

PACKAGE FOR POOR : UTTAR PRADESH AND WEST BENGAL ACCOUNT FOR 27% OF STREET VENDORS

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After the announcements made yesterday targeting MSMEs and self-employed, the Government today announced measures which exclusively focus on the poor including migrants, street vendors and farmers. Total stimulus worth Rs 3.16 lakh crore has been announced. With this the total package announced so far is at Rs 16.45 lakh crore, implying residual package of Rs 3.54 lakh crore of Rs 20 lakh crore remains to be announced.

The recent crisis has shown how important it is for a huge country like India to have an infrastructure which promotes inter-operability between the States and Centre. The mission mode implementation of One nation One Ration Card is a step in the right direction. So is making available the portability of welfare benefits for migrant workers and those having no ration card. The changes in labour laws that are being mulled over in Parliament if implemented properly could bring positive changes in the status of the labourers in this country. The Centre and States should, however, work in tandem to achieve these objectives within the mandate of overall labour welfare. The Economic Survey of India 2017 estimates that the magnitude of inter-state migration in India was close to 9 million annually between 2011 and 2016, while Census 2011 pegs the total number of internal migrants in the country (accounting for inter- and intra-state movement) at a staggering 139 million. The recent COVID-19 crisis has shown how crucial this scheme is in such a country. All States/UTs are expected to implement the One Nation One Ration Card scheme by March, 2021. **However, the technological architecture has to be put in place quickly in more than 5.27 lakhs Fair Price Shops (FPSs) (2018 data) operational across the country.**

Through the Banking channel, Government is also supporting the Shishu Loan Holders under MUDRA Scheme, Street Vendors and Farmers. Easy access to credit for street vendors is urgently required as they have seen the maximum impact of lockdown. **We estimate that top ten states accounted for around 35 lakh street vendors with Uttar Pradesh taking the lead with 7.8 lakh vendors followed by West Bengal at 5.5 lakh vendors.**

The Credit Linked Subsidy Scheme and Affordable Rental Housing scheme will give a push to Housing, thus supporting the economy by increasing demand for construction raw materials.

Furthermore, plans worth Rs 6000 crore will be approved shortly under the Compensatory Afforestation Management & Planning Authority (CAMPA) set up under Compensatory Afforestation Fund Act, 2016. This is expected to support sustainable employment opportunities.

NABARD will also extend additional refinance support of Rs 30,000 crore for crop loan requirement of Rural Co-op Banks & RRBs. Due to the COVID-19 crisis, NABARD may have faced difficulty in raising money from the market. On 17 April, RBI has given a line of credit support to NABARD of Rs 25,000 crore at repo rate to refinance during this Kharif Season. We expect RBI might give another Rs 30,000 crore liquidity support to NABARD to ease the stress and cost of borrowing.

All in all, the direct fiscal hit after the announcement of 3 packages is only 0.6% of GDP at approx. Rs 1.29 lakh crore. However, support has been provided to the needy by facilitating their access to food and credit. **Of the total announcement of Rs 3.16 lakh crore made today, the total cash outlay for the Government will be around Rs 14,500 –14,750 crore. The impact of today's package on fiscal deficit is expected to be a miniscule at 0.07% of GDP.**

THIRD PACKAGE OF RS 3.16 LAKH CRORE

- India today announced another tranche of stimulus worth Rs 3.16 lakh crore for the benefit of migrant workers, farmers and urban poor. With this the total package announced so far stands at Rs 16.45 lakh crore, implying residual package of Rs 3.54 lakh crore is left of Rs 20 lakh crore package announced, if we include the earlier announced package and measures by RBI.
- Of the total announcement of Rs 3.16 lakh crore, the total cash outlay for the Government will be only around Rs 14,500 –14,750 crore.
- The Government has announced measures to ensure food security, extended affordable housing scheme for urban poor and special credit facility for street vendors.

MEASURES ANNOUNCED

- Kisan Credit Cards:** Bringing better and faster loans to farmers (including in fisheries and animal husbandry), 25 lakh new KCC loans has been sanctioned previously, with a loan limit of Rs. 25,000 crore. This will help farmers to avail the flexible and timely credit for short-term crop loans. As on Jan'2020, there were 6.76 crore KCCs available in the country and Government is trying to cover all the 9.6 crore farmers under PM-KISAN in the KCC scheme. This will help farmers in order to get institutional credit from banks to cope up with the high cost of cultivation.
- If the farmers timely serve the KCC accounts, they would get interest subvention, which would cost around Rs 500-750 crore for the new 25 lakh accounts of Rs 25,000 crore limit.
- Special drive will also be undertaken to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. 2.5 crore farmers will be covered and will benefit from credit flow of about Rs 2 lakh crores.

India's Response to COVID-19 (Rs Crore)			
Package	Support Area	Announced Amount	Actual Fiscal Impact
Total Package	-	20,00,000	128500-129250 / 0.6% of GDP
First Package	-	7,35,200	73,000
Government (PMGKY)	Free Cash and Food	1,70,000	73,000
RBI	Liquidity Support	5,65,200	0
Second Package	-	5,94,250	41000-41500
MSMEs	Collateral free Loans/Debt/Equity Support	3,70,000	14000
EPF	Support & Contribution	9,250	2500
NBFC/HCs/MFIs	Liquidity Support	75,000	0
Discoms	Liquidity Support	90,000	0
TDS/TCS reductions	Liquidity Support	50,000	20000-25000
Third package	-	3,16,000	14500-14750
PDS for migrants	Food	3,500	3,500
Mudra Shishu Scheme	Interest Subvention	1,500	1,500
Special Credit Facility for Street Vendors	Liquidity	5,000	-
CAMPA Fund for Tribals/Adivasis	Employment generation	6,000	6,000
Working capital Funding through NABARD	Liquidity Support	30,000	-
KCC for Farmers	Concessional loans	2,00,000	500-750
Credit Linked Subsidy Scheme for Middle Class	Credit	70,000	3,000
Residual Package	-	3,54,550	-

Source: SBI Research

◆ **Special Credit Facility for Street Vendors:** Street vendors are the most affected segment of the society due to COVID-19. Their livelihood is completely crushed due to lockdown which is subsequently eating up their savings. Against this background, Government today announced that it will launch a special scheme within a month to facilitate easy access to credit (till Rs 10,000) to street vendors so that they will be again set-up their small business. Government estimates this will support around 50 lakh street vendors in the country and hence will offer liquidity of Rs 5000 crore. We estimate the state-wise break-up of street vendors from PLFS data (using share of self-employed in non-agriculture sector) and found that top ten states accounted for around 35 lakh street vendors with Uttar Pradesh take the lead with 7.8 lakh vendors followed by West Bengal at 5.5 lakh vendors. Further, Government will also incentivize through monetary rewards and enhanced working capital credit to those vendors who will make digital payments and have good repayment behavior.

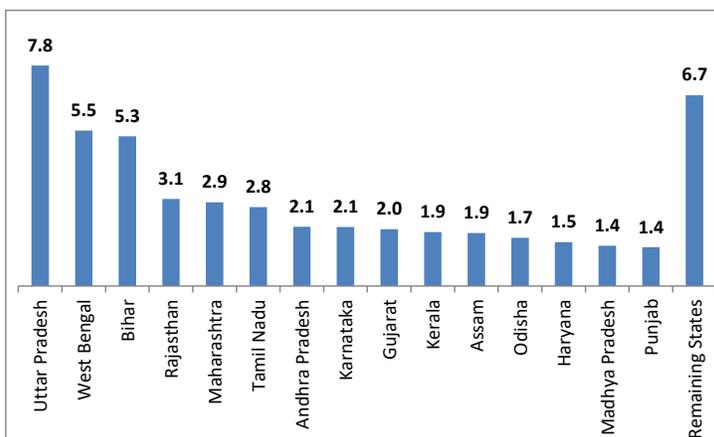
◆ **PMAY Credit-Linked Subsidy Scheme (CLSS):** The Government has now extended the scheme for middle income group (Annual Income: Rs 6–18 lakhs) which was operational till 31 Mar’20 by another year. It is likely to provide relief to 2.5 lakh middle income families and provide Rs 70,000-crore investment. This is welcome move for banks and will give a further boost to affordable housing segment. The subsidy on this account for 2.5 lakh beneficiaries would amount to Rs 5000 crore. However, assuming only 1.5 lakh families avail this facility during this year this would result in a fiscal cost of Rs 3000 crore.

