

GOVERNMENT ANNOUNCES A SLEW OF MEASURES IN ATMANIRBHAR 3.0

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The Finance Minister has announced a series of new measures amounting to Rs 2.65 lakh crore aimed at boosting demand as well as supply. The bouquet of measures is expected to augment demand through incentivisation. Employment generation is the key focus of the package in third round. The Government has launched a subsidy support scheme to incentivise the creation of new employment opportunities during the Covid-19 recovery phase. Benefits under the new scheme will be availed by (i) any new employee joining employment in EPFO registered establishments on monthly wages less than Rs 15,000, and (ii) EPF members drawing monthly wages of less than Rs 15,000 who made exit from employment during the Covid-19 pandemic from 01 Mar-30 Sep and are employed after 01 Oct'20. As per EPFO data, if we purely go by current trends, we believe that almost 15-20 lakh employees will get benefitted from this scheme by Mar'21. Government has also provided support for the rural economy by allocating additional Rs 10, 000 crore to PM Garib Kalyan Yojana.

The ECLGS scheme which has so far performed well, has now been extended to COVID-19 impacted sectors listed in Kamath Committee Report. ECLGS 2.0 can provide much needed relief to stressed sectors including Auto Component, Constructions, Gems & Jewellery, Hotel and Restaurants, Iron & Steel, Real Estate, Textile etc. by helping entities sustain employment and meet liabilities. We believe potentially around 40,000 entities can benefit from the scheme. However, if the overall amount stays at Rs 3 lakh crore, the overall corpus of ECLGS 2.0 could be a constraining factor.

The boost to housing continues even in third round. In order to provide further boost to Housing and Real Estate, the Government has provided additional Rs 18,000 crore to Prime Minister Awaas Yojana – Urban (PMAY-U) through additional allocation and Extra Budgetary Resources. Real estate tinkering with tax incentives for home buyers could potentially unleash a price discovery in real estate market.

The performance linked incentive scheme has now been extended to 10 other sectors, including advance chemistry and cell battery, Electronics/technology products, Automobiles & Auto Components, Pharmaceutical drugs, etc. with a financial outlay of Rs 1.45 lakh crore over a period of 5 years, to support manufacturing and exports. Further support to EXIM Bank will also push project exports.

The thrust to infrastructure is now visible with Rs 6000 crore equity infusion in NIIF Debt Platform. The Equity infusion will facilitate the fund to raise Rs 95000 crore as debt to finance infrastructure worth Rs 1.1 lakh crore by 2025 through the infrastructure financing arm. Other notable measures such as the allocation of fund to R&D for Covid Suraksha Mission for R&D of Indian Covid Vaccine to Department of Bio-technology. Overall the third round might stretch the fiscal deficit for FY21 which is estimated at 19.2 lakh crore or 10.3% of GDP. Overall, the stimulus measures announced today are expected to push the economy to a higher growth path over the medium term.

The Government has announced Rs 65,000 crore to ensure adequate availability of fertilisers to farmers in the upcoming crop season, which will benefit 140 million farmers in the country. Currently, almost 70% of the purchase price of urea is subsidised by the central government. In case of non-urea fertiliser, though the prices are market-linked, there is an element of subsidy in them as well. We believe there is a need to shift to DBT in fertiliser subsidy so that farmers can make choices about use of different nutrients based on soil nutrient status.

Interestingly, under the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi), total 26.9 lakh application have been received so far of which loan has sanctioned to 13.9 lakh applicants worth Rs 1393 crore. Almost 75% applications have been received from Uttar Pradesh (7.3 lakh) followed by Telangana (4.3 lakh) Madhya Pradesh (3.3 lakh), Maharashtra (3.0 lakh) and Andhra Pradesh (2.1 lakh). However, only few applications are received from West Bengal (2.5K), Jharkhand (18.4K) and Odisha (38K), showing dismal performance by these states.

