



IAS PARLIAMENT

Information is Empowering
A Shankar IAS Academy Initiative

Finance Minister's third stimulus measure - May not be enough

Why in News?

Finance Minister recently presented the [stimulus measures](#) to revive the economy, which is third-round till date.

What was the focus area for the previous rounds?

- The previous two rounds of the stimulus plan, presented at press conferences held by the Minister, focused primarily on **reviving the automobile sector**.
- It also focused on **boosting the confidence of foreign investors** who were spooked by the Budget announcements and **improving the health of fragile state-owned banks**.

What is the focus area for and, key measures of the recent round?

- This time the focus has been on helping out the **underperforming export and real estate sectors** through piecemeal fiscal reforms.
- Finance Minister announced a new tax refund scheme and greater priority sector lending for the export sector to incentivise exports.
- It is expected that the new tax breaks to the exports sector will cause a dent of up to ₹50,000 crore to the government's revenue.
- External Commercial Borrowing (ECB) norms have been eased to make it easier for Indian real estate companies to tap funds from abroad.
- Funds worth ₹10,000 crore have been allocated to aid the completion of affordable housing projects.
- With lack of demand and major supply-side bottlenecks being the primary issues facing exports and real estate, it is doubtful whether the present measures will be enough to revive these flailing sectors.

What the government aims to provide from these three rounds?

- Overall, the government has been relying entirely on **providing fiscal relief**, in the form of tax cuts coupled with a tiny amount of government

spending.

- It does so because it wants to wade through what seems like a structural crisis in the economy.
- The hope is that these measures combined with a looser monetary policy stance adopted by the RBI will **boost spending and revive growth**.
- However, this is a far cry from what many expected from a government that promised radical structural reforms when it rose to power in 2014.
- Without enacting any major supply-side reforms like land and labour reforms that can raise potential growth, it is also hard to see how greater spending can raise growth for very long.
- The government may believe that the present slowdown, marked by five consecutive quarters of dropping growth, is merely a cyclical one.
- But, the government should aim higher by trying to push through long-pending structural reforms that can raise India's growth trajectory to the next level.

Source: The Hindu



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative