

PURVEYOR OF PROMISE: THE HINDU EDITORIAL ON ATMANIRBHAR BHARAT ABHIYAN 3.0

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The most heartening aspect of the [Centre's latest announcement to spur the economy](#), a package worth over 2.65-lakh crore, is the implied realisation that the economy is not yet out of the woods. Over the past month, with several high frequency indicators registering an uptick, the Finance Ministry has often asserted that [a sustainable recovery is under way](#), hitting out at analysts who hinted that the spike reflected pent-up demand and could be transient. From that standpoint, the fresh stimulus, exactly a month after the [LTC cash voucher scheme](#) to revive spending, suggests the government has not taken its eye off the ball while purveying hope and promise. That the package takes cognisance of India's jobs crisis and seeks to resuscitate the construction sector — the largest job creator — bodes well. One, it acknowledges the spate of job losses in the formal sector, and rural distress, as the pandemic and lockdowns hit home. Second, by pushing urban housing projects, introducing tax sops to help primary sales of unsold units worth upto 2 crore, and freeing up capital requirements to bid for public contracts, there is demonstration of a commitment to get the maximum bang for each precious fiscal rupee by focusing on a sector with multiplier effects. Apart from creating formal and informal jobs, this would drive up demand for steel, cement and other materials.

While some sectors have been lifted with the rising tide of demand (pent-up or otherwise) following the unlocking in September and October, employment-intensive retail, hospitality and tourism remain battered. Therefore, it is encouraging that medium-sized firms in 26 such stressed sectors as well as health care have been brought under an emergency credit scheme originally restricted to MSMEs. But 2.05-lakh crore of the 3-lakh crore scheme outlay has already been sanctioned, so additional allocations may be needed for new beneficiaries. Stimuli such as 1.46-lakh crore as incentives for domestic manufacturing investments in 10 sectors will take years to play out. Terming a 900 crore outlay for COVID-19 vaccine research a 'stimulus' is somewhat disingenuous, as it should have been made in any case. Outcomes in terms of new jobs (or maintaining jobs in stressed sectors) will rely on creating demand for which there is little direct push. It is generous of the government to foot PF contributions worth 24% of salary for two years for people getting jobs between October and June, but it is not enough to nudge firms into hiring just because they get an employee at about 3/4th of salary costs — unless there is a foreseeable demand pick-up. Future measures should be simpler, with a template for economic activities to scale up or down depending on the infection trend. This would help firms plan operations without worrying about the next official diktat under the Disaster Management Act.

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