STIMULUS SCHEMES TO BOOST DEMAND AND SUPPLY

- ◆ Government has announced a series of new measures amounting to Rs 2.65 lakh crore aimed at boosting demand as well as supply.
- ◆ Measures include: (i) job creation under Atmanirbhar Bharat Rozgar Yojana', (ii) extension of ECLGS scheme till 31 Mar'20 and a new scheme ECLGS 2.0 announced for stressed sectors, (iii) manufacturing boost by giving PLI to 10 sectors, totaling Rs 1.46 lakh crore over the next five years, (iv) Housing Sector boost by providing additional outlay for PMAY, (v) relaxation of EMD and performance security on Government tenders to provide support to construction for infrastructure, (vi) tax relief for developers and home buyers by giving tax incentives, (vii) infrastructure boost by infusing equity in NIIF debt platform, (viii) fertilizer subsidy for farmers, (ix) additional outlay for PM Garib Kalyan Rozgar Yojana to boost rural employment, (x) support to EXIM to give a push to project exports, (xi) capital and industrial expenditure for industrial infrastructure, defence equipment, green energy, and (xii) Research grant for development of Covid vaccine.

Today's package (Rs crore)	
Housing: PMAY-U	18000
Boost for Rural Employment	10000
R&D Grant for Covid vaccine development	900
Capital & industrial stimulus	10200
Boost for Project Exports: Support for EXIM Bank	3000
Boost for Manufacturing : Production Linked Incentives	145980
Support for Agriculture – Fertiliser Subsidy	65000
Boost for Infrastructure – equity infusion in NIIF Debt PF	6000
Atmanirbhar Bharat Rozgar Yojana	6000
Total	265080

ATMANIRBHAR BHARAT ROZGAR YOJANA (SUBSIDY SUPPORT)

- ◆ The Government has launched a subsidy support scheme to incentivise the creation of new employment opportunities during the Covid-19 recovery phase. Benefits under the new scheme will be availed by (i) any new employees joining employment in EPFO registered establishments on monthly wages less than Rs 15,000, and (ii) EPF members drawing monthly wages of less than Rs 15,000 who made exit from employment during the Covid-19 pandemic from 01 Mar-30 Sep and are employed after 01 Oct'20. Government will provide subsidy for two years in respect of new eligible employees engaged on or after 01 Oct at following scale: (a) Establishments employing up to 1000 employees: Employee's contributions (12% of Wages) & Employer's contributions (12% of wages) totaling 24% of wages; (b) Establishments employing more than 1000 employees: Only Employee's EPF contributions (12% of EPF wages). Government will incur an additional expenditure of Rs 36,000 crore (for next two years) owing to this scheme.
- ◆ As per EPFO data, during Apr-Aug'20, 23.7 lakh new EPF subscribers have joined while 10.1 lakh subscribers exited but re-joined and re-subscribed and overall there were 25.0 lakh net new EPF subscribers (as 8.8 lakh exited permanently). If we purely go by current trends, we believe that almost 15-20 lakh employees will get benefitted from this scheme by Mar'21.

EXTENSION OF ECLGS

- ◆ In May'2020 Government announced ECLGS to mitigate the distress caused by coronavirus pandemic-induced lockdown, by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs) with Rs 3 lakh crore Collateral free Automatic Loan for Businesses including MSMEs. Borrowers with upto Rs 25 crore outstanding and Rs 100 crore turnover were eligible for 20% of outstanding credit as on 29.02.2020.
- ◆ The above fully guaranteed and collateral free scheme is now extended till 31st March,2021 with additional credit up to 20% of outstanding loans as on 29.2.2020 for entities with outstanding credit up to Rs 50 crore as on 29.2.2020 and annual turnover up to Rs 250 crore, which were up to 60 days past due as on 29.2.2020.
- ◆ As on March'20 around Rs 14 lakh crore is outstanding to MSME sector. The ministry said that Rs 2.05 lakh crore had been sanctioned to 61 lakh borrowers and a total of Rs 1.52 lakh crore had been disbursed under the scheme.
- ◆ Further, the Government also announced enlargement of ECLGS 2.0 to support stressed sectors. Entities in 26 stressed sectors identified by Kamath Committee and health care sector with credit outstanding of above Rs 50 crore and up to Rs 500 crore as on 29.2.2020 are eligible for the scheme with the following conditions: -
 - ◆ No upper ceiling on annual turnover
 - ◆ Entities to be up to 30 days past due (SMA 0) as on 29.2.2020
 - ◆ Additional credit up to 20% of outstanding as on 29.02.2020
 - ◆ Tenor of additional credit under ECLGS 2.0 to be 5 years, including one-year moratorium on principal repayment
 - ◆ Scheme available till 31.3.2021

