Q3, Discuss the measures that are required to be taken by the Central government to tackle the economic challenges during the pandemic.

The COVID-19 pandemic has contracted the GDP growth rate to -7.8% in the fiscal year 2020-21 asper the revised estimates of Reserve Bank India, which prompts the government to boost the economic cycle.

Inflation:

1. The April-June Quarter of financial Year 2021-23 has an inflation rate of 6.3% which is beyond the Monetary Policy Committee target of 2-4%.
2. Thus more liquidity in the economy led to increased prices and thus through ~~decreasing~~ decreasing the Repo rate in the economy will decrease liquidity in the market
3. Further, asper the recommendations of CMIE - Centre for monitoring India Economy the revenue expenditure shall be steadily decreased by 5% within next

quarter, to boost capital expenditure.

Unemployment:

1. The unemployment rate has increased by 40% in urban areas & 60% in rural areas
2. Saradha Committee Recommendations mentions Integrated Inflation - Unemployment measures like boosting MGNREGA works and similarly PM SVanidhi - collateral free ₹10,000 loan can boost the local employment.

Demand & supply gaps:

1. Due to lockdown & strict measures, the supply of goods has decreased by 35% and the demand has decreased by 48% as per Ministry of Commerce & Industry.
2. National Statistical Organisation - NSO mentions about the importance of Production Linked Incentive Scheme - PSIL to boost manufacture for CPI increase and to tackle the local manufacturing Industry.

Conclusion:

Fiscal Responsibility & Budgetary Management (FRBM) mentions the fiscal deficit to be within 2-5% of GDP and revenue deficit to be within 0.8% GDP to combat the economic hurdles during pandemic.