

1. New Measures to Boost Exports and Housing Sector

Prelims: Economics- Infrastructure Road, inland, Railway aviation, Housing, Rural & Urban

Mains: GS-III- Infrastructure: Energy, Ports, Roads, Airports, Railways, etc.

Why in News?

- ▶ Finance Minister Nirmala Sitharaman has announced a fresh set of measures worth around 70,000 crore rupees to boost exports and housing sector.
- ▶ The government will provide a 10,000 crore rupees special window with an aim to help complete ongoing affordable and middle-income housing projects.

Background:

- ▶ As part of the third stimulus package for the economy, Finance Minister unveiled a set of stimulus measures to boost exports and the housing sector.
- ▶ New Booster dose for the economy comes at a time when the country had reported its weakest growth in more than six years at 5 per cent in the June quarter.
- ▶ The previous low in GDP growth was recorded at 4.3 percent in Jan-Mar quarter of 2012-13. The economic slowdown has particularly been harsh on the automobile sector with domestic passenger vehicle sales having skidded for the 10th consecutive month in August, registering a 31.57 percent decline.
- ▶ The International Monetary Fund (IMF) said that Indian economy was “much weaker” than expected. This was attributed to the corporate and environmental regulatory uncertainty and lingering weakness in some non-banking financial companies.
- ▶ The new package of measures for exports sector came in six different silos and covered steps that would address comprehensively tax and duties refunds for exporters; improve credit flow to the export sector and launch of a special free trade agreement (FTA) utilisation mission. India will also now host annual mega shopping festivals in 4 places.

Steps to Boost Exports:

- ▶ Government announced the introduction of a new attractive scheme for **Remission of Duties or Taxes on Export Product (RoDTEP)** to replace the existing Merchandise Exports from India Scheme (MEIS) from January 2020 and revised priority sector lending norms for export credit that will release an additional Rs 36,000 crore to Rs 68,000 crore as export credit under priority sector.

- ▶▶ It was made clear that RoDTEP would span all the sectors and the revenue foregone could be about Rs 50,000 crore.
- ▶▶ The duty remission will vary from sector-to-sector. With the introduction of RoDTEP, all the uncertainty over continuation of MEIS is over.

Steps to Boost Housing Sector:

- ▶▶ New measures to boost housing sector were brought in owing to the fact that nearly 3.5 lakh dwelling units (non NPA and non NCLT) in the country are plagued with last mile funding problem.
- ▶▶ Rs 20,000 crore fund (Rs 10,000 crore from Government and roughly same amount from outside investors) would be set up to provide last mile funding for affordable and middle-income housing.
- ▶▶ This fund will be used to support projects that are non-NPA and non-NCLT projects and the objective is to focus on construction of unfinished units.
- ▶▶ The fund would be set up as a Category-II AIF trust and would be professionally run with experts from housing and banking sector.
- ▶▶ It was made clear that the Government was “open” to bring in sovereign wealth funds as investors. Besides the Government, the other investors who are likely to contribute to the fund include LIC and other institutions and private capital from banks and DFIs.
- ▶▶ External Commercial Borrowing (ECB) guidelines will be relaxed to facilitate financing of home buyers who are eligible under the PMAY, in consultation with RBI.
- ▶▶ This will be in addition to the existing norms for ECB for affordable housing.
- ▶▶ Also, the Finance Minister came up with some good news for government servants, stating that interest rates on house building advance will be lowered and linked with the 10-year G-sec yields.