

Discuss the measures that are required to be taken by central government to tackle economic challenges during pandemic (200 words).

Second Wave of pandemic hitting both rural and urban has shattered the economy. RBI has revised down GDP forecast for 2021-22 to 9.5 percent. We can consider feasibility of 8.5% growth with winding up of lockdowns before July end.

To tackle the economic challenges government needs to focus of planned expenditure with support of RBI.

Firstly income support measures have to be implemented in lines of PM Garib Kalyan Package as last year to vulnerable population amounting around ₹1 lakh crore.

Secondly government needs to speed up and expand budgetary allocation of vaccine which is ₹0.35 lakh crore currently.

Thirdly additional capital expenditure for selected sectors like health sector and sunshine sectors should be provided.

Though ~~Separately~~ corporate tax has become less this year overall tax collection has surpassed previous years. Government

needs to dilute the shift of tax burden.

Fifth, RBI is indirectly injecting liquidity into market and has kept the interest rates low. yet money growth is modest 9.9%. and credit growth is only 6%. Government and RBI needs to have implications of expansionary policy in mind.

Government's Move: These measures are already been taken by the government measures like

- allowing net borrowing of 4% of GDP of 2021-22 with additional ceiling of 0.5% with conditions for states
- allowed states to procure vaccines through global tender
- 137% increase in budgetary allocation of health ~~decrease~~ and schemes like PM AtmaNirbhar Swasth Bharat Yojana.
- Collateral free loans to MSMEs, loan moratorium for 12 months were announced to ease manufacturing sector
- Recently RBI transferred a surplus of ~~₹99,000~~ around ₹99,000 crore which would help in meeting fiscal deficit

Taking these measures through borrowing fiscal deficit is expected to be around 7.6%. Implications of such expansionary policy ~~are~~ like inflation must be kept in mind, Government can tackle challenges effectively