

ENHANCED INSURANCE COVER FOR EXPORTERS; AFFORDABLE AND ACCESSIBLE CREDIT; REDUCTION IN INTEREST RATES; FM ANNOUNCES NIRVIK SCHEME FOR EXPORTERS IN UNION BUDGET 2020-21

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Ministry of Commerce & Industry

Enhanced Insurance Cover for Exporters; Affordable and Accessible Credit; Reduction in Interest Rates; FM Announces NIRVIK Scheme for Exporters in Union Budget 2020-21

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The Finance Minister, Nirmala Sitharaman, announced the NIRVIK scheme in the Union Budget 2020-21 in Parliament today.

It will provide high insurance cover for exporters and reduce premium for small exporters. To achieve higher export credit disbursement, a new scheme NIRVIK is being launched which provides for high insurance cover, reduction in premium for small exporters and simplified procedures for claim, settlement, said the Finance Minister while presenting Budget 2020-21.

She further added that the Scheme is being prepared by the Commerce and Industry Ministry. Under the Scheme, also called the Export Credit Insurance Scheme (ECIS), the insurance guarantee could cover up to 90% of the principal and interest.

Commerce and Industry Ministry has also proposed to subsidise the premium under the Scheme that has to be paid by exporters of certain key sectors. In September last year Commerce and Industry Minister, Piyush Goyal had announced that the gems, jewellery and diamond (GJD) sector borrowers with limit of more than Rs. 80 crore will have a higher premium rate under the NIRVIK Scheme as compared to non-GJD sector borrowers of this category due to the higher loss ratio.

The Export Credit Guarantee Corporation (ECGC) cover will also provide additional comfort to banks as the credit rating of the borrower is enhanced to AA rated account. Enhanced cover will ensure that Foreign and Rupee export credit interest rates will be below 4% and 8% respectively for exporters. Under ECIS, insurance cover percentage has also been enhanced to 90% from the present average of 60% for the both principal and interest.

The Export Credit Corporation currently provides credit guarantee of up to 60 percent loss.

The development assumes significance as exporters have raised concerns over availability of credit.

India's exports contracted for a fifth month in a row by 1.8 percent in December 2019 to USD 27.36 billion and imports declined 8.9 percent to USD 357.39 billion, leaving a trade deficit of

USD 118.10 billion.

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