

Measures under Atmanirbhar Bharat Abhiyan

Why in news?

The Minister of Finance made a set of announcements under the Atmanirbhar Bharat Abhiyan (Atmanirbhar meaning self-reliant).

What are the welcome measures?

- The measures announced will go a long way in lifting the spirits of the two key and troubled sectors:
 1. micro, small and medium enterprises (MSMEs)
 2. non-banking finance companies (NBFCs)
- While for the former, it is an existential crisis, for the latter, it is a liquidity issue.
- **MSMEs** - The massive Rs. 3-lakh crore collateral-free assistance handed out to MSMEs will help them revive their operations.
- Extending a sovereign credit guarantee for the complete amount is a welcome move.
- This is because banks may otherwise have been reluctant to support troubled borrowers.
- Two of the features that would help boost the equity portion on MSME finances are:
 - i. the Rs. 20,000 crore partially guaranteed subordinated debt programme
 - ii. the Rs. 50,000 crore fund of funds scheme
- **NBFCs** - NBFCs, housing finance firms and micro finance entities got a much-required liquidity boost.
- A Rs. 30,000 crore scheme is announced wherein their debt paper will be fully guaranteed by the government.
- This works along with the partial credit guarantee scheme of Rs. 45,000 crore.
- With these, the government has broken the logjam wherein banks were unwilling to extend credit despite the RBI's strong push.
- This will largely address the liquidity crisis in the non-banking space for now.
- **DISCOMS** - The liquidity issues of power distribution companies were addressed through a Rs. 90,000 crore infusion.
- This will be securitised on their receivables and backed by a State

government guarantee.



What are the shortfalls?

- The finer details of the debt programme and the funds scheme for MSMEs should be more clear.
- The government could have specified the interest cap on the loans without leaving it to individual lenders.
- Now each of them has its own rate structure.
- Again, the scheme could have been extended until the end of this financial year instead of until October 31, 2020.

What is the overall objective?

- The announcements are focused on the liquidity part of the crisis.
- The reality is that the government will be called upon to bear the liability of these big numbers only if the economic situation becomes hopeless.
- But, hopefully, it may not come to that point.
- So, the announcements have in effect addressed the issue of lack of confidence in the credit market.
- Notably, liquidity was always there but only for the most credit-worthy of borrowers.
- The government has now just given the assurance to lenders and borrowers that it is willing to support their commitments.
- This is the signal that MSMEs and their lenders needed and so, overall, the measures are welcoming.

Source: The Hindu