



ATMANIRBHAR BHARAT ABHIYAN AND RESERVE BANK OF INDIA

Sindhu N. R.

Research Scholar, Department of Economics,
Sir.M. Visvesvaraya P.G. Centre, Tubinakere,
University of Mysore, Mandya.

Dr. H.R. Uma,MA, Ph.D.,

Professor of Economics, Department of Economics,
Sir.M. Visvesvaraya P.G. Centre, Tubinakere,
University of Mysore, Mandya.

ABSTRACT

The COVID-19 outbreak has severely affected the global economy, hampering industries across various fields around the world. The transmission of the disease has forced countries into lockdown, anticipating the economy of a deflation. As the virus influences most of the developed countries dramatically, its effect on India is smaller than others but has a more significant impact on the businesses and economy of the country. At the same time India planned to convert this crisis into an opportunity by strengthening its fight by becoming Atmanirbhar or self-reliant and introduced Atmanirbhar Bharat Campaign. It is the new version of 'Make in India' which was announced by Hon'ble Prime Minister of India on 12th May 2020 with new vision. This paper is mainly focused on Atmanirbhar Bharat Abhiyan Package and its implementation & impact on economy, measures taken by Reserve Bank of India (RBI) to fight against Covid-19 and analysis & implications of declared Economic Package by inclusion of RBI's expenditure in Fiscal Package.

KEY WORDS: Atmanirbhar Bharat, RBI, COVID-19, Impact, Deflation

INTRODUCTION:

Atmanirbhar Bharat Abhiyan is the new version of 'Make in India' which was announced by Hon'ble Prime Minister Shri Narendra Modi on 12th May 2020 with new vision. It is an economic package of INR 20 lakh crore - equivalent to 10% of India's GDP to fight against



COVID-19 pandemic in India. "Atmanirbhar" which is a Hindi word meaning in English is "Self-Reliant" which also refers to less dependency on others or no dependence on others. Atmanirbhar Bharat is basically a term formulated at the time of pandemic COVID-19 in India. India is dependent on lots of imports from many countries across the world and pays a large import bill in comparison to export. During the time of pandemic all the import and export activities across the world was on halt. Transportation on goods and services were stopped. Then it was very difficult to live without resources as import of goods were not possible due to termination of transport activities.

India faced problems in terms of shortage of Hospital beds, PPE kits, Covid test kits, medicines, ventilators and other necessary respiratory and medical equipments including basic supplies of hand sanitizers, N95 Masks. We realized that it is the time for us to depend upon indigenous Innovation, products and local manufacturing. To fulfil these demands and promote production of these items in the country our Prime Minister Shri Narendra Modi started Atmanirbhar Bharat Campaign.

The objectives of the Atmanirbhar Bharat Abhiyan are;

- a. To make the country and its citizens independent and self-reliant in all senses.
- b. Long term reform in growth – critical sectors to them globally competitive.
- c. Liquidity infusion and direct cash transfers for the poor who are in stress.

Atmanirbhar Bharat will make India self-reliant by creating an eco-system that will allow Indian companies to be highly competitive on the global stage. The package will also focus on land, labour, liquidity and laws. It will cater to various sections including cottage industry, MSMEs, labourers, middle class, and industries, among others. The government has taken several bold reforms such as Supply Chain Reforms for Agriculture, Rational Tax Systems, Simple and Clear Laws, Capable Human Resource and Strong Financial System. The Make in India spirit embedded in the Atmanirbhar Bharat Abhiyan has resulted in providing resilience and self-sufficiency to the country for various medical equipment including Personal protective equipments, PPEs , etc.

The Mission would be based on five pillars namely,



1. **Economy** - which brings in quantum jump and not incremental change. The government's goal is to make India a USD 5 Trillion economy by 2025.
2. **Infrastructure** - which will become India's new identity. To achieve the target of a USD 5 Trillion economy, more than INR 100 lakh crore will be invested in infrastructure development in India over the next five years.
3. **Systems** - based on 21st-century technology-driven arrangements.
4. **Vibrant Demography** - which will prove to be a competitive advantage for a self-reliant India.
5. **Demand** - utilized to its full capacity.

