



Union Budget (2021-22) Proposals and implications to NABARD

(01-02-21)

GM/FM (skt)

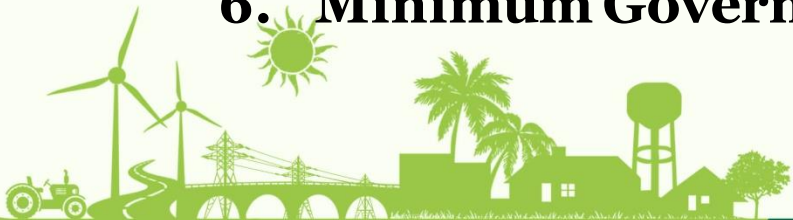
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Union Budget FY 2021-22

- **Budget followed a contraction in the economy.**
- **Budget proposals for FY2021-2022 rest on 6 pillars.**
 1. **Health and Wellbeing**
 2. **Physical & Financial Capital, and Infrastructure**
 3. **Inclusive Development for Aspirational India**
 4. **Reinvigorating Human Capital**
 5. **Innovation and R&D**
 6. **Minimum Government and Maximum Governance**



Infrastructure financing

- *A new Development Financial Institution (DFI) for Infrastructure Financing ... likely balance sheet size of Rs.5 lakh Crores in 3 years*
- **Probable implication on NABARD's business???**
- **Likely action Point for NABARD: Intense engagements with existing and prospective clients (to ensure client stickiness)**



Sharp Increase in Capital Budget

- **Revised Estimate 2020-21; Capital Expenditure at Rs. 4.39 lakh crores**
- **For 2021-22; a sharp increase in capital expenditure to Rs. 5.54 lakh crores.**
- **Of this, Rs. 44,000 crores to be provided for projects/programmes/departments that show good progress on Capital Expenditure and are in need of further funds.**
- **Over and above this expenditure, more than Rs.2 lakh crores to States and Autonomous Bodies for their Capital Expenditure.**
 - **Will it shrink business opportunity for NABARD???**
 - **States' borrowing less? As they get more from the Centre for capital expenditure. But Capex may finally push GLC upwards.**



Sharp Increase in Capital Budget

- **To work out specific mechanisms to nudge States to spend more of their budget on creation of infrastructure**
 - **Advocacy role for NABARD & Use of State Focus Paper and more engagements with state governments... for lobbying more towards creating rural infrastructure**
 - **Also a business opportunity for NABARD.**



Power Infrastructure

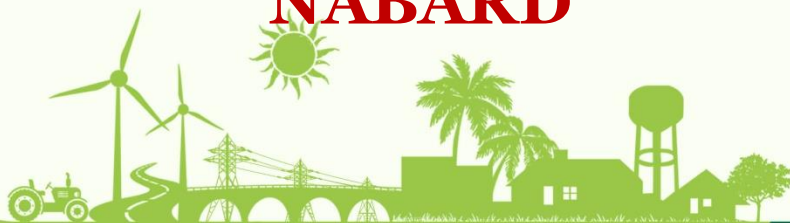
- **The distribution companies across the country are monopolies, either government or private.**
- **To provide choice to consumers by promoting competition, a framework will be put in place to give consumers alternatives to choose from among more than one Distribution Company.**
 - **Potential business opportunity for BID / NIDA, ... to broad-base the portfolio... from currently loaded towards Trans. Co... to Dis Co.**



Financial Capital

- **A permanent institutional framework.**
- **The proposed body would purchase investment grade debt securities both in stressed and normal times and help in the development of the Bond market.**
 - **A healthy Bond Market -> easier borrowing window for**

NABARD



Financial Capital

- ***Stressed Asset Resolution by setting up a New Structure: An Asset Reconstruction Company Limited and Asset Management Company would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.***
 - **A ‘Bad Bank’ ???... To provide better NPA resolution to our client banks and for Direct Loans/ BID products**



SARFAESI Act

- **To improve credit discipline while continuing to protect the interest of small borrowers, for NBFCs with minimum asset size of Rs.100 crores, the minimum loan size eligible for debt recovery under the SARFAESI Act, 2002 is proposed to be reduced from the existing level of Rs.50 lakhs to Rs.20 lakhs.**
 - **Leverage to NBFCs for effecting recovery...**
 - **Better NBFC financials ->more lending opportunities to NABARD**



Multi State Cooperatives

- **Support for development of Multi-State Cooperatives for ‘Ease of Doing Business’ for Cooperatives.**
- **Setting up a separate Administrative Structure for them (MSCs).**
 - **Impact on client banks viz. UCBs ???**



Company Matters

- **To revise the definition under the Companies Act, 2013 for Small Companies by increasing their thresholds for Paid up capital from “not exceeding Rs.50 Lakh” to “not exceeding Rs.2 Crore” and turnover from “not exceeding Rs.2 Crore” to “not exceeding Rs.20 Crore”.**
 - **This will benefit more than two lakh companies in easing their compliance requirements.**
 - **Measures towards Ease of doing Business for mSMEs**
 - **Easier to start an Agri mSME**



Company Matters - OPC

- The Budget proposes to **incentivize** incorporation of One Person Companies (OPCs) by:
 - allowing OPCs to grow without restrictions on paid up capital & turnover;
 - allowing their conversion into any other type of company at any time;
 - reducing residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non Resident Indians (NRIs) to incorporate OPCs in India.