◆ **Portability of Ration Card:** Regarding the schemes that Centre and States have launched over their years, there is no paucity of good schemes, which can support the needy and vulnerable. The major issue is the lack of awareness among the beneficiaries and improper implementation of schemes. Integrated Management of Public Distribution System (IM-PDS) was launched for implementation during 2018-19 and 2019-20. The key objectives of the scheme are to integrate the existing PDS systems/portals of States/UTs with the Central Systems/portals, introduction of National Portability of ration card holders to lift food grains from any fair price shop (FPS) across the country, and also National level de-duplication of ration cards/beneficiary. The Economic Survey of India 2017 estimates that the magnitude of inter-state migration in India was close to 9 million annually between 2011 and 2016, while Census 2011 pegs the total number of internal migrants in the country (accounting for inter- and intra-state movement) at a staggering 139 million. The recent COVID crisis has shown how crucial this scheme is in such a country. All States/UTs are expected to implement the One Nation One Ration Card scheme by March, 2021. The technological architecture has to be put in place quickly in more than 5.27 lakhs Fair Price Shops (FPSs) (2018 data) operational across the country. Also awareness has to be spread about the schemes.

◆ **Affordable Rental Housing Complexes (ARHC) for Migrant Workers / Urban Poor:** Government has also announced that it will launch a scheme under PMAY for migrant labour/urban poor to provide ease of living at affordable rent by converting government funded housing in the cities into Affordable Rental Housing Complexes (ARHC) under PPP mode through concessionaire or by incentivizing manufacturing units, industries, institutions, associations to develop Affordable Rental Housing Complexes (ARHC) on their private land and operate or by incentivizing State Government Agencies / Central Government Organizations on the similar lines to develop Affordable Rental Housing Complexes (ARHC) and operate. This scheme will remove the challenges that migrant labours/urban poor are currently facing in getting houses at affordable rent.

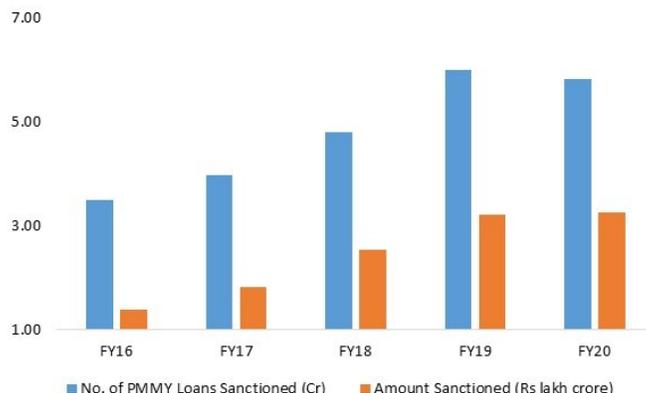
◆ **Mudra Loans:** Pradhan Mantri Mudra Yojana (PMMY) providing loans up to ₹ 10 lakh to non-corporate, non-farm small/micro enterprises, are given under three categories: Shishu, Kishore and Tarun . Since the inception, a total of Rs 12.18 lakh crore of loans has been sanctioned to 24 crore loans. . The NPA is 3% in FY19 in the overall portfolio. For the record, the share of Shishu accounts, is around 86% in terms of number and 45% in terms of overall loan value in FY20.