Atmanirbhar Bharat Package:

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman presented the details of the Atmanirbhar Bharat Package in a series of press conferences from 13th May 2020 to 12th November 2020. The overall stimulus provided by the Government of India towards Atmanirbhar Bharat package is INR 20,97,053 Crore.

Significance of the Study:

The Reserve Bank acts as an adviser to Government, whenever called upon to do so, on monetary and banking related matters. Only the RBI can manage & responsible for regulating currency, securing monetary stability, maintaining currency reserves, and overseeing India's credit and currency system. Hence RBI played an important role in implementing the required policies for Atmanirbhar Bharat package. The Reserve Bank maintained the stability in the financial markets through a judicious use of instruments - both existing as well as by developing innovative instruments. The RBI also acts as a shock absorber and ensured the stability as it manages volatility in the system.

The RBI, in collaboration with the Government of India, has succeeded in achieving its broad objective of keeping financial intermediaries, financial markets and the financial system as a whole sound, liquid, and functioning smoothly. It has maintained financial stability despite



initial conditions of the Indian financial intermediaries being stressed as a consequence of legacy problems. RBI has taken various developmental and regulatory policies to address financial stress caused by COVID-19 which includes Liquidity Management, Regulation and Supervision and Decisions in respect of Financial Markets. The RBI plays an important role to have the financial stability during the pandemic period, by providing the crucial services which keep the economy moving, which offers a way for people to make payments, so that they can buy and sell goods and services. In this study we describe the role of RBI during COVID-19 period to achieve self-reliance.

REVIEW OF LITERATURE:

Dubey, Dr.Smita and Dubey, Dr. Harish K (2020) in their paper “Atmanirbhar Bharat Abhiyan: An Analytical Review” focused on the various sectors and areas which have potential to achieve self-reliance in the future. It analysed the limitations and bring out the various suggestions to utilize the existing capacity for becoming a global supplier. In their study they find out that the Indian Economy have huge potential to achieve self-reliance but it requires proper implementation of laws made by government and proper allocation of funds allotted by the government. For the successful implementation of the schemes mentioned in Abhiyan, they recommended that it is a must to recognize the actual potential of various sectors existing in urban and rural India and provide them sufficient resource.

Ratho, Radha Shyam and Kumar, Pradeep (2020) in their article “Liquidity Management in the Time of Covid-19: An Outcomes Report” analyses the impact of the Reserve Bank’s measures on borrowing costs, new issuances of marketable instruments and financing conditions. They described in detailed about liquidity conditions in the banking system, deals with the money market, the impact of the Reserve Bank’s measures on the government bond market, the corporate bond market and the conditions in equity markets. They find out that several measures announced by the Government of India as a part of the economic stimulus to fight the adverse effects of the pandemic, such as special liquidity facility to NBFCs, Partial Credit Guarantee Scheme (PCGS) and structural reforms have ensured that liquidity strains do not cascade into solvency problems.



Government of India (2020) in their report “Building Atmanirbhar Bharat and Overcoming Covid-19” described the steps taken by Government of India to ensure that India is well prepared to face the challenges and threats posed by COVID-19. India has mitigated the spread of the virus with active support of citizens of India. One of the most important factors in the fight with the virus is to empower the citizens with accurate information and enable them to take precautions as per the advisories being issued by different Ministries. It is evident that the exemplary role played by India in the global fight against COVID-19 has been recognized and appreciated widely.

Bobade, Dr. Priyanka and Alex, Prof. Anu (2020) in their article “Study the Effect of COVID-19 in Indian Banking Sector” describes the changes RBI brought in its policy due to COVID-19 and also in general how COVID-19 has impacted the Indian Banking Sector. They found that the Indian Banking system has added various measures due to COVID-19 Pandemic to make Banking system smooth and effective. Most of the Indian Banks were already facing the problem of NPA, Non recovery of loan, customer frauds, Bad Loans etc. and to add on to it COVID-19 had expedite the collapse of Indian Banking business. They explained how the RBI framed the policy for ensuring business continuity, engage in partnership to optimize process and enhance experience. Due to the worst situation because of COVID-19 pandemic, government encourage people to design innovative business model for the new industry environment.

