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Let noble thoughts come to us from all sides

Rig Veda

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YOJANA

Chief Editor's Desk

Budget for Better Bharat

Union Budget, this year, was presented amidst a host of uncertainties. Demonetisation drive and imminent GST drive, new administration in US etc. made the whole exercise very challenging. This year's Budget was also historic as it broke away from age old tradition of being presented on the last day of February, merged the Rail budget with Union budget and departed from the classification of Plan and Non-Plan expenditure.

After the hardships faced equally by the rich and poor post demonetisation, it was being expected that the Budget will come up with some incentives to bring cheer to the public. The Budget however continues to reflect the Government's priorities of being pro-poor, pro-rural, and pro-farmer and focuses on the long term agenda of boosting economic growth. The overall objective being to "Transform, Energise and Clean" India, the Budget has adopted a multipronged approach and has given attention to all sectors of the economy with adequate thrust on rural development, agriculture, infrastructure, skill development, manufacturing and employment generation.

With farmers and rural population being at the top in the list of priorities, a number of measures have been announced to double the income of the Indian farmers in five years. Agriculture credit allocation has been increased to Rs 10 lakh crore. To save the farmer from the natural calamities, target has been increased to cover 40 per cent of crop area under *Pradhan Mantri Fasal Bima Yojana* and corpus under Long Term Irrigation Fund has been increased to Rs 40,000 crores.

With the intention of giving big push to rural employment and improve basic amenities in rural areas, several initiatives have been announced for skilling the sizeable youth population. India's flagship employment generation scheme, MGNREGA has got the highest ever allocation of Rs 48,000 crores. Launch of Swayam with over 300 online courses and allocation of Rs 4,000 crore to train the youth for market-oriented skills under Sankalp are aimed at making India the skill capital of the world. *Mission Antyodaya* proposes to pull out 1 crore people and 50000 Gram Panchayats out of poverty. Government's increased focus on rural development is evident from the initiatives such as- setting the target for achieving 100 per cent village electrification by 1st May, 2018, piped water supply on priority basis to Open Defecation Free villages and increasing the pace of the constructions of rural roads- the lifeline of villages, to 133 km per day under *Pradhan Mantri Gram Sadak Yojana*.

Strong Infrastructure being the basis of any economic development, has got the rightful attention with highest ever allocation of Rs 3.96 lakh crores. Allocation of Rs 1.3 Lakh crores for railways again, is the highest ever allocation for the national carrier with passenger safety; cleanliness and development works being the focus areas. With a view to energise the real estate sector, "Infrastructure" status has been granted to the housing sector.

A number of measures have been taken to encourage investments and increase the Ease of Doing Business. Given that now more than 90 per cent FDI inflow is through direct rout, decision has been taken to abolish the Foreign Investment Promotion Board (FIPB). And to promote the small entrepreneurs, rate of Corporate Income Tax has been reduced to 25 per cent for companies with turnover less than Rs 50 crore.

Allocation of Rs 10,000 crore for Bharat Net, launch of AADHAAR Pay, setting of special task force to address the cyber security concerns reiterate the Government's commitment to transform the country into a digital economy.

Significantly, in a move to curb black money and cleanse the political system, a maximum limit of Rs 2000 per person has been set for receiving cash donations by political parties. Contributions above this limit can be made only in the form of cheques or digital payments or through electoral bonds.

Taken together, the Budget 2017-18 reiterates the Government's intentions to bring about greater transparency, reduce corruption and achieve faster economic growth and is a step further in this direction with something for everyone to smile. ❑

Union Budget 2017-18 : Broader Analysis

N R Bhanumurthy
A Sri Hari Nayudu

Union Budget tries to address a number of issues that could help in reviving growth in the country. Specifically, the focus is more on the processes of growth instead of incentives that had been the strategy for long with less success. However, these measures need to be complemented by some more inclusive growth policies even at the sub-national level, which also has equal, if not more, role in achieving medium term growth and development goals

Budget is an obligation of the Government of India under article 112,113, 114(3) and 110(a) of the Constitution. Historically, although it was just a proposed balance sheet, governments of the day used budget as the occasion to announce major policy decisions, especially tax proposals. Over the years, this annual event had undergone lot of changes. This year also there are three major changes: Rail Budget is merged with the Union Budget; presentation of Budget is preponed by a month; and it has done away with Plan/Non-Plan distinction in its expenditures. These changes make the present Budget little comparable with the past ones. However, it is important to understand the context in which it is presented. Two major policy changes precede the Budget: demonetisation and the passing of GST bill. At global front, de-globalisation tendencies in US and Europe, rising crude oil prices, and slow global recovery adds substantially to uncertainty in Indian economy.

On the back of such large uncertainties, there were large expectations on the Budget for measures to revive the economy that result in higher jobs. Here, an attempt has been made to understand the Budget as well as analyse its impact on the economy. As mentioned by the Finance Minister, the agenda for this year's Budget is "TEC India" (i.e. Transform, Energise and Clean India).

Current Macro Trends:

The Central Statistical Office (CSO) projects India's GDP growth (Advance estimate) for 2016-17 to be at 7.1 per cent. However, the CSO itself submits that this Advance Estimate does not capture the Demonetisation impact, which most analysts suggest that the GDP could have contracted by 1 to 2 per cent due to Demonetisation. Within GDP, it is expected that agriculture sector growth to be buoyant following good monsoons while service sector growth expected to grow at close to 9 per cent. Industrial sector appears to register a modest growth of 5.2 per cent (see Table-1). The inflation based on CPI is at 3.4 per cent in December, well below the RBIs mandated target. On the trade front, both exports and imports continue to decelerate, which is a cause for concern. With this the current account deficit declined sharply to 0.3 per cent in the first half of 2016-17. On Fiscal side, there seems to be

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buoyancy in revenues while fiscal deficit estimated to have touched 86 per cent of the target in April-November. Based on this, there were expectations that government could realise 3.5 per cent fiscal deficit target in 2016-17.

On the banking front, following demonetisation, with the increase in bank deposits, banks have passed on the interest rate cuts on loans/deposits. This is expected to result in higher credit demand and, hence, higher growth. Currently, investments (GFCF) growth is negative at -0.2 is cause of concern. The CMIE data also show a steep fall in new project announcements from 227 new projects to 177 projects, when compared to around 50 day window before and after the demonetisation.

Main Highlights of the Budget:

After undertaking many reforms last year, such as Bankruptcy Code, Flexible Inflation Targeting & Monetary Policy Committee, Aadhaar Act, GST, etc., this year, the Budget brings in some more policy changes at various sectors.

Traditional Sectors:

The difficulties for the agricultural farmers can be divided into three stages. Pre-harvest, harvest and post -harvest stage. The pre-harvest issues are related to credit, fertilisers and irrigation. The harvesting problems include the drought or flood situation and the insurance cover from these. Post-harvest risks related to marketing, price risk and transportation. In continuation with last year programmes like "Land Title Digitalisation", Rural Electrification and Rural Optical Fibre Cable Lining, this year Land Soil Health Cards, Fasal Bima Yojana, Long Term and Micro Irrigation Fund and eNAM(Electronic National Agriculture Market) are expected to reduce risks in Indian agriculture, if properly implemented. The Budget enhances agriculture credit for the 2017-18 to 10 lakh crores from 9 lakh core in 2016-17. Additional support of Rs 20,000 crore is provided for long term and micro irrigation fund. To break the cartels in the market yards and integrate agricultural markets across India, eNAM will be expanded from current 250 markets to 585 APMCs. Government also proposed a model law on Contract Farming, especially, for dairy, fruits and vegetables.

