

## 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**

