Atmanirbhar Bharat Abhiyan - Approach

What is the issue?

With the announcement of the final tranche of Atmanirbhar Bharat Abhiyan, a pattern to the government's approach is visible. Here is an assessment of it.

What is the approach adopted?

- The measures taken up are largely in line of -
    i. giving a strong supply-side push by boosting availability of capital on easy terms
    ii. keeping income and wage support schemes to the minimum
    iii. empowering constituencies ranging from farmers and workers to businesses
- Above all, the government seems to be keen on keeping the damage to the fisc as low as possible.
- The fiscal impact of the Rs. 20-lakh crore package is estimated by economists at between 2-3% of GDP.
- This includes withdrawals from provisions already made in the Budget for this fiscal.

What is the idea behind?

- The pillar on which the package rests is liquidity support so that businesses can be revived.
- This, in turn, is expected to set the economic cycle back in motion.
- The option of a demand-side stimulus through a resort to deficit financing seems to be reserved for a future date.
- This could be in case if the infection does not subside or a second wave begins prompting another lockdown.

What is the concern with this?

- The problem with this approach is that there is now a desperate need for demand stimulus; the government has focussed on supply-side push.
- A strategy to drive consumption may have worked better under prevailing conditions.
- The options could have been suspending GST for a couple of months or at least cutting rates temporarily, combined with a liquidity boost.

- The Centre’s problem is that its revenues are a fraction of what it would have been in a normal situation.
- But despite this shortfall, a fiscal stimulus could have been fitted into the overall package.

What are the welcome moves though?

- The government has done well in increasing the budget for MGNREGA by two-thirds, adding another Rs. 40,000 crore.
- With migrants now returning to their villages, MGNREGA can be leveraged to keep them occupied with meaningful work.
- The demand of States for higher borrowings limit has also been granted but with clear reform milestones that they have to meet.
- The government has also used the opportunity to unleash some much-needed reforms in agriculture marketing.
- The measures also include -
    i. opening up more sectors for private participation
    ii. enhancing foreign direct investment in defence
    iii. corporatizing the monolith Ordnance Factory Board, and so on

What lied ahead?

- In sum, the package has several notable features not all of which are COVID-19 relief.
- But, the government has clearly refused to borrow and spend more on boosting demand.
- If the strategy of boosting supply works, it is fine.
- However, if it does not work on expected lines, the government will be faced with a bigger problem down the line.
- The strategy of promoting supply without helping boost demand may force a relook later.

Source: The Hindu

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