

Atmanirbhar package 3.0

November 17, 2020

The pandemic has necessitated fiscal and monetary stimulus measures to boost demand and supply measures to bring the economy back on track. Also the pace of recovery is still at risk due to re-emerging waves of the virus and health emergencies thereof.

In news: Union Finance Minister has announced 12 measures in the next set of stimulus under Atma Nirbhar Bharat 3.0.

Placing it in syllabus: Indian economy

Dimensions

1. Stimulus under Atma Nirbhar package 3.0
2. PLI scheme expansion
3. Impact on economy

Content:

Stimulus Atma Nirbhar package 3.0:

- The new set of stimulus is aimed at boosting employment, credit and manufacturing.
- The additional stimulus steps amount to about Rs 9 lakh crore, taking the **total relief so far to Rs 30 lakh crore, or 15% of GDP.**

Twelve new measures:

1. **Relief for homebuyers**

Differential between circle rate and agreement value increased from 10 to 20%, till 30th June 2021 for only primary sale of residential units of value up to Rs 2 crore.

2. **Boost for rural employment**

An additional **outlay of Rs 10,000 crore will be provided for**

the PM Garib Kalyan Rozgar Yojana in the current financial year to accelerate rural economic growth. (PM Garib Kalyan Rozgar Yojana is in progress in 116 districts).

3. Fertilizer subsidy for farmers

- A Rs 65,000-crore fertilizer subsidy for farmers has been announced.
- An additional outlay of Rs 10,000 crore will be provided for PM Garib Kalyan Rozgar Yojana in the current financial year.
- Rs 3,000 crore will be released to EXIM Bank for promotion of 'Project Exports' through lines of credits.

4. Promise of new jobs

- Subsidy to be given to those EPFO registered establishments that make new hires.
- Would be to cover for retirement fund contributions by employees as well as employers for two years.
- Employees contribution (12% of wages) and employer's contribution (12% of wages) would be given to establishments for two years.
- Any new employee on monthly wages less than Rs 15,000.
- The scheme would be operational till June 30, 2021.

5. Emergency Credit Line Guarantee Scheme extended

- ELGS 1.0 extended till 31st March, 2021.
- It would be fully guaranteed and collateral free.
- Additional credit of up to 20% of outstanding loans will be given for entities with outstanding credit up to Rs 50 crore and annual turnover up to Rs 250 crore.
- MSMEs, business enterprises, individual loans for business purposes and MUDRA borrowers will be eligible.
- The scheme will be available till 31 March, 2021.
- The scheme will be utilized for 100 percent guarantee collateral free additional credit at capped interest rates.

- This will be for Entities in 26 stressed sectors identified by Kamath Committee with credit outstanding above Rs 50 crore and up to Rs 500 crore.
- Entities with outstanding up to Rs 50 crore covered under the existing scheme.

6. The plan to take on China

- Current five-year PLI scheme extended to ten more sectors.
- Total allocation of Rs 1.46 lakh crore.
- Special focus to draw businesses away from China.

7. PM Awaas Yojana-Urban (PMAY-U)

- Rs 18,000 crore will be provided for PMAY-U over the 2020-21 budget estimates through additional allocation.
- This may help 12 lakh houses to be grounded and for 18 lakh houses to be completed.
- Expected job creation of 78 lakhs.

8. Relief to contractors

- Earnest money deposit (EMD) and performance security on govt tenders relaxed by reducing locking up of capital.
- Performance security on contracts will be reduced to 3 per cent, and will be extended to ongoing contracts which are free of disputes.
- EMD will not be required for tenders, being replaced by Bid Security Declaration.
- Relaxations will be given till 31 December, 2021 under the General Financial Rules.

9. Booster shot to vaccine research:

- Rs 900 crore grant to the Department of Biotechnology for COVID-19 vaccine research.
- The grant does not cover the actual cost of vaccine and distribution expenses, which will be made separately as and when the vaccine is available.

10. Infrastructure debt financing:

- NIIF Strategic Opportunities Fund has set up a debt platform comprising an NBFC Infra Debt Fund and NBFC Infra Finance Company.
- By 2025, will provide infrastructure project financing of Rs 1,10,000 crore.
- NIIF has already invested nearly Rs 2,000 crore in equity of the platform, and the govt will be investing Rs 6,000 crore as equity, with the rest being raised from private investors.

11. Capital and industrial stimulus:

- Rs 10,200 crore additional budget outlay will be provided towards capital and industrial expenditure, which covers domestic defence equipment, industrial incentives, industrial infrastructure and green energy.

12. Boost For Project Exports:

- Rs 3,000 crore will be released to Exim Bank for promotion of project exports through lines of credit (LOC) under the IDEAS scheme.
- It promotes Indian export by mandating recipient countries to import 75 per cent value of the LOC.

PLI scheme expansion and impact on economy:

- The government has aimed to expand the ambit of the **production-linked incentive (PLI)** scheme to include as many as ten more sectors.
- These sectors include food processing and textiles other than the already included sectors.
- PLI scheme aims to cut down on imports and capture the growing demand in the domestic market.
- The scheme was introduced in March, 2020 that **aims to give companies incentives on incremental sales from products manufactured in domestic units.**

- Apart from inviting foreign companies to set shop in India, the scheme also **aims to encourage local companies to set up or expand existing manufacturing units.**
- The government will pay the companies it selects for the scheme a specific proportion of their turnover from making and selling the bulk drugs or medical devices as an incentive over the next few years.
- The amount of the incentive would decrease as the years go by.
- The PLI scheme for bulk drugs focuses on building economies of scale in over 50 critical active pharmaceutical ingredients, including penicillin G, vitamin B1, dexamethasone etc..
- NITI aayog reports have suggested that **food processing, textiles, leather as well as battery manufacturing** are likely candidates among new additions.

Impact on the economy:

- As the government cannot continue making investments in these capital intensive sectors which have a long gestation period, it can invite global companies with adequate capital to set up capacities in India.
- So far, the scheme has been rolled out for mobile and allied equipment, pharmaceutical ingredients and medical devices manufacturing.
- These sectors are labour intensive and are likely to **create new jobs** for the ballooning employable workforce of India.
- It helps in bringing back post-Covid ailing Indian economy back on track.
- The scheme **helps in making India more compliant with WTO (World Trade Organisation) commitments** and also make it non-discriminatory and neutral with respect to domestic sales and exports.

Mould your thought:

1. What are the recent measures taken by the government under Atma Nirbhar 3.0 to bring back the ailing Indian economy on track?

Approach to the answer:

- Write briefly the measures taken
- Write about PLI scheme
- Write its importance in promoting Indian economy
- Conclusion