Table-1: Recent Trends in some Macroeconomic Indicators

Indicator/Year	2012-13	2013-14	2014-15	2015-16 PE	2016-17 AE
GVA at basic prices (growth rate)	5.4	6.3	7.1	7.2	7.1
GFCF (growth rate)	4.9	3.4	4.9	3.9	-0.2
Gross Domestic saving (as per cent of GDP)	33.8	33	33	-	-
Agriculture (growth rate)	1.5	4.2	-0.2	1.2	4.1
Industry (growth rate)	3.6	5	5.9	7.4	5.2
Services (growth rate)	8.1	7.8	10.3	8.9	8.8
Inflation- CPI (annual average)	10	9.4	5.8	4.9	3.41#
Current Account Deficit (as per cent of GDP)	4.8	1.7	1.3	1.1	0.3*
Exports (growth rate)	6.7	7.8	1.7	-5.2	2.2
Imports (growth rate)	6	-8.2	0.8	-2.8	-3.8
Revenue Deficit (as per cent of GDP)	3.7	3.2	2.9	2.5	2.3
Fiscal Deficit (as per cent of GDP)	4.9	4.5	4.1	3.9	3.5

*(Source: Economic Survey, 2016-17. * CAD for first-half of 2016, # data for December 2016)*

Infrastructure:

Poor infrastructure has been a major issue for private investment as well as foreign investment in India. To address these infrastructure bottlenecks, Budget has given adequate focus on roads, electricity and digital infrastructure. Government aims to achieve 100 per cent village electrification by 1st May 2018. An allocation of Rs 4,814 crores is given under the *Deendayal Upadhyaya Gram Jyoti Yojana*. Under the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) construction of roads reached 133 km roads per day in 2016-17, as against an average of 73 km during the period 2011-2014. The allocation under the scheme has been increased to Rs 19,000 crores in this budget. For the Railways, the Budget allocates Rs 55,000 crores for its expansion. For overall transport sector, the Budge provides Rs 2.41 lakh crore, suggesting that major focus appears to be reviving growth through expansion in transport sector. As this sector has large employment intensity as well as strong forward linkage with other sectors, increase in expenditures should help achieve inclusive growth.

Budget and Macro Economics:

One of the major policy decisions in the Budget is about the fiscal/revenue deficit targets. On the back of pressures from the International rating agencies, there were expectations that the Government would stick to 3 per cent fiscal deficit as per the existing FRBM rule. While it is not clear what is the new FRBM Committee's recommended fiscal path, to revive investments, the Budget has marginally deviated from its fiscal deficit target and pegged at

Table-2: Trends in Allocation for Infrastructure:

Item	2015-2016	2016-2017 RE	2017-2018 BE
MGNREGS Programme	38500	47499	48000
Pradhan Mantri Aawas Yojana	20075	20936	29043
Pradhan Mantri Gram Sadak Yojana	19000	19000	19000
AMRUT	7296	9559	9000
Optical Fibre Cable network for Defence Services	2710	3210	3000
BharatNet	0	6000	10000
Metro Projects	10000	15700	18000
Deen Dayal Upadhyay Gram Jyoti Yojana	8500	7874	10635
Sagarmala	450	406	600
LPG connection to poor households	2000	2500	2500
Budget Allocation to Railways	30121.2	35007.9	55000
Total	138652.2	167691.9	187678

(Source: Budget Documents, GoI, 2017-18 and Press Information Bureau (PIB)).

3.2 per cent (against the target of 3 per cent). Here, the most important aspect is that it has brought down the revenue deficit to 1.9 per cent (from 2.3 per cent) while increased capital expenditure to 1.3 per cent (from 1.1 per cent), which, in our view, is expansionary and consistent with the fiscal consolidation. However, the FRBM committee appears to have suggested the medium term debt path of 60 per cent (Centre 40 per cent and State 20 per cent) by 2023, which is close and consistent with the estimates of Bhanumurthy, et.al (2015)[1]. Such fiscal path should provide fiscal space for achieving medium term growth and development goals.

Policies for Revenue Mobilisation

Following GST and the Demonetisation, it is expected that the tax compliance will increase. This seems to have driven the Budget numbers on tax revenues, where, intrinsically, it assumes the tax revenue buoyancy of over 1.4. This is similar to the buoyancy that India experienced during 2003-2007 period, post introduction of TIN (Tax Information Network). On the capital receipts, similar to last few years, the Budget assumes about Rs 72500 crores under Other Receipts (largely disinvestments), which appears to be a difficult task. Similarly, after adjusting for market borrowing, it appears that government expects nearly 2 lakh crore from drawdown of its cash balance. The realisation of these assumptions is based on another assumption on nominal GDP growth of 11.75 per cent in 2017-18 against 11 per cent in 2016-17. This would also depend on the implementation of GST from 1st July as well as on the GST rates. On the direct taxes side, as Economic Survey pointed out, only 7 out of 100 people are tax payers. To widen the tax base, the Budget has reduced the tax rate to 5 per cent in the lower slab. In our view, while this measure might bring in more people to the tax net, it is also creating instability in the effective tax rates. The other reform measures suggested were simplification of filing of returns and e-filing.

Containing black money is not possible till cash transactions takes place. For this, as additional measures, the Budget proposed to tax any cash transaction greater than Rs 3 lakhs. Through this, in the long run, economy could move to higher usage of non-cash payment systems, improve tax compliance, which may result in fall of black money generation.

Banking Crisis and NPA issues:

One of the main reasons for lack of private investments in India despite reduction in policy interest rates is the twin balance-sheet crisis and especially in banking sector. While the demonetisation could have helped mobilise cheap deposits and help to normalise the bank balance sheets, there were some expectation that Budget could help the banks through recapitalisation. This Budget, compared to last year allocation of Rs 25000 crore, has allocated just Rs 10,000 crore. This is despite sharp jump in the NPAs in public sector banks, which may not help the banks much. However, there were many other measures taken since last year such as Bankruptcy Code, Debt Recovery Tribunals, and amendments to SARFESI Act, Bank Board Bureau, and the *Indradhanush* scheme, which should help banks in the long term.

Demonetisation and Budget:

In the aftermath of demonetisation, there appear to be some contraction as well as disturbance in some segments of the economy. At sectoral level, SIAM data shows, automobile sector sales declined 18.66 per cent in December 2016. Specifically, sale of two-wheelers and three-wheelers, which are mostly paid for in cash, declined 22.04 and 36.23 per cent, respectively. According to Knight Frank data, real estate sector sales declined by more than 50 per cent in the last quarter of 2016. The Economic Survey estimates that the adverse impact of demonetisation on GDP is in the range of 0.25 to 1 per cent.

On the other hand, despite slowdown in GDP growth, tax revenues appear to have increased substantially after demonetisation: Corporation tax (4.4 per cent), Income tax (24.6 per cent), Central Excise Duty (43 per cent), Service tax (23.9 per cent) and Customs duty (4.1 per cent). One explanation for this could be after demonetisation tax base seems to have widened. This is feasible if tax avoidance and evasion had come down due to better capturing of transactions that were not accounted earlier. According to Economic Survey and National Payments Corporation of India (NPCI), RuPay-based electronic transactions increased by about Rs 13,000 crore in case of POS transactions and about Rs 2,000 crore in e-commerce, an increase of over 300-400 per cent in the last few months.

