

COVID-19 | “ATMANIRBHAR” PACKAGE | Day #2

Announcements specifically targeted at migrant workers, farmers, street vendors

BACKGROUND

In his nation-wide address on May 12, 2020, Prime Minister Narendra Modi announced a Rs. 20 lakh crore stimulus package to tackle the impact of coronavirus. In his address, the Prime Minister announced that the Ministry of Finance will be holding a series of press conferences in the coming days to provide details of the package. On May 13, the Ministry of Finance announced the first measures to support the ailing economy, especially Micro, Small and Medium Enterprises and Non-Banking Financial Companies. On May 14, the Government announced the second set of announcements, specifically targeting the economically weaker and ‘base of the pyramid’ sections of the society such as street vendors, migrant workers, farmers, etc.

DAY #2 ANNOUNCEMENTS: EMPOWERING ECONOMICALLY WEAKER SECTIONS OF THE SOCIETY

With an eye on strengthening the rural economy ahead of the upcoming *kharif* crop planting season, the Government unveiled measures aggregating ₹2.30 lakh crore, facilitating access to concessional credit by farmers via Kisan Credit Card scheme and emergency funding to meet crop loan requirements through a refinancing facility by NABARD. The Government also announced measures aggregating ₹0.16 lakh crore benefiting migrant workers, street vendors and the urban poor; and made improvements to national labour laws to widen the ambit of employee benefits provided and fuel employment generation. **Annexure A** offers an overview of these measures.

IMPACT ANALYSIS ON OUR TARGET SECTORS - MICROFINANCE

We expect the measures announced for farmers to have positive outcomes for the rural economy, which in turn will benefit the Microfinance Industry which remains largely rural focussed. The table below highlights measures which will inject liquidity into the rural economy and a few updates on government intervention during the lock-down, shared as a part of the announcement yesterday, which will benefit the segment.

TABLE 1: Impact of Government stimulus on rural economy and its direct/indirect impact on MFI borrowers

NO.	POLICY MEASURES	IMPACT ON RURAL ECONOMY	IMPACT ON MFI BORROWERS
1)	Expansion of Kisan Credit Card (KCC) coverage – Coverage to include around 2.5 crore of farmers involved in horticulture and agri-allied activities such as fisheries and animal husbandry	<ul style="list-style-type: none"> KCC loans are extended to farmers against collateral and hence have excluded from its ambit a number of needy recipients such as sharecroppers, agri-labourers, small & marginal farmers (SMF) with improper land titles. The extension to cover dairy farmers and other allied activity will increase the credit flow to the excluded segments. 	<ul style="list-style-type: none"> Microfinance borrowers are predominantly SMF or landless farmers engaged in agri-allied activities. The Government’s proposal will enable these borrowers to avail formal credit in times when the system liquidity is tight, and prevent them from availing loans from informal channels and subsequently falling into debt trap(s).

NO.	POLICY MEASURES	IMPACT ON RURAL ECONOMY	IMPACT ON MFI BORROWERS
2)	NABARD refinance to be front-loaded – The refinance facility extended to rural co-operatives and regional rural banks (RRBs) to be front loaded to facilitate crop loans	<ul style="list-style-type: none"> The facility is expected to help farmers meet post-harvest (Rabi) & current Kharif requirement in May and June. It will ease the working capital of the farmer community. 	<ul style="list-style-type: none"> Since the rural economy is predominantly an agrarian economy, the working capital support will infuse liquidity into rural regions and spur rural consumption. It will help microfinance borrower due to higher money flow in the economy
Updates on the GoI interventions			
1)	Thrust on MGNREGA - 14.62 crore of man-days till May 13, 2020 which was around 40-50% higher than last year	<ul style="list-style-type: none"> The higher thrust on MGNREGA will not only support wage labourers but has the potential to absorb the inward migration of people into rural areas from cities. 	<ul style="list-style-type: none"> As per NABARD All India Financial Inclusion survey, 2016-17, 34% of the agri HH income and 54% of the non-agri HH income is dependent on daily wages. Higher MGNREGA spending will cushion the microfinance borrower's income.
2)	NABARD - Rural Infrastructure Development Fund (RIDF): ₹6,700 crore of funds utilized during lock-down	<ul style="list-style-type: none"> NABARD RIDF will be utilized for capex in rural infrastructure and infuse liquidity in rural economy 	<ul style="list-style-type: none"> Higher liquidity bodes well in terms of supporting consumption in rural regions and will in turn support cashflows of microfinance borrowers engaged in trading and services

Microfinance industry caters to the economically weaker sections of the society predominantly in the rural and semi-urban areas. These borrowers are vulnerable to economic shocks and we expect this segment to be the largest beneficiary of the Government stimulus in a direct or an indirect manner. That being said, the manner of implementation of these measures will be key in determining the extent to which they percolate to the desired recipients.

