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## *The Effect of Atmanirbhar Bharat on Indian Economy*

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**Abstract:** *The concept of self-reliant is more crucial when any economy is in the list of developing countries. India's lockdown to maintain social distancing to minimize the transmission of the COVID -19 pandemic has brought the challenges caused by global supply chain disruptions into sharp focus. The world also experienced the danger of relying on one country. The government has responded to this by launching the 'Atmanirbhar' (self-reliant) programme to make India a nerve center of global supply chain. Atmanirbhar Bharat is the vision of the Prime Minister of making India a self-reliant nation. The present paper discusses key highlights of Atmanirbhar Bharat Packages and their implementation. The detailed announcements were made in five days relief package by the Finance Minister Nirmala Sitaraman to mitigate the negative effects of the COVID-19 pandemic. She clarified that it doesn't aim to adopt protectionism against other countries. Those sectors which requires FDI and foreign technology are always welcomed. In the critical situation of pandemic when international movements of goods and services prohibited, India showed the independent skill of manufacturing PPE by growth of this sector from zero to 1,50,000 pieces a day by the beginning of May, indicating the capacity of Self-reliance. The paper focuses on the effect of Atmanirbhar bharat on Indian Economy. It tries to analyses the outputs of this programme and its future journey.*

**Keyword:** *Atmanirbhar Bharat (Self-Reliant India), Indian Economy, Development, etc.*

### I. INTRODUCTION

As we have observed and experienced that there is an increased push for self-reliance globally these days, the idea of being self-reliant is old one. The latest invocation of self-reliance by governments in India and elsewhere is primarily about economic self-reliance but like in the Indian case it is more specifically about self-reliance in manufacturing. The aim of this campaign is to make the country and its citizens independent and self-reliant in all senses. The Prime Minister of India is divided this programme into five pillars i.e. Economy, Infrastructure, System, Vibrant Demography and Demand. The Finance Minister further announces Government Reforms and Enablers across Seven Sectors under Aatmanirbhar Bharat Abhiyaan for smoother functioning of announced campaign.

India have adopted the policy of Liberalisation, Privatisation and Globalisation (LPG) since 1991 in the form of New Economy Policy, 1991 but this policy was discontinued undesirably during the pandemic of COVID-19 occurred in the

beginning of year 2020. As a result international trade was totally collapsed and stopped. For satisfying the need of self-consumption, The Government of India have given birth to new concept that is “Atmanirbhar Bharat” (Self-Reliant India) which might be reason behind the “V” shape recovery of an economy in recent period of time. As Government of India have already claimed that through this campaign they didn’t mean to adopt protectionism policy rather than they aimed to make domestic industries more stronger including 12 industries which are auto components, textiles, industrial machinery and furniture, food processing, organic farming, iron, aluminium and copper, agro - chemicals, electronics, leather and shoes, Masks, sanitizers and ventilators.

Former Reserve Bank of India (RBI) Governor Raghuram Rajan has said that he is not quite sure about government's 'Atmanirbhar Bharat' initiative. Raghuram Rajan said he is not clear what government means by 'Atmanirbhar Bharat', adding that if it is about creating an environment for production then it is a rebranding of the 'Make in India' initiative. On the basis of his view on Atmanirbhar Bharat, India require strong and better quality of raw material import liberalization policy for strong export activities.

## II. OBJECTIVES OF THE STUDY

1. To study the effects of Atmanirbhar Bharat on Indian Economy.
2. To analyses the overall performance of economy after Atmanirbhar Bharat Campaign.
3. To study the outcomes of Atmanirbhar Bharat Campaign.

## III. RESEARCH METHODOLOGY

The Research approach used in this project is a ‘Secondary Data Analysis’. It involves synthesizing existing data that can be sourced from the internet, peer-reviewed journals, textbooks, government archives, and libraries.

## IV. ATMANIRBHAR BHARAT AND THE “V” SHAPE RECOVERY OF AN ECONOMY

Over the past several months, the government has attempted to support the economy by a mix of monetary and fiscal packages, with the Reserve Bank of India also contributing in a big way to ease liquidity concerns. These are significant measures that may have a positive economic impact in the medium and long term. It is also important to see that the policies must strive towards reviving the demand in the short term. The idea was to give direct financial support to the most vulnerable sections, but also focus on self-reliance and create a stronger structural base for the economy for the longer term. This is where its Atmanirbhar Bharat initiative fits in. Despite criticism from various quarters on its unwillingness to pump in large sums of money through a direct stimulus programme, the government stayed away from this big-bang route. The fundamentals of the economy remained strong as gradual scaling back of lockdowns, along with the astute support of Atmanirbhar Bharat Mission has placed the economy firmly on the path of recovery.