Despite these, the general view is that containing black money is not possible till cash transactions takes place. For this, as additional measures, the Budget proposed to tax any cash transaction greater than Rs 3 lakhs. Through this, in the long run, economy could move to higher usage of non-cash payment systems, improve tax compliance, which may result in fall of black money generation.

Budget and the Digital Economy

To shift the economy from cash to less cash system, there is a need for substantial development in the payment infrastructure. In this area, India currently faces three main challenges: cyber security, digital infrastructure, and cost of digital transactions. The Budget to some extent tries to address the first two issues.

Cyber security: To safeguard the integrity and stability of the financial sector from growing number of cyber-attacks, the budget proposed a Computer Emergency Response Team for our Financial Sector (CERT-Fin).

Digital Infrastructure: As part of improving digital infrastructure, Budget renews its focus on programmes such as BharatNet, DigiGaon, Modified Special Incentive Package Scheme (M-SIPS) by increasing allocations. These policies are expected to create digital infrastructure, which will enable, an indigenous manufacturing eco-system in the country.

Can the Budget result in inclusive growth?

One of the public policy challenges that India is facing is how to achieve a growth that creates higher job opportunities. For this, while there is a medium term goal of increasing the share of manufacturing to 25 per cent, the recent negative trends in manufacturing growth pose larger challenge. In this background, the Budget tries to address this issue partially by focusing more on the labour intensive sectors such as housing, tourism, roads, and other infrastructure. However, to achieve the much needed structural transformation that is also expansionary, there is a need for policy reforms on other aspects such as land and labour. The Budget barely mentions these issues.

Conclusion

Overall, in the context of uncertainties in both domestic and external economic environment, the Union Budget tries to address a number of issues that could help in reviving growth in the country. Specifically, the focus is more on the processes of growth instead of incentives that had been the strategy for long with less success. However, these measures need to be complemented by some more inclusive growth policies even at the sub-national level, which also has equal, if not more, role in achieving medium term growth and development goals.

Endnotes

1 Bhanumurthy, NR, Sukanya Bose, & Parma Devi Adhikari (2015). "Targeting Debt and Deficits in India: A Structural Macroeconometric Approach", NIPFP Working Paper-148, May, 2015. ❑

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North Eastern Region in Union Budget 2017-18

- Budget allocation for Ministry of Development of North Eastern Region Ministry (BE 2017-18) increased by 6.2 per cent at Rs. 2682.45 cr. against RE of Rs. 2524.42 cr. in 2016-17.
- The outlay for NEC has been fixed at Rs. 925 crore against the last year's allocation of Rs. 800.00 crore (15.63 per cent increase).
- Grant of Rs. 500.00 cr. has been provided under Budget Estimate 2017-18 for "Grants to Autonomous Council and Areas covered under the Sixth Schedule of the Constitution"
- Continuation with the special dispensation in the assistance pattern to the North Eastern States (90:10 for core central schemes & 80:20 for non- core schemes).
- Budget Allocation to NER by 55 Non-Exempt Ministries for 2017-18 amounts to Rs. 43,244.64 cr. under 10 per cent GBS. This allocation is 34.38 per cent higher than the RE 2016-17 of Rs. 32,180.08 cr.
- 11 Ministries including DoNER have a budgetary allocation of more than Rs. 1000 cr. as per BE 2017-18.
- 6 major Ministries have budget allocation of more than 50 per cent over previous year.

Source: PIB

DO YOU KNOW?

UNIVERSAL BASIC INCOME (UBI)

Despite making remarkable progress in bringing down the poverty from about 70 per cent at the time of independence to about 22 per cent in 2011-12 (Tendulkar Committee), it can safely be said that we are still quite a distance away from "wiping every tear from every eye".

So, the Economic Survey of India 2016-17 has advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. Idea behind the Universal Basic Income is that every person should have a right to a basic income to cover his needs, just by virtue of being a citizen.

UBI has three components:

(i) Universality- It is universal in nature.

(ii) Unconditionality- There are no preconditions attached with the cash transferred to the beneficiary.

(iii) Agency – Respecting the poor persons' decision making ability and not having a paternalistic attitude towards them.

Arguments in Favour of UBI:

(i) Social Justice: It should be evident to anyone that no society can be just or stable if it does not give all members of the society a stake.

(ii) Poverty Reduction: A Universal Basic Income may simply be the fastest way of reducing poverty provided a well-functioning financial system is in place to disburse it.

(iii) Employment: In an era of uncertain employment generation, UBI is an acknowledgement of society's obligation to guarantee a minimum living standard. With UBI in his pocket, a person would be able to bargain in the labour market and would no longer be forced to accept any working conditions. This would reduce the workers' exploitation.

(iv) Agency: The poor in India have been treated as objects of government policy. Our current welfare system, even when well intentioned, inflicts an indignity upon the poor by assuming that they cannot take economic decisions relevant to their lives. An unconditional cash transfer treats them as agents, not subjects.

(v) Practically Useful: The circumstances that keep individuals trapped in poverty are varied; the risks they face and the shocks they face also vary. The state is not in the best position to determine which risks should be mitigated and how priorities are to be set. By taking the individual and not the household as the unit of beneficiary, UBI can also enhance agency, especially of women within households.

(vi) Administrative Efficiency: Existing welfare schemes are riddled with misallocation, leakages and exclusion of the poor. When the trinity of Jan-Dhan, Aadhaar and Mobile (JAM) is fully adopted, the time would be ripe for a mode of delivery that is administratively more efficient.

Objections to the Universal Basic Income: Following are three main objections to UBI and replies to each-

(i) **The first is that UBI reduces the incentive to work**. This argument is vastly exaggerated. For one thing, the levels at which universal basic income are likely to be pegged are going to be minimal at best. So they are unlikely to affect the incentives to work.

(ii) **The second concern is this- Should income be detached from employment?** The honest economic answer to this concern is that society already does this, but largely for the rich and privileged. Any society where any form of inheritance or accepting non work related income is allowed, already detaches income from employment.

(iii) **The third is a concern out of reciprocity**. If society provides UBI to a person, what it would get in return? The answer is that individuals as a matter of fact will, in most cases, contribute to society through various ways. In fact, UBI can also be a way of acknowledging non-wage work related contributions to society e.g. work done by women in homemaking is largely unacknowledged and unpaid.

Problems of existing poverty eradication programs:

(i) Misallocation of resources across districts. Data shows that the poorest areas of the country often obtain a lower share of government resources when compared to their richer counterparts.

(ii) Exclusion of genuine beneficiaries.

(iii) Leakages in the system.

How Can A UBI overcome These Issues?

(i) Conceptually, a UBI reduces out of system leakage because transfers are directed straight to the beneficiaries' bank accounts

The scope for diversion is reduced considerably, since discretionary powers of authorities are eliminated almost wholly.

(ii) By virtue of being universal, exclusion errors under the UBI should be lower than existing targeted schemes.

(iii) UBI will work as an insurance against risk and have psychological benefits for the poor.

Two prerequisites for a successful UBI:

(i) **Functional JAM (Jan Dhan, Aadhar and Mobile) system-** as it ensures that the cash transfer goes directly into the account of a beneficiary. Nearly a third of adults in India still do not have a bank account and are likely to be left behind. These are also likely to belong to the poorest social groups – women, SCs, STs, the ageing and the infirm – who need this benefit most.