Reserve Bank of India, India’s Central Bank (2021) in their report “Regulatory Initiatives in the Financial Sector” described the extraordinary measures taken by central banks and other regulators to mitigate the impact of the pandemic have anchored financial stability and cushioned the deleterious effects of COVID-19 on economic activity. They explained how the financial sector regulators have maintained accommodative policies while being alert to the risks to financial stability. It is found that the Financial Stability and Development Council (FSDC) and its Sub-Committee remained alert to emerging challenges and coordinated initiatives by various regulators to strengthen financial sector resilience and stability. Overall, it is summarised that the authorities’ initial response to the COVID-19



pandemic was massive given the enormity of the problem. Prompt measures across monetary, liquidity, fiscal and financial regulatory domains kept the financial system well-lubricated and smoothly functioning. These early measures contained volatility and imbued confidence to the financial markets. In the medium run, the pandemic support packages have to be unwound in a calibrated manner with minimal disruption to restore the prudential norms to pre-pandemic levels.

RESEARCH GAP

The RBI has taken various developmental and regulatory policies to address the financial stress caused by COVID-19 and initiated numerous measures to fight against COVID-19. But the work on the RBI role in achieving self-reliant is scanty. In this perspective the following study is undertaken to find out the RBI's contribution in implementing the relevant financial packages to achieve Atmanirbhar Baharat Abhiyan.

OBJECTIVES:

1. To study the role played by RBI during COVID-19 (Pandemic) period
2. To analyse how effectively it helped India to come up with self-reliance.

THE METHODOLOGY OF THE STUDY:

The study is based on the secondary data. For the study, data are collected from RBI Website, Annual Report of RBI, Magazines and Newspapers. The study is both analytical and descriptive in nature.

Impact of Atmanirbhar Bharat on Economy:

The opening up of economy and implementation of a broad set of measures under 'Atmanirbhar Bharat' package have led to a continuous improvement in economic recovery. India's economy with persistent improvements in economic indicators is showing a V-



shaped recovery. The agricultural sector remains the bright spot of Indian economy, with healthy year-on-year growth of 2.9% in Rabi sowing, accelerating tractor sales. This, along with rise in minimum support prices accompanied by record procurement, and accelerated wage employment generation through MGNREGS, bodes well for rural incomes and bears testimony to PM Garib Kalyan Yojana's success in alleviating rural distress.

Also, the industrial production growth ran parallel to the festive season of October and rose to an eight-month high, led by manufacturing and electricity sector. Continuous surge in commercial and industrial activity has been further corroborated by continued growth in PMI manufacturing, power demand, persistent improvement in E-way bills generated and highway toll collection rising above pre-Covid levels. Monthly GST collections attained their record levels in December, 2020. The growth momentum in rail freight traffic remains upbeat, as passenger earnings begin to recover, port cargo traffic grows, and domestic aviation picks up further.

With domestic activity picking pace, India's merchandise trade deficit rose, as imports saw positive growth after nine months. India experienced a current account surplus for the third straight quarter in Q2:FY21 - \$15.5 billion or 2.4 percent of the GDP as compared to \$19.2 billion (3.8 percent of GDP) in Q1:FY21. Total FDI inflows in the first seven months of the financial year stood at a record high of US\$ 46.82 billion, 11.3 per cent higher as compared to first seven months of FY2019-20. India's foreign exchange reserves climbed to a new high of US\$ 586 billion as on 15th January, 2021.

And we can also see that from zero production of Personal Protection Equipment (PPE) Kits before March 2020, today India has created a capacity of locally producing more than 2 lakh PPE kits daily and it is growing steadily. Earlier to this India uses imported PPE kits and pays a lot of money in return. India also developed own Covid testing kits and number of vaccines are in final stage of trials. In some ways Atmanirbhar Bharat Abhiyan is the reinforcement of Make in India. Defence ministry is now also pushing to make indigenous production of weapons.



Thus, Atmanirbhar Bharat vision is a true way to nurture and flourish India's innovations and to make India a Global Leading country in all terms.