The advance estimates for FY2020-21 released by NSO manifest that the economy is expected to stage a resilient V-shaped recovery in 2020-21. As per quarterly estimates released by NSO, the economy has shown a decline of 15.7% by FY 2020-21. A decline of real GDP by 7.7% for the whole FY: 2020-21 indicates a modest decline of 0.1% in GDP growth in second half of the year. “It also indicates a 23.9% growth in H2: FY2020-21 over FY2020-21. Faster normalisation of business activities amid gradual lifting of restrictions, higher festive and pent-up demand and policy support is expected to translate into a faster-than-anticipated economic recovery over the second half. This is supported by a strong rebound seen in several high frequency indicators in Q3: FY 2020-21,” it is citing examples of the rebound. 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.

The roll-out of the Covid-19 vaccines in India is also expected to provide a further boost to this economic momentum. The Survey reckons that after the estimated 7.7% pandemic-driven contraction in 2020-21, India's real GDP is projected to record a growth of 11% in 2021-22 and nominal GDP by 15.4%. "These conservative estimates reflect upside potential that can manifest due to the continued normalisation in economic activities as the rollout of COVID-19 vaccines gathers traction. This will further be supported by supply-side push from reforms and easing of regulations, push to infrastructural investments, boost to manufacturing sector through the Productivity Linked Incentive Schemes, recovery of pent-up demand for services sector, increase in discretionary consumption subsequent to roll-out of the vaccine and pick-up in credit given adequate liquidity and low interest rates."

A sector wise breakup of allocation under the Aatma Nirbhar scheme is given in give Table below.

**Table 1.1 Sector wise allocation under Aatma Nirbhar Bharat Scheme**

Sector	Banking (RBI measure)	State Borrowing	Business and MSME	Agriculture	Social Sector (including PMGKY)	Power	Housing	Taxation	Health	Total
Allocation (Rs. lakh crore)	5.22	4.28	3.675	3.48	2.08	0.9	0.7	0.5	0.15	20.986
Allocation as % of total package	24.4 %	20 %	17.2 %	16.3 %	9.7 %	4.2 %	3.3 %	2.3 %	1.8 %	100%

Source- PRS Legislative Research, India.

The structural reforms and the policy push under the Atmanirbhar Bharat Mission is aimed at strengthening the fundamentals of the economy-which should put the economy on a strong growth path once the economy recovers from the pandemic shock. As per the Doing Business Report (DBR), 2020, the rank of India in the Ease of Doing Business Index for 2019 has moved upwards to the 63rd position amongst 190 countries from a rank of 77th in 2018. India has improved its position in 7 out of 10 indicators, inching up to the international best practices. The DBR, 2020 acknowledges India as one of the top 10 improvers, third time in a row, with an improvement of 67 ranks in three years. It is also the highest jump by any large country since 2011.

"The Pradhan Mantri Garib Kalyan Yojana (PMGKY) for ensuring food security through the public distribution system, direct benefit transfers to widows, pensioners and women, additional funds for MGNREGS, and debt moratoria and liquidity support for businesses. Furthermore, the government introduced more policy measures under the 'Atmanirbhar Bharat' mission in a calibrated fashion as the pandemic restrictions eased to maximize effectiveness and economic recovery.

## V. ATMANIRBHAR BHARAT- THE DIFFERENT FACET

There is no sure way of knowing how much the government will spend at the end of this financial year (2020-21), but most calculations suggest that far from the promised 10% of GDP, the actual government expenditure in the Atmanirbhar package is just 1%. Many have openly questioned the ability of this economic package to either provide adequate immediate relief to the most distressed sections of the economy, or indeed stem the rapid decline in India's Gross Domestic Product (GDP) growth.

In the lump, the package announced by our prime minister is seems to be insufficient and lacking in multiple perspective. Now obvious question is why? An answer for this question speaks bitter facts. With a nationwide lockdown for the better part of April and May, the total quantum of economic activity in the country measured by the monetary value of all goods and services

produced has sharply curtailed. Given an uncertain future for the rest of the year, most observers estimate that the Indian economy will contract. That is, it will produce less in 2020-21 than it did in 2019-20. This means the Gross Value Added (GVA is a proxy for the income earned) across sectors agriculture, industry and services will fall.

As incomes fall, three things will happen. One, individuals (like you and me) will cut down their expenditure. In particular, all discretionary expenditure be it an additional pack of cigarettes or a new car or a house will come down sharply. Two, seeing overall demand fall, businesses, which were already not investing, will likely postpone their investments further. Three, the government revenues will take a massive hit. This means that if the government wants to maintain its level of fiscal deficit (the gap between what it earns as revenues and what it spends), it will have to cut its overall expenditure this year. These three types of “expenditures” by individuals, businesses and government essentially make up the GDP of India. There is a fourth component called net exports (that is, the net of exports and imports), but with the global demand plummeting as well, this too is unlikely to help matters.