(ii) A key federal question will be the centre-state share in funding of the UBI. So the Center –State negotiations in this regard will be crucial.

Fiscal Cost of Implementing UBI: A UBI that reduces poverty to 0.5 per cent would cost between 4-5 per cent of GDP, assuming that those in the top 25 per cent income bracket do not participate. On the other hand, the existing middle class subsidies and food, petroleum and fertilizer subsidies cost about 3 percent of GDP.

Economic Survey concludes that UBI is a powerful idea whose time, even if not ripe for implementation, is ripe for serious discussion; and UBI may help in achieving the outcomes that Mahatma Gandhi so deeply cared about and fought for all his life. ❑

Union Budget 2017-18: Fiscally Pragmatic

Charan Singh

..the focus of budgeting will now shift to revenue and capital expenditure, as had been originally envisaged in the Constitution. A clear distinction between revenue and capital expenditure is also necessary for analytical, transparent and efficient decision making. This distinction helps in assessing operating costs of government and investment made by it

The Budget is a major component of the fiscal policy. The objective of any macroeconomic policy is steady growth, which can be achieved through implementation of fiscal policy and monetary policy. The aim of fiscal policy is enhancing employment and ensuring sustainable growth while the monetary policy, through controlling inflation aims to create a conducive environment for the economy to flourish. Given the objectives of promoting growth and employment, fiscal policy uses various instruments to ensure good education and skill formation, healthy workforce through efficient public health institutions, robust infrastructure to facilitate commerce, and security of assets through dedicated security forces, administration and judiciary. To finance this essential expenditure for meeting its basic responsibilities, the government has to raise resources through direct and indirect taxes, collect dividend and profits from public sector enterprises, and as a final resort, undertake long and short term borrowing, from domestic and external sources. The raising and spending of financial resources by the Government have implications for work, consumption, savings, leisure and investment in the domain of fiscal policy.

The recent Union Budget has been presented in a very difficult domestic and international environment. In India, the impact of demonetisation initiated on November 8 last year has yet to be analysed. In fact, the amount of cash collected under demonetisation has yet to be confirmed by the Reserve Bank of India, and its implications on Indian industry and commerce is also not clear. Further, India is on the cusp of introducing the most important taxation reforms in the post-independent India in the form of Goods and Services Tax (GST). Externally, economic growth in the world is slow and stagnating, oil prices are rising, and protectionist policies are gaining strength. The change in ideology of globalisation in the US, and uncertainty because of Brexit in the UK only adds to difficulties in planning for the steady growth besides other political developments in Europe.

The agenda of the recent budget is to 'Transform, Energize and Clean India'. The Budget proposals were organised in ten distinct themes – farmers, rural population, youth, poor and under-privileged, infrastructure, financial sector, digital economy, public service, prudent fiscal management, and tax administration.

Fiscal Consolidation

Despite the constraints, the Budget

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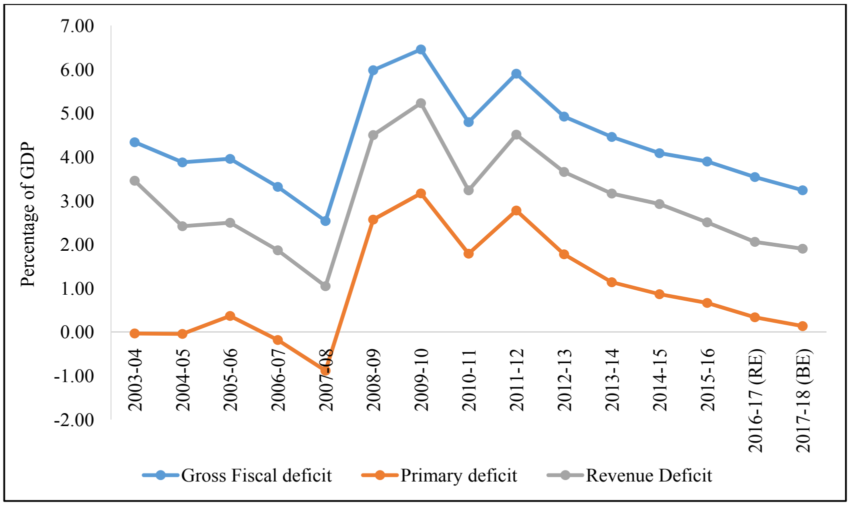
Chart 1: Key Deficits



(Source: Trends in Receipts, Union Budget 2017-18, GOI)

Table 1: Summary of Union Budget (Figures as percentage of GDP)

Receipts	2016-17 (RE)	2017-18 (BE)	Expenditure	2016-17 (RE)	2017-18 (BE)
Revenue Receipts	9.4	9.0	Revenue Expenditure	11.5	10.9
Revenue Expenditure minus Revenue Receipts = Revenue Deficit				2.1	1.9
Capital Receipts	3.9	3.8	Capital Expenditure	1.9	1.8
Total Expenditure minus Revenue Receipts = Gross Fiscal Deficit*				3.5	3.2

**Adjusted for non-debt capital receipts, like disinvestment*
(Source: Union Budget 2017-18, GOI)

Table 2:Revenue and Capital Account Components (as percentage of GDP)

Year	Revenue Receipts	Capital Receipts	Revenue Expenditure	Capital Expenditure
1950-51	3.90	1.16	3.34	1.76
1960-61	4.89	6.44	4.60	5.74
1970-71	6.91	4.29	6.57	5.24
1980-81	8.27	5.29	9.63	5.59
1990-91	9.37	6.65	12.54	5.42
2000-01	8.85	6.16	12.76	2.19
2010-11	10.13	5.17	13.37	2.01
2011-12	8.60	6.51	13.12	1.82
2012-13	8.84	5.85	12.50	1.68
2013-14	9.00	5.00	12.17	1.66
2014-15	8.82	3.88	11.75	1.57
2015-16	8.75	3.97	11.26	1.85
2016-17 (RE)	9.44	3.92	11.51	1.86
2017-18 (BE)	9.00	3.75	10.90	1.84

(Source: i) Handbook of Statistics on Indian Economy, RBI
ii) Union Budget 2017-18, GOI)

is pursuing fiscal consolidation and all the deficits are shrinking (Chart 1).

The government has tried to successfully curtail revenue deficit and gross fiscal deficit. However, capital expenditure, as percentage of GDP, is low while revenue expenditure exceeds revenue receipts substantially (Table 1).

The trend analysis since the starting of planning in India reveals that capital expenditure serves as a buffer to absorb shocks in other variables and has been shrinking since 1960s (Table 2).

On the revenue account, interest payments, subsidies and pensions pre-empt more than half of revenue receipts (Table 3).

The trend analysis of revenue since 1970-71 shows that non-tax revenue including dividends has rather been stagnant while tax revenue has been recording a reluctant increase (Table 4).

Cross Country Comparison:

India, despite its problems, is poised to do well in the global economy as it has sufficient fiscal space (Table 5).

Implications of the Union Budget:

The Union budget is growth-oriented and employment generating as analysed in Table 6.

In the global context of growth, it is important to generate confidence in the country that the government is seriously pursuing its objectives of 'Transform, Energize and Clean India'. To instill confidence in the market government has announced a series of measures (Table 7).

Select Important Issues:

The Union Budget is not only a statement of accounts but a major policy document in the domain of fiscal policy. A number of issues were raised in the recent budget.