ANNEXURE A
Summary of Announcements covering migrant workers, farmers and urban poor
Source: Press Bureau of India
ANNOUNCEMENTS IMPACTING MIGRANT WORKERS

NO.	SCHEME*	PARTICULARS
1)	Ration to migrant workers (8 crore migrant workers)	<ul style="list-style-type: none"> The package will offer 5 kg of grains per person and 1kg of chana per family per month (for two months) to migrants who are not covered under the central or state food security measures
2)	One Nation – One Ration Card (67 crore ration card holders)	<ul style="list-style-type: none"> The ‘One Nation – One Ration Card’ scheme has been expanded to enable migrant beneficiaries access the public distribution system (PDS) from any fair price shop in the country Scheme to attain national portability by March 2021
3)	Affordable Rental Housing Complexes Scheme (ARHC) (migrant labour and urban poor)	<ul style="list-style-type: none"> Converting Government-funded housing in cities into ARHC under the PPP mode through concessionaire agreement; incentivising manufacturing units, industries, state/central government agencies to develop ARHCs

* target beneficiaries indicated within brackets

ANNOUNCEMENTS IMPACTING FARMERS

NO.	SCHEME*	PARTICULARS
1)	Expansion of KCC coverage (2.5 crore SMA farmers)	<ul style="list-style-type: none"> Concessional loan from banks, amounting to ₹2 lakh crore under the KCC scheme to be expanded to include Fishermen and Animal Husbandry farmers.
2)	Extension of PRI to May 31, 2020 (~ 7 crore KCC holders)	<ul style="list-style-type: none"> The prompt repayment incentive and interest subvention on existing crop loans due to be extended till May 31, 2020
3)	NABARD refinance to be front-loaded (3 crore farmers)	<ul style="list-style-type: none"> Provision for additional on-tap refinance support of ₹30,000 crore to 384 rural co-operative banks and 43 RRBs for crop loan requirement

* target beneficiaries indicated within brackets

ANNOUNCEMENTS IMPACTING THE URBAN POOR

NO.	SCHEME*	PARTICULARS
1)	₹5,000 crore Special Credit facility to Street vendors (50 lakh street vendors)	<ul style="list-style-type: none"> Special scheme to be launched within a month to facilitate easy access to credit of up to ₹10,000 to street vendors
2)	Proposal for Compensatory Afforestation Fund Management and Planning Authority (CAMPA) funds	<ul style="list-style-type: none"> Provision of ₹6,000 crore funds for tribal employment in the areas of afforestation and regeneration under scheme of CAMPA fund

NO.	SCHEME*	PARTICULARS
3)	Extension of CLSS till March 31, 2021 <i>(Middle Income group-with annual income of ₹6-18 lakh)</i>	<ul style="list-style-type: none"> • The credit linked subvention scheme on affordable housing loans to be extended till March 31, 2021
4)	Reforms in Labour Code	<ul style="list-style-type: none"> • Social Security to gig-workers and platform workers • Re-skilling fund for retrenched employees • All occupations opened for women and they are permitted to work at night with safeguards • Provision of Social Security Fund for unorganized workers • Provision of gratuity on completion of one-year service as against 5 years • Statutory concept of National Floor Wage introduced to reduce regional disparity in minimum wages • Portability of welfare benefits for migrant workers • Annual health check-up for employees; Occupational Safety & Health Code applicable to all establishments engaged in work of hazardous nature even with threshold of less than 10 employees • Pan India extension of ESIC coverage to cover all establishments employing 10 or more employees as against those in notified districts/areas only; voluntary extension of ESIC for establishments employing less than 10 employees
5)	MUDRA Shishu loans	<ul style="list-style-type: none"> • Interest subvention of 2% for next 12 months for timely repayment of loans at the end of 3 months moratorium

* target beneficiaries indicated within brackets

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