State-wise Break-up of Street Vendors (in Lakhs)

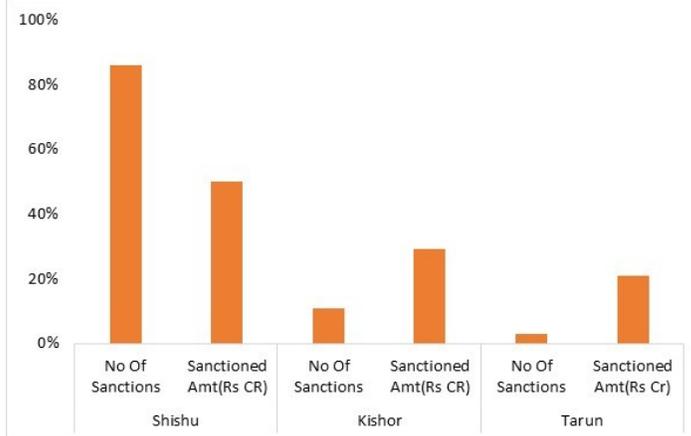


Source: SBI Research

MUDRA Loans: Yearwise Movement



Category Wise % Share under MUDRA Loans



Source: SBI Research

◆ As these small units has been affected the most in COVID-19 crisis, RBI has already given 3-months moratorium but they need to pay the interest at the end of 3-months which would be difficult for them. So, to support these small borrowers, Government has announced 2% interest subvention for the prompt payees of ‘Shishu’ for a period of 12-months and the fiscal cost would be Rs 1500 crore. This will incentivize to pay on time and reduce the interest cost of around 3 crore Shishu borrowers under Mudra.

- ◆ **NABARD Refinance:** Government has proposed an additional refinance support of ₹30,000 crore (over and above Rs 90,000 crore to be provided by NABARD) for crop loan requirement of Rural Co-op Banks & RRBs, to benefit around 3 crore small and marginal farmers in the country.
- ◆ In every year, NABARD refinances (short and long-term credit) and directly finances business, keeping in view the resource position, ground level credit demand, need for maintaining regional and inter-sectoral balance, objectives of national programmes and missions, health status of the rural financial institutions, etc. For production and working capital requirements of farmers, weavers, artisans, etc, NABARD refinances the State Cooperative Banks (StCBs) and Regional Rural Banks (RRBs) for lending under Short-term Seasonal Agricultural Operations (ST-SAO). While, the long-term (LT) refinance support for asset creation and capital formation in rural areas is provided to all banks, including SCBs, RRBs, etc. During 2018-19, an amount of Rs 90,088 crore was disbursed to StCBs (Rs 73,142 crore) and RRBs (Rs 16,946 crore) to meet the seasonal credit demand for rural economic activities.
- ◆ Due to the Covid-19 crisis, NABARD might face difficulty in raising money from the market. So, on 17 April, RBI has given a line of credit support to NABARD of Rs 25,000 crore at repo rate to refinance during this Kharif Season. We expect RBI might give another Rs 30,000 crore liquidity support to NABARD to ease the stress and cost of borrowing.

FISCAL IMPACT

- ◆ Measures announced today will only have Rs 14,500 –14,750 crore as the direct cash outflow, rest is in the forms of loans and liquidity. This will have only a minimal impact on fiscal deficit of the Centre (0.07%). Thus we believe fiscal deficit in India is likely to come around Rs 16 lakh crore (8.0% of revised estimates of GDP) in FY21 owing to lower revenues and higher expenditure against the backdrop of COVID-19 pandemic.

Fiscal Deficit Estimate (Rs lakh crore)	
Revenue shortfall to Centre	6.9
Fiscal impact of stimulus package 1	0.7
Fiscal impact of stimulus package 2	0.4
Fiscal Impact of stimulus package 3	0.1
Fiscal Deficit FY21 BE	8.0
Revised Fiscal Deficit	16.2
Revised Fiscal Deficit (% of new GDP)	8.0
Memo:	
Extra Budgetary Resources of Centre	1.9
Revised Fiscal Deficit + EBR of Centre (% of GDP)	8.9
Fiscal Deficit of State	8.5
Fiscal Deficit of State (% of GDP)	4.0
Source: SBI Research, *Taking into account fiscal benefit of Rs 1.7 lakh cr owing to excise hike and Rs 37000 cr on account of DA freeze	

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