Non-Tax Complaint India:

The Finance Minister mentioned that India is largely a non tax complaint country (Tables 8 and 9). The total amount of tax collection by the Government, including Centre and states (in the absence of uniform data on local body tax collection for different states), is less than 18 per cent of GDP in recent years compared to more than 30 per cent in most of the advanced countries. However, given the economic situation of India, with 30 per cent population below poverty line and nearly 60 per cent population residing in rural areas and dependent on agricultural income (exempted from tax), the constraint on raising financial resources are apparent. In addition, there are exemptions on commodities that are expected to pay excise duties. Further, as tax is a function of income, in poor and emerging countries, like Sri Lanka, Mexico, Indonesia, and Philippines, tax collection is expected to be significantly lower than advanced countries.

Table 3: Revenue Budget- Select Items (as percentage of GDP)

Revenue Receipts			Revenue Expenditure		
Components	**2016-17 (RE)**	**2017-18 (BE)**	**Components**	**2016-17 (RE)**	**2017-18 (BE)**
Corporation Tax	3.3	3.2	Interest Payments	3.2	3.1
Income Tax	2.3	2.6	Subsidies	1.7	1.6
Customs Duty	1.4	1.5	Pensions	0.9	0.8
Union Excise Duty	2.6	2.4			
Service Tax	1.6	1.6			
Dividends and Profits	1.0	0.8			
Total	**9.4***	**9.0***	**Total**	**11.5**	**10.9**

*Net of states' share of taxes.

(Source: Trends in Receipts, Union Budget 2017-18, GOI)

Table 4: Select Fiscal Indicators (as percentage of GDP)

Year	Net Tax Revenue	Non Tax Revenue	Revenue Receipts
1970-71	5.2	1.8	6.9
1980-81	6.3	2.0	8.3
1990-91	7.3	2.0	9.4
2000-01	6.3	2.6	8.9
2014-15	7.2	1.6	8.8
2015-16	6.9	1.8	8.8
2016-17 (RE)	7.2	2.2	9.4
2017-18 (BE)	7.3	1.7	9.0

(Source: Trends in Receipts, Union Budget 2017-18, GOI)

Table 5: Gross Debt (as Percentage of GDP)

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brazil	60.4	63.3	73.7	78.3	82.4	85.2	87.9	90.8	93.6
China	36.9	39.8	42.9	46.3	49.9	52.6	54.6	56.1	57.2
France	92.4	95.3	96.1	97.2	97.8	97.9	97.4	95.9	93.8
Germany	77.1	74.5	71.0	68.2	65.9	63.6	61.1	58.9	56.7
India	68.0	68.3	69.1	68.5	67.2	65.6	63.5	61.4	59.2
Indonesia	24.8	24.7	27.3	27.5	28.2	29.2	29.9	30.4	30.9
Japan	244.5	249.1	248.0	250.4	253.0	254.9	254.7	254.5	253.9
Russia	13.1	15.9	16.4	17.1	17.9	18.6	19.1	18.9	18.5
South Africa	44.0	46.9	49.8	51.7	53.3	54.6	55.4	55.9	56.2
United Kingdom	86.0	87.9	89.0	89.0	88.8	88.6	86.6	84.3	82.1
United States	104.6	104.6	105.2	108.2	108.4	107.9	107.8	107.9	108.3

(Source: World Economic Outlook Report - October 2016, IMF)

In view of the fact that government has demonstrated its intent to clean India, given the availability of data on purchases of luxury cars and foreign travels, tax administration needs to be more alert and efficient. In countries like Japan, incentives for tax compliance are provided. In contrast, in the USA, detrimental punishment for tax avoidance is severe.

In many advanced countries where tax: GDP ratio is high, public health, education, transport and civil services are of very high quality. In addition, security of life of men and women, safe environment for female workforce, and judicial system for timely settlement of disputes helps in incentivising higher tax compliance.

In view of the demographic dividend, with 66 per cent of population in India being less than 34 years of age, corruption-free India will be worthy of our next generation, facilitate start-up and stand-up India, and provide ease of doing business. Despite various voluntary disclosure and amnesty schemes, in addition to numerous attempts by the government to unearth unaccounted money, India continues to be performing dismally on corruption index. Therefore, it would be necessary to be persistent in efforts to unearth unaccounted money. In the endeavor, holistic approach would be required involving Chartered Accountants, Legal experts, sociologists, religious leaders and social leaders from media and politics.

Financial Sector:

The government has announced recapitalisation of banks in continuation of the trend in previous years. It would be important to consider whether such relief to the banks should be automatic and regular or should it be conditional on some stipulated improved performance indicators. The commercial banks should be commercially viable and could be asked to consider disposing off some of their assets, including select branches, to recover their losses or lower their costs. Additionally, all public sector banks, irrespective of loss or profit making, provide a similar hike in salaries to their employees. So, drafting resources from innocent tax payers should be preceded by tightening measures by the commercial banks themselves. And, continuous infusion of capital in commercial banks can lead to problems of moral hazard.

Table 6: Implications of the Budget

Particulars	Growth	Employment	Consumption	Investment
Agricultural credit Rs. 10 lakh crore.	✓			✓
Long Term Irrigation Fund Rs. 40,000 crore.	✓			✓
MGNREGA Rs. 48,000 crore.	✓	✓	✓	
Gram Sadak Yojana Rs. 27,000 crore.	✓	✓		✓
Awaas Yojana Rs.23, 000 crores	✓	✓		✓
Railways Rs. 1.3 lakh crore.	✓	✓		✓
Road sector - Highway Rs. 64,900 crore.	✓	✓		✓
Transportation sector Rs. 2.4 lakhcrore.	✓	✓		✓
Mudra Yojana target Rs. 2.4 lakh crore.	✓	✓		✓

(Source: Union Budget Speech 2017-18, GOI)

Table 7: Confidence Building Measures in the Budget

Particulars	Growth	Unaccounted Money	Confidence
Shares of Railway PSEs on stock exchanges.	✓		✓
Recapitalisation of Banks Rs. 10,000 crore	✓		✓
Debt to GDP of 60%.	✓		✓
3% Fiscal deficit for the next three years.	✓		✓
Income tax concession with annual turnover upto Rs. 50 crore.	✓		✓
10 lakh new PoS terminals by March 2017.	✓	✓	✓
Rs. 3 lakh cash limit for transactions	✓	✓	✓
Restrictions on Political Funding	✓	✓	✓

(Source: Union Budget Speech 2017-18, GOI)

Table 8: Tax Compliance Chart of India - General

Categories	Number
Person engaged in Organised Sector	4.2 crore
Individuals filing return for Salary Income	1.7 crore
Informal sector Individual Enterprises	5.6 crore
Number of Returns filed	1.8 crore
Companies registered	13.9 Lakh
Companies filed Return	5.9 Lakh
Companies declaring zero income or losses	2.8 Lakh
Companies declaring profit < Rs. 1 crore	2.8 Lakh
Companies showing profit between Rs. 1 < 10 crore	28,667
Companies showing profit of more than Rs. 10 crore	7,781

(Source: Union Budget Speech 2017-18, GOI)

Table 9: Tax Compliance Chart of India - Individuals

Categories	Number
Individual Tax Return	3.7 crore
Below Exemption Limit	99 Lakh
Income between Rs.2.5 – 5 lakh	1.9 crore
Income between Rs. 5 – 10 lakh	52 Lakh
Above Rs. 10 lakh	24 Lakh
Income above Rs. 5 lakh *of which* Salaried class	76 Lakh 56 lakh
Above Rs. 50 lakh	1.7 lakh

(Source: Union Budget Speech 2017-18, GOI)

Advancement in Presentation of Union Budget:

The presentation of Union Budget was advanced so that it is approved by the Parliament by end-March, and the ministries start getting resources for developmental work from April 1. In India, as monsoons start in June, the ministries will have some time for planning their expenditure and implementation of schemes before onset of monsoons. It can be expected that advancing the date will help initiate revenue mobilisation and capital expenditure right from beginning of the financial year. In addition, given the logic of advancing the budget announcement by a month, should it not be announced earlier than the first of February which is very close to the Republic Day and movement to Delhi for purpose of consultations, gets restricted? Further, should the budget be announced on a working day in the morning or can there be a stipulated day, illustratively 2 pm on first Friday or 11 am on first Saturday of February?