According to an assessment by Prof N R Bhanumurthy of the National Institute of Public Finance and Policy (NIPFP) and published by National Council of Applied Economic Research (NCAER), the way things are going, India’s GVA will contract by a whopping 13% this year under the Base case scenario (see Table 1.2). The Base case scenario refers to a scenario where governments (both Centre and states) bring down their expenditure in line with their falling revenues to maintain their fiscal deficit target.

**Table 1.2- GVA Growth by Sectors under the Base Case scenario**

GVA Growth by Sectors under the Base case scenario	Year on year in Growth in 2019-20 (%)	Year on year in Growth in 2020-21 (%)
Agriculture	2	2
Industry	1	-27
Services	6	-08
Total	4	-13

Source- NCAER and NIPFP

To lift growth, the governments would have to spend more and counteract the natural downward spiral of the economy. As we can see the table in which GVA by sectors under the base case scenario is given, where in the year of 2019-20, Agricultural sector shows 2 % Growth which was not changed in the year of 2020-21. On the contrary, industrial sector growth was by 1 % and it was unexpectedly -27 % in 2020-21. In case of Services sector, in 2019-20 growth rate was 6 % and was negative (-08) in 2020-21.

In the lump, Total growth rate becomes -13 % in 2020-21 which was 4 % in the year 2019-20. Only announcing policies are not giving any security to economy rather it requires properly managed mechanism, appropriate tools and effective implementation.

Scenarios (Public Expenditure Increase, % of GDP)	GDP Growth Rate (Year on year) (%)	Fiscal Deficit (As % of GDP)	Inflation (%)
No Stimulus Base Case	-12.5	6.4	4.5
Scenario 1 (Budget 2020-21)	-4.1	7.4	6.6
Scenario 2 (1%)	-1.9	7.7	7.4
Scenario 3 (3%)	1.2	8.8	8.9
Scenario 4 (5%)	3.6	9.4	10.1

Source: Estimates using model from Bhanumurthy N. R., Bose, S. and Satija, S. 2019. “Fiscal Policy, Devolution, and the Indian Economy”. NIPFP Working Paper No. 287, <https://nipfp.org.in/publications/working-papers/1883/>. New Delhi, December 2019

It shows that only if the government spends 3% of the GDP over and above what it promised to do in the Union Budget 2020-21, will the economic growth stay in the positive territory. Short of that, the Indian economy will contract. Of course, higher public spend will come at the cost of higher levels of fiscal deficits and higher inflation, but a growth contraction will come at the cost of widespread economic ruin, job losses and even deaths.

At present, there is no sure-shot way of knowing what will be the final level of government spending at the end of this financial year. Most calculations suggest that far from the promised level of 10% of the GDP the actual government expenditure in the Atmanirbhar Bharat Abhiyan is just 1% of GDP. And we still don't know if this 1% (of GDP) expenditure is over and above the Budgeted expenditure or will it be funded by expenditure cuts elsewhere. It is clear that Atmanirbhar Bharat Abhiyan economic package is likely to do little for India's economic growth in this financial year, and that is why it is being criticised. It is essential for the people to start using the products which are made in India. The people should be encouraged to not only use the products that are made in India but also to export those products to other countries.

## VI. RESULTS AND DISCUSSION

It is clear then that Atmanirbhar Bharat Abhiyan economic package has initially helped to economy to revive from damage occurred due to pandemic. Government has targeted backward sectors which actually required financial support and in action total 260 activities have been conducted till now where 10,80,948 participants were benefited in which 285 ministries and organizations were involved. The package proved to be a failure as it was unable to boost confidence and bring optimism among the corporates because the focus is more on indirect benefits than direct benefits. The packages should be designed to provide cash rather than loans. Yes, definitely this abhiyan will help little for India's economic growth in upcoming few financial years, and that is why it is being criticized. The collateral-free or unsecured loans that are announced for MSMEs may lead to greater default by the companies. Due to the unsecured loans the banking sector especially the PSUs which are already reeling under the bad loans may see further deterioration in their asset quality. An Economy, Infrastructure, System, Demography, and Demand were core targeted components by the government but it is not enough to survive an economy which has more population compare to other economies. The reforms has covered agriculture, MSMEs, the housing sector, the social sector, Government reforms, migrant workers, civil aviation, defense, etc.

## VII. CONCLUSION

Due to this step taken by employment opportunities has been created, till September hiring trend has gone up to 57 %, Especially in IT (software) sector (138 %), Hospitality (82 %), Retail (70 %) and Education (57 %). Government have focused more on development of women entrepreneur, teenagers who has ability to innovate something new in technology, farmers for more innovation, tribal entrepreneur, daily wage workers, scientist, etc. At the same time government has to announce and implement stronger policies to bring economy in stability state because still many segments are deprived of even basic needs. Aatmanirbhar Bharat Abhiyan promises to provide benefits to everyone from every sector. It aims to be self-resilient to face the competition with the global supply chain. The package will support the poor, laborers and migrant workers from both organized as well as unorganized sectors for sure. Hopefully this package will further help the economy for increase in GDP.

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