**NIRVIK Scheme**

**Syllabus subtopic:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Prelims and Mains focus:** about the scheme and its significance

**News:** The Finance Minister announced the NIRVIK scheme in the Union Budget 2020-21 in the Parliament.

**Background**

- 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.

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

**About the Scheme**

- It will provide *high insurance cover for exporters* and *reduce premium for small exporters and* simplified procedures for claim, settlement.

- The Scheme is being prepared by the **Commerce and Industry Ministry of Commerce and Industry.**

- Under the Scheme, *also called the Export Credit Insurance Scheme (ECIS)*, the insurance guarantee could cover *up to 90%* (from the present average of 60%) 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 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.