Fiscal Policy – Should it be Annual?

In advanced countries, the budgetary exercise is generally a non-event while in India, the country for nearly a month is fixated on the budget. The industry, stock market as well as individuals, await the annual festival of budget with great anxiety. This could be disruptive for economic policy making and ensuring steady growth because investment generally requires a multi-year gestation lag. It is for consideration that a statement of financial account be presented annually while the fiscal policy be decoupled and announced for a medium to long term basis, say, for 5 years.

Rail Budget:

A separate Rail Budget was started in 1924, following the recommendations by William Acworth, British railway Economist. However, since 1949, a number of Committees had suggested the merger of Railway Budget in the Union Budget but for political reasons was not accomplished. Therefore, now with railway budget subsumed in General Budget, consumers can expect professionalism in working of railways, better quality of services, modern equipment and safety measures, and market determined dynamic and competitive fares. Similarly, Railways, away from constant Parliamentary scrutiny, can focus on a leaner and technologically superior organisational structure, as is successfully being followed by Konkan Railways.

Rationalisation of Budgetary Terms:

An important reform is the abolition of Plan and Non-Plan distinction in the Union Budget. The reform has been initiated in view of the policy decision to do away with the term "Plan" while making a distinction between socio-economic welfare programs. In India, a generally popular notion has been that Plan expenditure is good and Non-Plan expenditure is a wastage. This notion had led to a situation where Non-Plan expenditure even for maintenance of assets has been neglected. Consequently, there is a constant motivation for showing higher Plan expenditure both at the Center and States. It is expected that with the removal of this distinction a direct link between spending and outcome could be established which will be useful in assessing the efficiency of public expenditure. Thus, the focus of budgeting will now shift to revenue and capital expenditure, as had been originally envisaged in the Constitution. A clear distinction between revenue and capital expenditure is also necessary for analytical, transparent and efficient decision making. This distinction helps in assessing operating costs of government and investment made by it.

As per Article 112 of the Constitution, Annual Financial Statement should distinguish expenditure on revenue account from other expenditure. Under the Government's General Financial Rules, 2005, estimates of expenditure shall have a distinct provision for expenditure on revenue account from other expenditure, including expenditure on capital account, loans by the Government, repayment of loans and short term borrowings.

International experience does not suggest that distinction of expenditure is an absolute necessity. In fact, many advanced countries that were earlier in the emerging/developing stages maintained a distinction between revenue and capital account to allow for better resource allocation. Some of these countries continue to maintain the distinction while others have discontinued with the practice of having separate classification.

Conclusion:

To conclude, this was a pragmatic budget that could have been announced in the context of global uncertainty and recovery from demonetisation. However, the support garnered by the Government in the demonetisation exercise could have been effectively tapped for ensuring corruption free India by announcing some more bold measures rather than benign initiatives like prescribing a cash limit of Rs 3 lakh on transactions and limiting unaccounted political funding. In general, the measures announced in the Budget would enhance tax base and are growth and employment oriented. But, the Budget could also have factored in cogent medium and long-term vision. It could also have provided a road map for tapping demographic dividend and digitalizing India; and undertaking long term financial sector reforms. ❑

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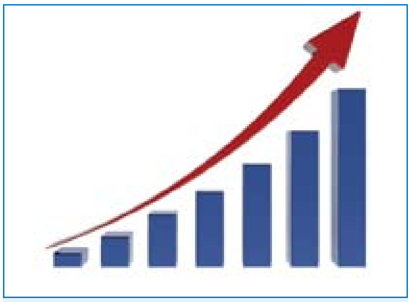
Mahila Shakti Kendra to be set-up at village level

Mahila Shakti Kendra will be set-up at village level with an allocation of Rs. 500 crores in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition. Under nationwide scheme for financial assistance to pregnant women, Rs. 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.

For the welfare of Women and Children under various schemes across all the Ministries the allocation has been stepped-up from Rs.1,56,528 crores in BE 2016-17 to Rs. 1,84,632 crores in 2017-18.

Revenue Mobilisation Efforts and the Budget 2017-18

Malini Chakravarty



India's tax structure is regressive with nearly two-third of total tax collected (taking into account tax collections of both the Centre and the States) being accounted for by indirect taxes. Since the Central government collects most of the direct taxes, in general the tax structure of the Central government tends to be more progressive

In the run up to the Budget 2017-18, coming as it was after the demonetisation drive of the Government, many had the expectation that the Budget will bring forth major changes in tax rates, threshold limit of taxation, tax exemptions, etc. For the Government, on the other hand, reducing tax rates is a tough call to take, given that India has one of the lowest tax-to-GDP ratio among the large developing countries.

However, this year's Budget does contain some changes on the tax front, mainly in the arena of direct taxes. One of the main changes in this regard relates to the reduction in the personal income tax rate from 10 per cent to 5 per cent for those falling in the lowest tax bracket (i.e. Rs 2.5 lakh to Rs 5 lakh). At the same time, in order to avoid duplication of benefits, the maximum rebate of up to Rs 5,000 (under Section 87A) earlier available to individuals with net income up to Rs 5 lakh, has been reduced to Rs 2500. The criterion for availing this benefit too, has been changed and is now applicable to individuals with net income up to Rs 3.5 lakh. In addition to these, income tax filing is to be made easier with the introduction of a simple one-page form to be filed as Income Tax Return, for individuals having taxable income up to Rs 5 lakh other than business income. The simpler filing procedures, along with the reduction in tax rate for those in the lowest tax bracket, are expected to induce more people to come within the tax net.

At the higher end of the personal income tax slab, a welcome move has been that of levying a surcharge of 10 per cent of tax payable on those with annual taxable income between Rs 50 lakh and Rs 1 crore. The existing surcharge of 15 per cent of tax payable for individuals with annual taxable income more than Rs 1 crore, is set to continue.

In addition to these changes in personal income tax, some changes have been made in other direct taxes as well. For instance, the corporate income tax rate for Micro, Small and Medium Enterprises (MSMEs) with annual turnover up to Rs 50 crore, has been reduced by five percentage points from 30 per cent to 25 per cent, in order to improve viability of small companies. Further, changes have been made in the provisions for Long Term Capital Gains (LTCG) with respect to land and building. In this regard, in order to qualify for the concessional LTCG tax, the holding period for immovable property has been reduced to 2 years from 3 years. Additionally, the base year for indexation is also set to shift from April 1, 1981 to April 1,

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2001 for all classes of assets including immovable property.