Long term Benefit of Atmanirbhar Bharat Abhiyan:

Atmanirbhar Bharat Abhiyan promoted various innovations and new products development in India. By this import of India will decrease and export will increase thus in the long run our trade deficit will reduce. Export promotion will help us save foreign currency and earn more foreign currency. Atmanirbhar Bharat package will help in growing Indian small and medium enterprises and the manufacturing sector will flourish. This program will help in achieving 5 trillion economy vision of Indian Government.

MEASURES TAKEN BY RESERVE BANK OF INDIA (RBI) TO FIGHT AGAINST COVID-19:

The Reserve Bank of India (RBI) has taken numerous measures to fight the COVID-19 at the financial front. These measures also form part of the Special Economic Package and the 'Atmanirbhar Bharat Abhiyaan' announced by the Hon'ble Prime Minister of India, Narendra Modi.

Various developmental and regulatory policies undertaken by the RBI to address financial stress caused by COVID-19 include:

➤ **LIQUIDITY MANAGEMENT**

- **Targeted Long-Term Repo Operations (TLTROs):** RBI has conducted auctions of targeted term repos of about INR one lakh crore for fresh deployment in investment-grade corporate bonds, commercial paper, non-convertible debentures.
- **Cash Reserve Ratio:** As a one-time measure, RBI has reduced the cash reserve ratio of all banks by 100 basis points to 3% of Net Demand and Time Liabilities (NDTL) which will result in liquidity enhancement of about INR 1.37 lakh cr.



- **Marginal Standing Facility:** The limit of the banks for borrowing overnight has been increased from 2% to 3% into the Statutory Liquidity Ratio (SLR). This will allow additional liquidity of INR 1.37 lakh cr.

➤ **REGULATION AND SUPERVISION**

- **Moratorium on Term Loans:** RBI has permitted all lending institutions to allow a moratorium of three months (later extended to six months) on payment of instalments in respect of all term loans outstanding as on March 1, 2020. These institutions include:
 1. Commercial banks like regional rural banks, small finance banks and local area banks
 2. Co-operative banks and all-India Financial Institutions
 3. NBFCs like housing finance companies and micro-finance institutions
- **Deferment of Interest on Working Capital Facilities:** RBI also permitted all lending institutions to allow a deferment of three months on payment of interest in respect of working capital facilities sanctioned in the form of cash credit/overdraft of all such facilities outstanding as on March 1, 2020.
- **Easing of Working Capital Financing:** All lending institutions are permitted by RBI to recalculate drawing power by reducing margins and/ or by reassessing the working capital cycle for the borrowers in respect of working capital facilities sanctioned in the form of cash credit/overdraft.
- **Support to Real Estate Sector:** RBI has permitted an additional time of one year for the extension of the date for commencement of commercial operations (DCCO) in respect of all loans provided by NBFCs to the real estate sector.

➤ **DECISIONS IN RESPECT OF FINANCIAL MARKETS**

- RBI has recognized the growth of the offshore Indian Rupee (INR) derivative market - the Non-Deliverable Forward (NDF) market and decided to remove segmentation between the onshore and offshore markets.



- RBI has permitted banks in India to participate in the NDF market from 1st June 2020 through their branches in India, their foreign branches or through their International Financial Services Centre (IFSC) Banking Units (IBUs).

Analysis of Declared Economic Package by Inclusion of RBI's Expenditure in Fiscal package:

It is observed that the declared package is considered to be substantially less because it includes the actions of RBI as part of the government's "fiscal" package, even though only the government controls the fiscal policy and not the RBI (which controls the 'monetary' policy).

Thus, the Government expenditure and RBI's actions are neither the same nor can they be added in this manner. And thus now here in the world fiscal packages are declared in this manner. For instance, when the US announced a relief package of \$3 trillion (Rs 225 lakh crore), it only refers to the money that will be spent by the government — and does not include the expenditure of the Federal Reserve (US central bank).

Implication of Inclusion of RBIs' Expenditure:

If the government is including RBI's liquidity decisions in the calculation, then the actual fresh spending by the government could be considerably lower. That's because RBI has been coming out with Long Term Repo Operation (LTRO), to infuse liquidity into the banking system worth Rs 1 lakh crore at a time. If RBI launches another LTRO of Rs 1 lakh crore, then the overall fiscal help falls by the same amount.

