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ATMANIRBHAR 3.0, A COMPREHENSIVE STEP TO STIMULATE DEMAND

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A comprehensive and far-reaching package unveiled by the Union finance minister under the Atmanirbhar Bharat 3.0 stimulus underscores the firm resolve of the government to get the economy back on the growth trajectory. By providing a fillip to both consumption and investment demand by announcing a much-needed expenditure of ₹2.65 lakh crore, the stimulus would ensure that the momentum of recovery is sustained not only during the festive season but even in the remaining part of the year and beyond. Apart from taking a multi-sectoral approach to help the economy navigate out of the crisis, the thrust of the package was also on ensuring that India becomes self-reliant.

The stimulus, which covers 12 broad areas, has come at a crucial juncture when the pandemic-hit economy is experiencing a welcome pick-up in growth that is showing further signs of acceleration in the festive season. Both the manufacturing and services sector have witnessed an upturn. Industrial production has come out of the contraction zone in September for the first time since the lockdown. Similarly, robust GST collections, rise in freight traffic and growth in fuel demand have signalled a rise in economic activity.

The worst seems to be over and if the upturn is sustained, the Indian economy can break out of the contraction phase with the resumption of growth by the third quarter of the current fiscal.

In this direction, the government has rightly announced a new credit guarantee scheme to support firms in the 26 stressed sectors identified by the K V Kamath Committee subject to certain conditions. The move would alleviate Covid-induced difficulties in sectors such as power, construction, real estate, hospitality, etc. It would address some of the concerns of the sectors that are facing severe cash flow issues, with a few firms being on the verge of bankruptcy.

The extension of the Emergency Credit Line Guarantee Scheme (ECLGS) up to 31 March 2021 for MSMEs is also expected to be a major shot in the arm for the beleaguered sector as far as meeting their credit needs is concerned. As banks increase their credit, the economy could turn around and the actual default rate could come down.

The bouquet of measures on rejuvenating the employment-intensive housing, real estate and construction sectors are crucial for bringing growth and jobs back to the economy. The ad-

ditional allocation of ₹18,000 crore under the PM Awas Yojana in urban areas is timely and would boost demand in sectors like steel and cement as housing projects take off. Further, the Income Tax Act would be amended for transactions below the circle rates, a move that would help clear unsold inventories of residential housing units up to ₹2 crore and mark a correction in depressed real estate prices. Among the other announcements, there is the equity support for the National Investment and Infrastructure Fund, which would help address the deficiencies in infrastructure funding.

The government has earmarked ₹1.46 lakh crore for the Production Linked Incentive scheme (PLI) to be paid over five

years. The scheme, which has proved to be a success in the electronics space, has now been extended to 10 more sectors to promote Atmanirbhar Bharat and encourage domestic manufacturing. The initiative is to promote self-reliance and provide the best possible environment for achieving international competitiveness. It would also draw businesses away from China and reduce our import dependence. Similarly, the ₹3,000 crore support to the Export-Import (EXIM) Bank of India is meant to promote project exports through the lines of credit provided by the government under the Indian Development and Economic Assistance Scheme (IDEAS). Under this scheme, the EXIM Bank extends lines of credit on behalf of the Government of India as assistance to developing countries. This would cover projects under railways, power, transmission, road and transport, auto and auto components, sugar projects, etc. The allocation would help India to extend and disburse credit lines to foreign countries under the scheme.

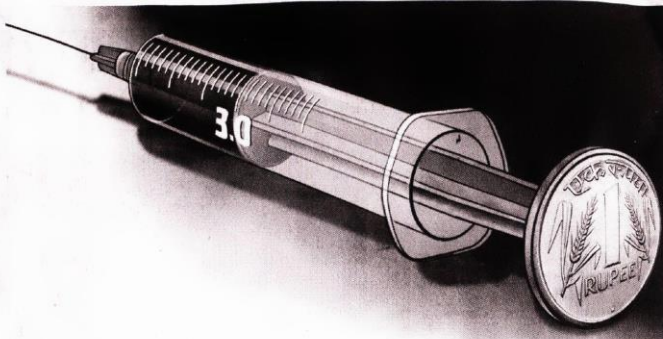
Among the most significant interventions is the enhanced outlay of an additional ₹10,000 crore for the PM Garib Kalyan Yojana, which can be used to provide employment under the MGNREGA scheme. This has been a vital social safety net and provided much-needed support in the past few months for rural people as well as returning migrants

vide employment under the MGNREGA scheme. This has been a vital social safety net and provided much-needed support in the past few months for rural people as well as returning migrants. The increased support for rural jobs would boost rural employment, raise disposable income, spur consumption demand and support the economy's growth prospects.

Other measures include an additional allocation of ₹10,200 crore for industrial infrastructure, defence and capital equipment. This would benefit capital equipment makers and promote investment. Similarly, the subsidy given to fertilisers would boost farm output and elevate consumer demand while the R&D grant for the Covid-19 vaccine would encourage indigenous research.

Overall, the package is a major sentiment booster and a commendable initiative by the government in these exceptional times to lift demand, despite the limitations of fiscal space owing to the drop in revenues. If the announcements are effectively implemented, the Indian economy can pivot in a manner that would not only reboot growth but would also bring prosperity to the deprived sections of society.

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