Some changes have also been brought about with regard to indirect taxes such as customs duty, excise duty, etc. These changes are aimed at incentivising domestic value addition, providing adequate protection to domestic industry, promoting cashless transactions and "domestic manufacturing of devices used therefor".

Possible Implications for Tax Payers:

The lowering of personal income tax rate for the lowest tax slab, even while maintaining the rates for other tax brackets, is expected to result in reduced tax liability for all tax payers with annual taxable income less than Rs 50 lakh. As the Table below shows, the (annual) gain for tax payees with taxable income up to Rs 3.5 Lakh will be Rs 2,575, with the gain increasing to Rs 12,875 as one goes up the income ladder. Perhaps the most important impact of the changes in personal income tax rates, relates to the expected impact on individuals with taxable income more than Rs 50 Lakh. The introduction of the 10 per cent surcharge is predicted to increase the net tax burden for this category of individuals (Table 1). This arises from the fact that the 10 per cent surcharge will more than offset the gain arising out of the rate cut in the lowest tax bracket. In other words, what this means is that the tax burden of the super-rich will go up.

The changes made in the provisions of LTCG tax mentioned above, is also likely to benefit property holders. The reduction in the holding period for immovable property to qualify to be a long-term asset will mean that property holders can sell their property after two years (instead of waiting for 3 years) and get the benefit of lower LTCG tax (compared to the higher short term capital gains tax rate). Second, the shifting of the base year will reduce capital gain tax liability for those selling their property acquired many years ago, as the price appreciation between the date of acquisition and April, 2001 will now be totally tax free.

Finally, the tax concession provided to small companies, for increasing their viability is a positive move. However, it also needs to be noted that since this is applicable for only those MSMEs which register profits, a large percentage of such companies may not benefit much from this move as many earn just enough to cover their costs.

Revenue Projections and Tax - GDP Ratio:

The reduction in some of the tax rates and the ensuing loss in revenue not with standing, Budget 2017-18 projects a significant increase in revenue with tax revenues (i.e. gross central taxes) increasing by more than Rs. 2,00,000 crore in 2017-18 Budget Estimate (BE) when compared to 2016-17 Revised Estimate (RE). Further, a large part of the projected increase in tax revenues is to come from direct taxes, with personal income tax accounting for the bulk of the increase in central gross tax revenue (Table 2).

Table 1: An Illustration of Impact of Changes in Personal Income Tax in the Budget 2017-18

Annual Taxable Income	Existing Tax	New Tax	Gain/Loss
Rs. 2.5 Lakh	-	-	-
Rs. 3.5 Lakh	5,150	2,575*	(+) 2575
Rs. 5 Lakh	20,600	12,875*	(+) 7725
Rs. 10 Lakh	1,28,750	1,15,875	(+) 12875
Rs. 50 Lakh	13,64,750	13,51,875	(+) 12875
Rs. 60 Lakh	16,73,750	18,26,963	(-) 1,53,213
Rs. 75 Lakh	21,37,250	23,36,812.5	(-) 1,99,562.5

*Note: * Includes changes made under Section 87A mentioned above.*

Table 2: Increase in Projected Tax Receipts in 2017-18 (BE) over 2016-17 (RE) (Rs. crore)

Tax Components	Increase
Gross Tax Revenue	2,08,336.5
Corporation Tax	44,821.2
Taxes on Income	88,081.6
Customs	28,000.0
Union Excise Duties	19,531.4
Service Tax	27,500.0
Taxes on Union Territories	402.3

(*Source:* Union Budget 2017-18.)

As a result of these projections, not only is the Gross Central Tax-to-GDP ratio estimated to cross the 11 per cent mark, even the direct tax-to-GDP ratio (within central taxes) is set to be one of the highest in many years. Despite such optimistic projections, concerns regarding lack of progressivity in India's tax system remain. As is known, India's tax structure is regressive with nearly two-third of total tax collected (taking into account tax collections of both the Centre and the States) being accounted for by indirect taxes. Since the Central Government collects most of the direct taxes, in general the tax structure of the Central Government tends to be more progressive. However, as the table-3 reveals, even in the case of tax collected by the Central Government, the gap between direct tax-to-GDP ratio and indirect tax-to-GDP ratio has been reducing in the last couple of years. That is, progressivity of taxes even when only Central Government tax receipts are considered has been on the decline. What is significant, is that, even the much higher projection for direct tax collections in 2017-18, is not likely to alter this scenario much. Thus, even when the projected direct tax-to-GDP ratio (within central taxes) is set to be one of the highest in many years (Table 3), it cannot be expected to improve progressivity in central Government tax structure much. If, on the other hand, the projections for direct tax do not actually materialise, then the situation is likely to be even worse.

In fact, there are a number of reasons to believe that the revenue projections may be unduly optimistic. As past experience shows, there is usually a shortfall in the revised estimates of tax collections compared to the budget estimates (Table 4). However, unlike previous years, in 2016-17 the revised estimated are equal to the budget estimates. It is not clear how the budget estimate and the revised estimate figures are exactly equal given that the government had less information for the current year (because of the presentation of the Union Budget being advanced by a month) for arriving at such estimates. A part of the quantum jump in direct tax collections can perhaps be explained by the use of demonetised notes to pay advance taxes. However, if this is indeed so, then it cannot be taken as a basis for projecting tax collections for the entire year.

Table3: Gross Central Tax- GDP Ratio (per cent)

Year	Gross Tax-GDP Ratio	Direct Tax-GDP Ratio	Indirect Tax-GDP Ratio
2012-13 (A)	10.4	5.6	4.8
2013-14 (A)	10.1	5.7	4.4
2014-15 (A)	10.0	5.6	4.4
2015-16 (A)	10.6	5.4	5.2
2016-17 (BE)	10.8	5.6	5.2
2016-17 (RE)	11.3	5.6	5.7
2017-18 (BE)	11.3	5.8	5.5

Notes:

(i) A refers to Actual; BE refers to Budget Estimate; and RE stands for Revised Estimates;

(ii) Direct taxes such as estate duty, gift tax have not been taken into account as they form negligible proportion of direct taxes;

(iii) Taxes on Union Territories also have not been taken into account in the calculation.

(*Source:* Compiled from Union Budget documents, various years.)

Table 4: Comparison of Budget Estimates and Revised Estimates of Select Direct Tax Receipts (Rs. crore)

Year	Corporation Tax	Taxes on Income
2013-14 (BE)	4,19,520	2,40,919
2013-14 (RE)	3,93,677	2,36,194
2014-15 (BE)	**4,51,005**	**2,78,275**
2014-15 (RE)	**4,26,079**	**2,72,607**
2015-2016 (BE)	4,70,628	3,27,367
2015-2016 (RE)	4,52,970	2,99,051
2016-2017 (BE)	**4,93,923.5**	**3,53,173.7**
2016-2017 (RE)	**4,93,923.5**	**3,53,173.7**
2017-2018 (BE)	5,38,744.73	4,41,255.3

(*Source:* Compiled from Union Budget documents, various years.)

Likewise, even the revenue projections for the year 2017-18 seem very optimistic, particularly in the case of direct taxes. For instance, the impact of demonetisation in terms of slowing down of GDP growth (and hence tax collections) is still not clear. Given that these effects are yet to be captured, the revenue projections for the year 2017-18, especially with respect to personal income tax, are likely to be on the higher side.

