

IMF for extension of pandemic support measures in Budget

International Monetary Fund has projected an impressive 11.5 per cent growth rate for India in 2021

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Ahead of India's annual Budget presentation next week, IMF's chief economist Gita Gopinath has favoured the extension of the pandemic support measures, thrust on investment in infrastructure and expanding health sectors programmes like Ayushman Bharat, and a very credible divestment path for commercially viable companies.

The Indian government has provided a lot of schemes for small and medium enterprises, most of which are in the form of liquidity support, Gopinath said.

And you want to revisit it and see how effectively that is working and see whether additional support may need to be provided, she said while responding to a question on her recommendations to the Union finance minister, Nirmala Sitharaman, ahead of her presentation of the annual Union Budget on 1 February.

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GITA GOPINATH
IMF'S CHIEF ECONOMIST

cial companies (NBFCs) to raise capital given the attractiveness of financing conditions at this point, she said.

We have to also keep in mind that as these pandemic measures are lifted, there would very likely be an increase in non-performing loans. Even the RBI (Reserve Bank of India) has projected that, Gopinath said.

But there might also be a need for the capital support to be provided by the government for public sector enterprises. That has been long on the table which is to improve governance of pub-

lic sector banks, she said.

Observing that there is a need for more public infrastructure spending, she said that the government has expressed an intention to do that. There are needs to make more public investment. That would be another area that would require thrust, she said, adding that health is another sector which needs renewed focus.

In this pandemic, there has been spending but if you look at the health needs of the country, health capacity has to be increased. We can also see an argument for expand-

ing Ayushman Bharat programme for instance and also increasing the number of medical personnel, Gopinath said.

Gopinath said that there has to be progress made on the GST (goods and services tax) collections. There seems to be a gap with compliance which is an important area to fix.

India's finance ministry on Monday released the 13th installment of Rs 6,000 crore to the states to meet GST compensation shortfall, taking the total amount of funds released to Rs 78,000 crore.

The government had set up a special borrowing window in October 2020 to meet the estimated shortfall of Rs 1.10 lakh crore in revenue arising on account of the implementation of the GST.

In addition to providing funds through the special borrowing window to meet the shortfall in revenue on account of GST implementation, the government has also granted additional borrowing permission equivalent to 0.50 per cent of gross states domestic product (GSDP) to the

states to help them in mobilising additional financial resources.

Gopinath said that another area which has been longstanding is divestments. That has been in every one of the budgets, but in terms of the actual implementation it has not happened, he said.

To have some sort of a very credible divestment path for commercially viable companies is a very important part. Also, the insolvency procedures would require a lot of work, Gopinath said.

On Tuesday, the IMF projected an impressive 11.5 per cent growth rate for India in 2021. While this is attributable to the stronger than expected recovery, Gopinath said India still has some distance to go.

She said that due to Covid-19, India's informal sector, like many parts of the world, has been hit hard along with unemployment in micro small and medium enterprises. Even if the economy is recovering, these distributional effects have also to be paid close attention to, she said.