The direct expenditure by a government usually includes wage subsidy or direct benefit transfer or payment of salaries, etc — immediately and necessarily stimulates the economy. In other words, that money necessarily reaches the people — either as through salary or purchase. But measures from RBI include credit easing— that is, making more money available to the banks so that they can lend to the broader economy — is not like government expenditure.



In times of crisis, banks may take that money from RBI and, instead of lending it, may park it back with the RBI. Recently, Indian banks have parked Rs 8.5 lakh crores with the central bank. So in terms of calculations, RBI has given a stimulus of Rs 6 lakh crore. But in reality, RBI has received an even bigger amount back from the banks. Thus, the declared amount is 10% of GDP, but less than 5% cash outgo is expected.

CHALLENGES:

There are several challenges that are needed to be addressed in order to fulfil the vision of this plan.

- 1. Confusion about the Policy:** It appears that Atmanirbhar Bharat Abhiyan reduced domestic market access to imports, but at the same time opened the economy and export to the rest of the world. It appears that the campaign pushes towards protecting domestic industries under the self-reliance initiative, echoing India's pre-liberalisation stance.
- 2. Logistics cost:** It is estimated that the Logistic cost in India is about 13 percent of GDP. Which is more as compare to many manufacturing countries of the world. Due to the high logistics cost, the competitiveness of India's exports is greatly reduced.
- 3. Lack of Infrastructure:** Whereas it is an accepted thing in the world that the creation of quality infrastructure for sustainable development is such a way, which gives rise to many economic activities, creates employment on a very large scale. But the Self Reliant (Atmanirbhar Bharat Abhiyan) approach do not address this shortcoming.
- 4. Skilled Manpower:** Skilled workforce is pre requirement for achieving the required results. Lack of skilled work force leads to poor performance and middling manufacturing of products.



- 5. Budget:** The package of Rs 20 lakh crore comprises both fiscal and monetary measures, the latter being in the nature of credit guarantees and liquidity infusions into banks and other financial sector institutions.

- 6. Lack of Demand:** The great lockdowns have lowered the aggregate demand in the country. People don't have money as they have no work. So, a fiscal stimulus is needed. However, the package is largely based on credit, little has been disbursed directly in the banks of people as compared to US and various other countries. So, they don't have money to spend which has led to demand crunch.

- 7. Reforms in Domestic Sector:** Reform in economy is a comprehensive approach and should be carried out by state and centre govt. However, many states due to one or other reasons are not reforming the economy. Unless an integrated and comprehensive approach is not followed, domestic economy cannot be revived and economy can face shortage of demand and its production may hamper.

- 8. Escalating Fiscal Deficit:** Government claims that the stimulus package is around 10% of India's GDP. However, it would be very difficult for the government to contain the fiscal deficit.

RECOMMENDATIONS:

The purpose of this Abhiyan could be fulfilled by adopting some measures. As government allotted huge amount for the development of many sectors and schemes but there is need of the proper allocation of the funds generated and it should reach the actual hands. The poor population affects severely by natural calamities and pandemic. Therefore, country should be prepared for facing natural and economic challenges. Success of any idea and policy depends on good governance and appropriate mechanism for implementation of that policy. To become self-reliant and global supplier it is necessary to increase quantity as well as quality of the commodity. It is recommended that the country need FDI, Technology and



demand, therefore, Indian industries should build global linkages with reputed MNCs to bring in Foreign.

CONCLUSIONS:

It is concluded that the RBI, in cooperation with the Government of India, has succeeded in achieving its broad objective of keeping financial intermediaries, financial markets and the financial system as a whole sound, liquid, and functioning smoothly. It has maintained financial stability despite initial conditions of the Indian financial intermediaries being stressed as a consequence of legacy problems. But very significant challenges remain as this crisis unfolds further in both India and the rest of the world. It has also protected households as well as small and large businesses from experiencing acute financial stress for the time being, but stresses will emerge once regulatory forbearance is lifted.

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