EPFO Payroll Data (in Lakh)

Period	Number of new EPF subscribers	Number of new members who joined in or after Sep-2017 and exited	Number of exited members who rejoined and resubscribed	Net New EPF Subscribers
A	B	C	D	E = B+D-C
Sep-17 to Mar-18	84.6	11.6	0.8	73.8
FY19	139.4	37.5	10.6	112.5
FY20	110.4	39.0	23.3	94.7
Change in Lakh (FY20 over FY19)	-29.0	1.5	12.7	-17.8
Memo: FY21 (Actual Numbers)				
Apr-20	185127	190158	98197	93166
May-20	316404	227549	141296	230151
Jun-20	551614	224595	233545	560564
Jul-20	648077	165654	269735	752158
Aug-20	669914	72718	269119	866315
Apr-Aug'20	2371136	880674	1011892	2502354

Source: EPFO; SBI Research

- ◆ ECLGS 2.0 can provide much needed relief to stressed sectors including Auto Component, Constructions, Gems & Jewellery, Hotel and Restaurants, Iron & Steel, Real Estate, Textile etc. by helping entities sustain employment and meet liabilities. We believe potentially around 40,000 entities can benefit from the scheme. However, if the overall amount stays at Rs 3 lakh crores, the overall corpus of ECLGS 2.0 could be a constraining factor.

ENHANCED OUTLAY FOR PM GARIB KALYAN ROZGAR YOJANA

- ◆ Government has provided support for the rural economy by allocating additional Rs 10, 000 crore to PM Garib Kalyan Yojana. The scheme was launched in June to empower and provide livelihood opportunities in areas/ villages witnessing large number of returnee migrant workers affected by the pandemic. So far the Government has spent Rs 37,543 crore under the scheme and have provided various categories of construction work including water conservation structures, rural houses, cattle shed, farm ponds, and Community Sanitary Complex.

PM AWAAS YOJANA (PMAY) –URBAN

- ◆ In order to provide further boost to Housing and Real Estate, the Government has provided additional Rs 18,000 crore to Prime Minister Awaas Yojana – Urban (PMAY-U) through additional allocation and Extra Budgetary Resources. This is expected to generate additional demand in the economy by creating 78 lakh new jobs and increased demand for steel and cement.
- ◆ Under this scheme, overall 1.08 crore houses have been sanctioned of which 66.9 lakh have been grounded and 38.2 lakh have been completed as on 2 Nov'20. The Centre has released a total of Rs 76,787 crore and spent Rs 67,541 crore. Furthermore, the scheme has generated a total of 545 crore person days (152 crore direct and 393 crore indirect).

PERFORMANCE LINKED INCENTIVE SCHEME

- ◆ The performance linked incentive scheme was earlier announced for large scale electronics manufacturing (Rs 40,955 crore), medical devices (Rs 3,420 crore) and KSMs/ Drug Intermediates and APIs (Rs 6,940 crore).
- ◆ The scheme has now been extended to 10 other sectors, including advance chemistry and cell battery, Electronics/ technology products, Automobiles & Auto Components, Pharmaceutical drugs, Telecom and networking products, Textile products (MMF and technical textiles), food products, High Efficiency Solar PV Modules, AC and LEDs (white goods) and Speciality Steel, with a financial outlay of Rs 1.45 lakh crore over a period of 5 years.
- ◆ The basic idea behind the scheme is to enhance India's Manufacturing Capabilities as well as Exports. The goods and sectors where the scheme has been extended are majorly imported from China and encouraging domestic production of these goods might help to reduce our dependence on China which has a share of around 13.7% of our total imports.

EQUITY INFUSION IN NIIF DEBT PLATFORM

- ◆ In order to boost investment demand, the Atamanirbhar Bharat 3.0 proposes a Rs 6000 crore equity infusion in NIIF Debt Platform. The Equity infusion will facilitate the fund to raise Rs 95000 crore as debt to finance infrastructure worth Rs 1.1 lakh crore by 2025. However it must be kept in mind that NIIF Debt Platform consists of NIIF IFL which undertakes takeout financing after one year of operation date and other being Aseem Infrastructure Finance Limited (AIFL) which can invest infrastructure which are in different phases of implementation. One can expect that it is the resource potential of the latter that will be augmented by this equity infusion.

