New Delhi

Finance minister Nirmala Sitharaman announced a series of stimulus measures, including credit support for stressed sectors, incentives for employment generation and multiple measures for construction and housing among a dozen boosters for the Covid-hit economy under Aatmanirbhar Bharat 3.0. The total spending on these new measures is pegged at ₹1.2 lakh crore. On Wednesday, the government had extended the production-linked incentive (PLI) scheme to the tune of ₹1.46 lakh crore, taking the total support in this round of stimulus measures to ₹2.65 lakh crore, over 1% of GDP.

"Total of 15% of the GDP has been given as stimulus till today," finance minister Nirmala Sitharaman said on Thursday. Of this, 9% can be attributed to the government actions, she added. Several indicators suggested that the economy is reviving and the spike was not just due to pent-up demand after the lockdown was eased, she said. Industrial production grew a modest 0.2% in September, posting its first expansion after six months of contraction, data released on Thursday showed.

These latest measures, along with two others in the Aatmanirbhar Bharat (self-reliant India) series and the Pradhan Mantri Garib Kalyan Yojana payout announced earlier, take the combined stimulus to ₹29.87 lakh crore, including steps by the Reserve Bank of India (RBI), the government said.

Industry welcomed the initiatives. "It is heartening to note that despite fiscal constraints, the government chose to hasten the recovery process by spending an additional ₹2.65 lakh crore... This will help the sectors which employ a large number of people tide over the cash crunch and working capital issues in the wake of low demand," said CII president Uday Kotak.

"We saw a powerful multi-sectoral boost coming from the government today," said Ficci president Sangita Reddy, calling the package a Diwali bonanza that will lift growth, employment and exports.

The stock markets recouped some losses after the stimulus programme was announced.

‘Will Help in Medium Term’
However, the markets closed in the red on Thursday following a strong run in the last few sessions. The BSE Sensex closed half a percent down at 43,357 points.

Economists said the measures will help in the medium term although the allocation for the immediate term was not high.

“While measures like the PLI and the ease of doing business in construction and real estate will pay off in the medium term, the hard spend for short-term stimulus is a trifle small,” said HDFC Bank chief economist Abheek Barua. “On the whole, the broad strategy of staying within fiscal limits and attempting to spur different components of demand through relatively small allocation remains.”

“Proposed measures could benefit employment generation over a longer period, particularly in manufacturing,” said Rahul Bajoria of Barclays.

The credit guarantee scheme is on the lines of the one already in force and will provide 100% guaranteed, collateral-free additional credit to the 26 stressed sectors identified by the KV Kamath committee and the healthcare sector.

“We have almost a headroom of ₹1 lakh crore. Getting the 26 stressed sectors that actually need money into the fold (of the existing scheme) will help a large number of them to get working capital term loans and we have capped it at ₹500 crore,” said financial services secretary Debashish Panda.

The government also extended the ₹3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) until March 31, 2021.

This will offer collateral-free and fully guaranteed loans for medium, small and micro enterprises (MSMEs), business enterprises and individual professionals. “We have already utilised ₹2 lakh crore out of the ₹3 lakh crore,” Panda said.

The housing, construction and real estate sector is the other big gainer.

Apart from access to collateral-free loans, there is a ₹18,000 crore extra allocation for urban housing, relaxation in the bidding terms for government construction projects and income tax relief for primary residential house sales of up to ₹2 crore.

The government is also providing additional ₹10,000 crore for rural employment, ₹65,000 toward fertiliser subsidies and ₹3,000 crore to the Exim Bank for export promotion.

In order to further promote domestic equipment makers, industrial infrastructure providers and companies in the green energy sector, the government has outlined an additional budget outlay of ₹10,200 crore for capital and industrial expenditure.

Importantly, the department of biotechnology will be given ₹900 crore for Covid-19 research and development. This is separate from resources needed to acquire vaccines and inoculate the population.

“The actual cost of the vaccine or the logistics is totally different and whatever is required, as and when required, will be provided,” Sitharaman said.
The total spending by the government will be higher than the budget estimates for FY21, she said. For supporting 140 million farmers, the government will provide ₹65,000 crore for subsidised fertilisers to ensure the kharif harvest goes off without a hitch.