (BPO)</p> <ul style="list-style-type: none"> • Simplification of the Other Service Provider (OSP) guidelines <p>Power</p> <ul style="list-style-type: none"> • Tariff Policy Reform • Privatization of Distribution in UTs <p>Privatization of PSUs</p> <ul style="list-style-type: none"> • PSUs in only strategic sectors, Privatization of PSUs in non-strategic sectors |



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| | <p>Mineral Sector</p> <ul style="list-style-type: none">• Commercial Mining in Coal Sector• Introduction of a seamless composite exploration-cum-mining-cum-production regime. <p>Industry</p> <ul style="list-style-type: none">• Production Linked Incentive (PLI) Scheme <p>Space</p> <ul style="list-style-type: none">• Level-playing field provided to private companies in satellites, launches and space-based services• Liberal geo-spatial data policy <p>Defence</p> <ul style="list-style-type: none">• Corporatization of Ordnance Factory Board• FDI limit in the Defence manufacturing under automatic route will be raised from 49 per cent to 74 per cent. |
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WAY FORWARD:

- **Direct stimulus:** there is a need for direct stimulus like cash transfers to poorer households that have suffered during the pandemic.
- **Revive customer confidence and solve demand crisis:** a scheme allowing small businesses to borrow money would be of no use if consumer sentiment and demand remain subdued over a longer period.
- **Policy certainty:** The finance minister should indicate whether the relief package was a part of a series of stimulus measures to be announced in the coming days or whether this was just a one-off measure. A clear road map is the need of the hour.
- **Calibrated measures:** There is a need to re-fuel household consumption to enhance demand in the economy as it will have an accelerated effect on the expansion of capital investments in the country.

<https://pib.gov.in/PressReleasePage.aspx?PRID=1730963>

<https://www.indiatoday.in/business/story/will-fresh-covid-stimulus-package-boost-indian-economy-here-s-what-economists-say-1820726-2021-06-29>

<https://www.livemint.com/>



NEWS IN BRIEF: PRELIMS SPECIAL

Pinaka Rocket System

- DRDO successfully test fired Enhanced Pinaka Rocket.
- **Pinaka is a multiple rocket launcher produced in India and developed by DRDO**
- **The enhanced range version of the Pinaka Rocket System can destroy targets at distances up to 45 kms, as shown in the tests.**

<https://newsonair.com/2021/06/26/drdo-successfully-test-fires-enhanced-pinaka-rocket-off-odisha-coast/>

India's first indigenous Aircraft Carrier

- Defence Minister reviewed progress of construction of first Indigenous Aircraft Carrier at Kochi.
- **The IAC would be commissioned as INS Vikrant in the first half of 2022, which would be the most potent sea-based asset.**
- **IAC has nearly 75 per cent indigenous content – from design to steel used in construction to key weapons and sensors.**

<https://newsonair.com/2021/06/25/defence-minister-rajnath-singh-reviews-progress-of-construction-of-first-indigenous-aircraft-carrier-at-kochi/>

ITAT e-DWAR

- ITAT e-DWAR launched by union Law Minister.
- It is **the e-filing portal of the Income Tax Appellate Tribunal (ITAT).**
- **The portal will enhance the accessibility, accountability and transparency in the day to day working of the ITAT.**
- It would not only result in economization of the use of paper, savings in costs, but also rationalization of the fixation of cases leading to quicker disposal of cases.

<https://newsonair.com/2021/06/26/government-launches-e-filing-portal-of-income-tax-appellate-tribunal-itat-e-dwar/>

INS Tabar

- INS Tabar deployed to participate in joint exercises with friendly navies in Africa and Europe.
- INS Tabar is a **Talwar-class stealth Frigate built for Indian Navy in Russia.**
- The ship is part of the Indian Navy's Western Fleet which is based at Mumbai under Western Naval Command.

<https://newsonair.com/2021/06/27/ins-tabar-deployed-for-naval-exercises-in-africa-europe/>



International Day against Drug Abuse and Illicit Trafficking

- **June 26** is observed as the International Day against Drug Abuse and Illicit Trafficking.
- The aim of the day is to strengthen action and cooperation in achieving the goal of a world free of drug abuse.
- The **theme for 2021** is “Share Drug Facts to Save Lives”.

<https://newsonair.com/tag/international-day-against-drug-abuse-illicit-trafficking/>

New Generation Agni P Ballistic Missile

- DRDO successfully test-flighted New Generation Agni P Ballistic Missile.
- **Agni P is a new generation advanced variant of the Agni class of missiles.**
- **It is a canisterised nuclear capable missile with range capability between 1,000 and 2,000 kms.**
- Being a canisterised missile, the Agni-P can be transported easily by road or railway and fired at very short notice.
- The Agni-P will enter service as a **two-stage, solid propellant missile.**

<https://newsonair.com/2021/06/28/drdo-successfully-flight-tested-new-generation-nuclear-capable-ballistic-missile-agni-p/>