BOOST PROJECT EXPORTS

- ◆ The Ministry of External Affairs manages the Indian Development and Economic Assistance Scheme (IDEAS) which extends lines of Credit (LOCs) to countries of Asia (Excluding Bangladesh, Nepal, Bhutan) Africa, CIS region and Latin American region for infrastructure projects. Supported projects cover Railways, power, transmission, road and transport, auto and auto components, sugar projects etc. IDEAS promotes Indian export by mandating recipient countries to import 75% value of the LOC. Thus to enhance the capacity, Rs 3 000 crore will be released to EXIM Bank for promotion of project exports through Lines of Credit under IDEAS scheme.

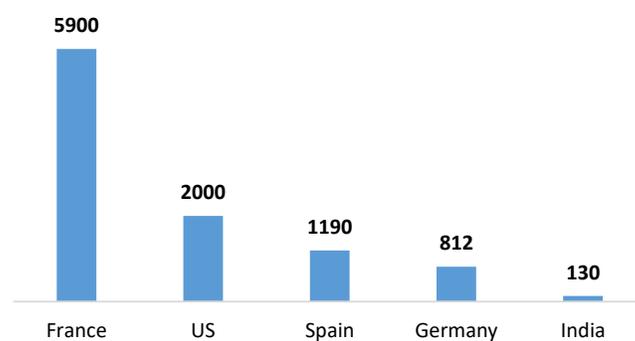
BOOSTING EMPLOYMENT AND INPUT CONSUMPTION THROUGH PUSH TO INFRASTRUCTURE AND CONSTRUCTION

- ◆ Measures focused on construction, infrastructure and realty are expected to create demand overall as well as, along the supply chain and generate employment, and along the lines of the prophetic Says law "Supply creates its own demand". The temporary relaxation on Performance security on contracts from 5% to 3% and no earnest money deposit on government tenders will free up resources for contractors. The increase in the differential from 10% to 20% between circle rate & agreement value is expected to encourage home buyers with ticket size upto Rs 2 crore to take advantage of the lowering residential prices. Overall also capex remains a priority for the Government with Rs 10,200 crore additional budget outlay provided towards Capital and industrial expenditure.

RS 900 CRORE FOR COVID-19 VACCINE R&D

- ◆ Indian Government has allocated Rs 900 crore (or \$130 million) for Covid Suraksha Mission for R&D of Indian Covid Vaccine to Department of Bio-technology. This is an excellent step though the amount allocated is very low compared to Covid-19 penetration and population of India. Also the amount is quite less as compared to what is allocated by other countries.

Funds allocated for Covid Vaccine R&D (\$ Million)



Source: SBI Research

SUPPORT FOR AGRICULTURE

- ◆ Government has announced Rs 65,000 crore to ensure adequate availability of fertilisers to farmers in the upcoming crop season, which will benefit 140 million farmers in the country.
- ◆ Currently, almost 70% of the purchase price of urea is subsidised by the central government. In case of non-urea fertiliser, though the prices are market-linked, there is an element of subsidy in them as well. The firms get the subsidy once fertilisers are sold to farmers through point of sale (PoS) machines with biometric authentication. Earlier, they used to get the subsidy at the district level based on the receipt of fertilisers. We believe there is a need to shift to DBT in fertiliser subsidy so that farmers can make choices about use of different nutrients based on soil nutrient status.
- ◆ Recently, the Commission for Agricultural Costs and Prices (CACP) has recommended a fertiliser cash subsidy of Rs 5,000 per year to farmers in two tranches of Rs 2,500 each in the kharif and rabi seasons.

REVIEW OF PM SVANIDHI: SCHEME IS SKEWED TO FEW STATES ONLY

- Under the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi), total 26.9 lakh application have been received so far of which loan has sanctioned to 13.9 lakh applicants worth Rs 1393 crore. Largest applications have received from Uttar Pradesh (7.3 lakh) followed by Telangana (4.3 lakh) Madhya Pradesh (3.3 lakh), Maharashtra (3.0 lakh) and Andhra Pradesh (2.1 lakh). This indicates that almost 75% of applications (or 20 lakh) are coming from 5 states only and hence the distribution of application is highly skewed. It is interesting to note that only few applications are received from West Bengal (2.5K), Jharkhand (18.4K), Odisha (38K) and Bihar (55K). Again PSBs are the preferred choice of the street vendors as 20.2 lakh application were received there. 46% of street vendors are fruit and vegetable sellers while 21% fast food vendors.