 • **Ease of Doing Business including for Start ups ???**



AGRICULTURAL CREDIT

- **Enhanced agricultural credit target to Rs.16.5 lakh crores in FY2021-22 (a 10% increase over previous year).**
- **Focus on ensuring increased credit flows to animal husbandry, dairy, and fisheries.**

• **Big role for NABARD ... Credit Planning, PLP to focus on AH, Fisheries**



RIDF

- **Enhanced allocation to the Rural Infrastructure Development Fund [RIDF] from Rs.30,000 crores to Rs.40,000 crores.**
 - **[Intense engagement with State Govts. for sanction and drawal,**
 - **Empowering line Departments in project formulation,**
 - **Empowering DDMs in advance project identification through PLP]**



Micro Irrigation Fund

- **Micro Irrigation Fund, created under NABARD, is doubled by augmenting it by another Rs 5,000 crores; (now it will be Rs.10,000 crores)**
 - **More BUSINESS for sanction and implementation**



AGRICULTURE – Operation Green Scheme

- To boost value addition in agriculture and allied products and their exports, scope of ‘Operation Green Scheme’ (presently applicable to tomatoes, onions, and potatoes), will be enlarged to include 22 **perishable** products.
 - **Opportunities in value chain financing for vegetables, and promotion of Agri SMEs in increasing shelf life, including exports**



AGRICULTURE – Electronic Trade

- **1,000 more mandis will be integrated with e-NAM.**
- **Agriculture Infrastructure Fund (AIF) to be made available to APMCs for augmenting their infrastructure facilities.**
 - **Can we have a new product for APMCs @ very low RoI to setup facilities and integrate with e-NAM???**



AGRICULTURE ... *Fisheries*

- Proposal for substantial investments in the development of **modern fishing harbours and fish landing centres**. To start with, 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – will be developed as hubs of economic activity.
- To also develop inland fishing harbours and fish-landing centres along the banks of rivers and waterways.
 - **Promotional activities; preparation of model projects, training to bankers in the hubs on fisheries project/ cash flow based lending etc. & More business under**



FIDF



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AGRICULTURE ... Fisheries Seaweed Park

- **Seaweed farming** as an emerging sector with potential to transform the lives of coastal communities; (for large scale employment and additional incomes).
- **A Multipurpose Seaweed Park to be established in Tamil Nadu.**
 - **Promotional activities, preparation of model projects, PLPs of TN RO, training to bankers on innovative projects, etc.**



Financial Inclusion- Stand Up India

- **To facilitate credit flow under the scheme of Stand Up India for SCs, STs, and women, the margin money requirement is proposed to be reduced from 25% to 15%, and to also **include loans for activities allied to agriculture.****
- **A step to support financial Inclusion through MSMEs - Enlarging scope of activities. includes activities allied to agriculture OFDD & FSPD to collaborate.**



Fiscal Deficit (FY20-21)

- **Revised expenditure Estimates (RE) for 20-21 are Rs.34.50 lakh crores.**
- **The capital expenditure, estimated in RE is Rs.4.39 lakh crores.**
- **The fiscal deficit 2020-21 is pegged at 9.5% of GDP.**
- **GoI is approaching the markets in Feb-March 2021 for Rs. 80,000 crores**
 - **Higher borrowing by the Union...impact on 10 yr G-Sec yield? Impact on borrowing cost for NABARD? (cost of fund for NABARD to go Up in the coming months?)**



Fiscal Deficit (21-22)

- Expenditure Estimates (BE) 2021-2022, are Rs.34.83lakh crores; Includes Rs.5.54lakh crores as capital expenditure. Fiscal deficit FY 2021-2022 is estimated to be 6.8% of GDP. Gross borrowing from the market for FY 2021-22 would be around Rs.12 lakh crores.
- GoI to submit deviation statement provisions of FRBM Act; Intends to reach a fiscal deficit level below 4.5% of GDP by 2025-2026. Introducing an amendment to the FRBM Act.
 - [Impact on Capital Market...??? Crowding out effect ??? Impact on G Sec yield ??? Impact on price/inflation; borrowing cost for NABARD???] [A revised path to Fiscal consolidation]



Fiscal Deficit- Borrowing By state Govts.

- **GoI is allowing a normal ceiling of net borrowing for the states at 4% of GSDP for the year 2021-2022 [15th Finance Commission reco.]. Earlier it was 3%.**
- **A portion of this ceiling earmarked to be spent on incremental capital expenditure.**
- **Additional borrowing ceiling of 0.5% of GSDP will also be provided to states subject to conditions.**
- **States will be expected to reach a fiscal deficit of 3% of GSDP by 2023-24,**
 - **Lending to state Govt. huge Business opportunity for NABARD**



• **THANK YOU**

• **GM/FM (skt)**



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