



drishti

Atmanirbhar Bharat and Economic Stimulus

 drishtiias.com/printpdf/atmanirbhar-bharat-and-economic-stimulus

Why in News

Recently, the Prime Minister has announced the '**Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)**' with an **economic stimulus package** — worth Rs 20 lakh crores aimed towards achieving the mission.

- The announced economic package is **10% of India's Gross Domestic Product (GDP) in 2019-20.**
- The amount **includes** packages already announced at the beginning of the lockdown incorporating **measures from the RBI** and the **payouts under the Pradhan Mantri Garib Kalyan Yojana.**
- The package is expected to focus on **land, labour, liquidity and laws.**

Self-Reliant India Mission



- The Self-Reliant India Mission aims towards **cutting down import dependence** by focussing on substitution while improving safety compliance and quality goods to gain global market share.
 - The Self-Reliance **neither signifies any exclusionary or isolationist strategies** but involves creation of a helping hand to the whole world.
- The Mission focuses on the **importance of promoting “local” products.**
- The Mission will be carried out in **two phases**:
 - **Phase 1:** It will consider sectors like medical textiles, electronics, plastics and toys where local manufacturing and exports can be promoted.
 - **Phase 2:** It will consider products like gems and jewellery, pharma and steel, etc.
- The Mission would be based on **five pillars** namely,
 - Economy
 - Infrastructure
 - System
 - Vibrant Demography
 - Demand
- The Mission is also expected to complement **‘Make In India Initiative’** which intends to encourage manufacturing in India.

Analysis of Declared Economic Package

- **Inclusion of RBIs' Expenditure in Fiscal Package:**
 - The declared package is considered to be substantially less because **it includes the actions of RBI as part of the government's "fiscal" package, even though only the government controls the fiscal policy and not the RBI** (which controls the 'monetary' policy).
 - Thus, the Government expenditure and RBI's actions are **neither the same nor can they be added** in this manner. And thus nowhere in the world fiscal packages are declared in this manner.
 - For instance, when the US announced a relief package of \$3 trillion (Rs 225 lakh crore), it only refers to the money that will be spent by the government — and does not include the expenditure of the Federal Reserve (US central bank).
- **Implication of Inclusion of RBIs' Expenditure :**
 - If the government is including RBI's liquidity decisions in the calculation, then the **actual fresh spending by the government could be considerably lower.**

That's because RBI has been coming out with **Long Term Repo Operation (LTRO)**, to infuse liquidity into the banking system worth Rs 1 lakh crore at a time. If RBI launches another LTRO of Rs 1 lakh crore, then the overall fiscal help falls by the same amount.
 - The direct expenditure by a government usually includes wage subsidy or direct benefit transfer or payment of salaries, etc — **immediately and necessarily stimulates the economy.** In other words, that **money necessarily reaches the people** — either as **through salary or purchase.**
 - But **measures from RBI include credit easing**— that is, making more money available to the banks so that they can lend to the broader economy — is not like government expenditure.
 - In times of crisis, banks may take that money from RBI and, instead of lending it, may park it back with the RBI.
 - Recently, Indian banks have parked Rs 8.5 lakh crores with the central bank. So in terms of calculations, RBI has given a stimulus of Rs 6 lakh crore. But in reality, RBI has received an even bigger amount back from the banks.
 - Thus, the **declared amount is 10% of GDP, but less than 5% cash outgo is expected.**

Source: PIB