FISCAL IMPACT OF TODAY'S MEASURES

- Though the total estimated amount that the Government has given for today's package is Rs 2.65 lakh crore, the actual additional cash outgo of the Centre amounts to Rs 1.5 lakh crore in the current fiscal, as the amount for PLI is spread over a period of 5 years. Thus the fiscal deficit for FY21 is estimated at 19.2 lakh crore or 10.3% of GDP.

PROGRESS UNDER ATMANIRBHAR

- In the wake of the nationwide lockdown, the Government of India announced a package of measures in May 2020 under Atmanirbhar Bharat Abhiyan in five tranches cover, among others, rural employment generation, infrastructure, MSMEs, NBFCs, migrant workers and ease of doing business. These measures aggregate around Rs 20 lakh crore or 10% of GDP and aim to address the difficulties faced by various categories including MSMEs, NBFCs, power distribution companies and infrastructure projects. The measures, both short-term and long-term in nature, also endeavor to make India self-reliant by boosting private participation in numerous sectors with global quality and competitiveness.
- In addition to this schemes, the Government has also announced three governance and administrative reforms to attract investments in agriculture sector and make it competitive, namely, delisting of various agricultural commodities from the Essential Commodities Act to develop seamless marketing and promote storage infrastructure in agriculture; 'The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance 2020' to ensure barrier free trade of agriculture produce; and 'The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance 2020' to empower the farmers to engage with processors, aggregators, wholesalers, large retailers, and exporters in a fair and transparent manner.

Status of PM SVANidhi Scheme (in Numbers)			
States	Applications	Sanctioned	Disbursed
Uttar Pradesh	7,29,415	3,86,039	2,90,330
Telangana	4,23,244	2,83,554	1,04,088
Madhya Pradesh	3,30,620	2,04,137	1,46,868
Maharashtra	2,98,362	79,515	26,533
Andhra Pradesh	2,09,244	1,21,868	25,419
Top 5	19,90,885	10,75,113	5,93,238
Gujarat	2,06,385	1,20,892	42,073
Karnataka	97,594	28,292	9,854
Tamil Nadu	65,662	29,888	12,548
Rajasthan	59,055	26,830	9,349
Chhattisgarh	53,938	23,974	17,989
Top 10	24,73,519	13,04,989	6,85,051
Remaining States	2,17,122	93,134	45,458
All India	26,90,641	13,98,123	7,30,509

Source: pmsvanidhi.mohua.gov.in; SBI Research

Fiscal Estimate (Rs lakh crore)	
Net Revenue slippage	6.8
Additional spending due to first stimulus package	2.0
Net Impact of supplemental demand announcement	0.6
Additional spending due to second stimulus package	0.4
Current Fiscal Deficit Estimate	17.8
Fiscal Impact of today's announcements	
Housing for All - PMAY-U	0.18
Boost for Rural Employment	0.10
R&D Grant for Covid vaccine development	0.01
Capital & industrial Stimulus	0.10
Boost for Project Exports – Support for EXIM Bank	0.03
Production Linked Incentives	0.29
Fertiliser Subsidy	0.65
Equity infusion in NIIF Debt PF	0.06
Atmanirbhar Bharat Rozgar Yojana	0.06
Total fiscal impact of today's announcement	1.5
	% of GDP
New Fiscal Deficit	19.2
	as % of GDP
	10.3%

Source: SBI Research

Summary of Atmanirbhar (Rs crore)	
PM Street Vendor's AtmaNirbharNidhi (PM SVANidhi)	1373.33
KCC Loans	143262
Pradhan Mantri Matsya Sampada Yojana (PMMSY)	1681.32
Emergency WC loans for farmers through NABARD	25000
ECLGS	205000
Partial Credit Guarantee Scheme	26889
Special Liquidity Scheme for NBFC/HFC	7227
Liquidity Injection for DISCOMs	118227
Ministry of Road transport & Defence	25000
Interest free loan towards capital expenditure	3621
Total (Rs Crore)	557281

Source: SBI Research

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