Fund raising – COVID-19

Part of: GS Prelims and GS-III- Economy terms

Recently, the Government has hiked Ways and Means Advance (WMA) limit with the Reserve Bank of India (RBI) by 60%. (PT SHOT)

- WMA limit is proposed to be revised to Rs 1.20 lakh crore and would be reviewed on a need basis (from Rs 75,000 crore last year).
- This is to compensate for the cash flow mismatch in Financial Year (FY) 21 expected from higher spending to combat the spread of COVID-19.

Ways and Means Advance scheme

- The Ways and Means Advances scheme was introduced in 1997.
- The Ways and Means Advances scheme was introduced to meet mismatches in the receipts and payments of the government.
- The government can avail of immediate cash from the RBI, if required. But it has to return the amount within 90 days. Interest is charged at the existing repo rate.
- If the WMA exceeds 90 days, it would be treated as an overdraft (the interest rate on overdrafts is 2 percentage points more than the repo rate).
- The limits for Ways and Means Advances are decided by the government and RBI mutually and revised periodically.
- A higher limit provides the government flexibility to raise funds from RBI without borrowing them from the market.

PT “PIKUPS”

The government has announced a Rs 1.7 lakh crore package (Pradhan Mantri Garib Kalyan Yojana) to provide income support, free food and other facilities to the poor to help them during the 21-day national lockdown.

The fundraising resources are not only from the market, but also from institutions such as the RBI.

The Budget 2020-21 has pegged the Centre’s net market borrowing, including government securities, treasury bills and post office life insurance fund at Rs 5.36 lakh crore.

Out of gross borrowings of Rs 7.8 lakh crore in FY21, the Centre has proposed to borrow Rs 4.88 lakh crore, or 62.56%, in the first half of the fiscal, as against 62.25% done in the previous fiscal.

In FY21, the Centre also plans to issue the Debt Exchange Traded Fund comprising government securities to widen the base of investors.