The projections for indirect tax collections, however, are less ambitious particularly in the case of union excise duty, as collections expected from this source are much lower than GDP growth rate. This may be on account of the fact that in the previous year a large part of excise duty collections were due to windfall provided by higher global oil prices. The slowing down of the economy in the post-demonetisation period is likely to dampen tax collections from this source.

While the discussion above refers to projected tax revenue, even the projections for miscellaneous capital receipts, comprising disinvestment receipts, strategic disinvestment and others (listing of insurance companies), seem to be on the higher side. This is owing to the fact that only a small part of the strategic disinvestment projected in 2016-17 (BE) actually fructified in 2016-17 (RE) (Table 5).

Tax Administration:

Given these challenges, it is not clear how far the projected revenue

Table5: Union Government's Miscellaneous Capital Receipts (Rs. crore)

	2015-16 (A)	2016-17 (BE)	2016-17 (RE)	2017-18 (BE)
Disinvestment Receipts	42,131.7	36,000	40,000	46,500
Strategic Disinvestment	...	20,500	5,500	15,000
Others (Listing of Insurance Companies)	...	...	...	11,000
Total	42,131.7	56,500	45,500	72,500

(*Source:* Compiled from Union Budget documents, various years.)

increases can be taken at face value. However, it may well be argued that a part of the increase in revenue projected 2017-18 (BE) can be explained by the improved tax compliance following demonetisation. In this context it needs to be mentionedthat human resource for tax administration plays an important role in improving tax compliance. The shortage of human resources[1]in the Income Tax Department, with the overall vacancy being as high as 30 per cent of the sanctioned strength[2], may also derail tax compliance and hence tax collections. Thus, unless the government takes measures to address these challenges, the voluminous growth expected in overall receipts and direct tax collections in particular, may not bear fruit.

Endnotes

1 This is true for officials at various levels such as additional tax commissioner, deputy tax commissioner and income tax officials.

2 Cited in Sruthisagar, Yamunan, 2017, 'Demonetisation adds to Income Tax Department's Workload, even as it struggles with a Staff Crunch', January 3, available at: https://scroll.in/article/821881/demonetisation-adds-to-income-tax-departments-workload-even-as-it-struggles-with-a-staff-crunch. ❑

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Rail Budget in New Avatar

Arunendra Kumar

In the post-independence era, Railways was carrying 75 per cent of public transport and 90 per cent of freight. Hence, the need for continuing with a separate budget looked justified. Today in contrast, this share has been reduced to 15 per cent and 30 per cent respectively. The present Government recognised this change and hence a conscious decision was taken to look at the issue as a whole. With this background, we see the Rail Budget being absorbed in General Budget under Infrastructure category. The budget has ensured that the financial autonomy of Indian Railways is not hampered with, and the freedom enjoyed so far is retained

This year, 93 years old practice of presenting a separate Rail Budget was not followed. The Rail Budget was merged with the General Budget. Before we proceed further, it would be worth understanding the chemistry of separation and merger of Rail Budget vis-à-vis General Budget.

In 1920, an East Indian Railway Committee was constituted under the Chairmanship of Sir William Acworth. Based upon the recommendations of Acworth Committee, the finances of Railways were separated in 1924 by a "Separation Convention". To quote verbatim "its reconstruction was done in a form which frees a great commercial business from the trammels of a system which assumes that the concern goes out of business on every 31st of March and recommences de novo on the 1st of April. The general revenues were to receive a definite annual contribution from the Rail which would be the first charge on the new receipts of the Railways". In the post-Independence era, Railways was carrying 75 per cent of public transport and 90 per cent of freight. Hence, the need for continuing with a separate budget looked justified. Today in contrast, this share has been reduced to 15 per cent and 30 per cent respectively. The present Government recognised this change and hence a conscious decision was taken to look at the issue as a whole. With this background, we see the Rail Budget being absorbed in General Budget under Infrastructure category. The budget has ensured that the financial autonomy of Indian Railways is not hampered with, and the freedom enjoyed so far is retained.

The effect of synergy in transport integration is clearly visible in the budget. Railways are required to implement end-to-end integrated transport solutions for selected commodities with logistic players who would provide both front and back end connectivity. This will be a win-win scenario for the customer and the transporter. This will reduce wagon detention at the goods sheds considerably while enhancing customer delight.

The present budget mandates Railways to focus on 4 major areas like –

i) Passenger Safety.

ii) Capital and development works.

iii) Cleanliness and.

iv) Finance and Accounting Reforms.

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Passenger Safety:

It has been felt for the last few years that a separate investment window is required for upgrading safety. This was so because internal generation of financial resources was not able to meet the requirements of safety funding. The past effort of similar type was made under the leadership of, the then, Prime Minister Shri Atal Bihari Vajpayee when Special Railway Safety Fund was created on 1st April, 2001. It was targeted to wipe out accumulated areas of over aged assets, especially in safety related area i.e. tracks, bridges, signaling gear and Rolling Stock. It was a non lapsable and non interest bearing fund of Rs 17,000 crores. The identified works were listed in a book called 'Green Book'. The present budget recognised the compelling need for addressing the safety concerns afresh and announced the setting up of *Rastriya Rail Sanraksha Kosh* (RRSK) with a corpus of Rs 1 lakh crore over a period of 5 years. The Government will provide the seed capital and the Railways will arrange the balance resources from their own revenues and other sources. Government will lay down clear-cut guidelines and timeline for implementing various safety works to be funded from this *Kosh* (fund). Expert international assistance will be harnessed to meet the safety preparedness and maintenance practices. This is a bold move and an idea whose time has come. This could mean complete replacement of Integral Coach Factory (ICF) design coaches by modern Linke-Hofmann-Busch (LHB) design coaches, induction of automated technology for detecting rail cracks in advance, replacement of over stressed bridges, bringing in safer signaling systems and replacing over aged Route Relay Interlocking systems. There has been considerable reduction in the number of accidents at unmanned level crossing in last few years. This Budget has outlined complete elimination of unmanned level crossing by 2020. It may also see substantial increase in replacement of manned level crossing by road over-bridges and road under-bridges. The safety initiative is also likely to witness measures for improving fire retardancy in materials used for coach interiors like foam.

The funding of *Rastriya Rail Sanraksha Kosh* (RRSK) has been done both from revenue and capital expenditure. An amount of Rs 1,000 crores has been allocated from revenue whereas Rs 19,000 crores has been assigned under capital. The projects for this *Kosh* fund shall be specifically listed.

Capital and Development Works:

The plan outlay in the current budget has been enhanced considerably from Rs 121,000 crores to Rs 131,000 crores. At the same time, the gross budgetary support has been increased from Rs 46,355 crores to Rs 55,000 crores. There is a strong emphasis on raising extra budgetary resources as well. However, the internal resource generation has been kept at realistic level of Rs 14,000 crores, slightly less than the last year figure of Rs 14,715 crores (RE). The details of plan outlay with GBS, EBR and Internal Resource Generation are given in Table-1.

It could be seen that the plan outlay has almost doubled from Rs 65,798 crores in 2014-15 to Rs 131,000 crores in 2017-18. This reflects a strong commitment by the present Government to invest heavily in the life line of the country – Indian Railways. The merger of the Rail Budget also extinguished the dividend liability of the Indian Railways, resulting in extra availability of Rs.10,000 crores approx. This shall be a recurring benefit, year after year.

The list of works is quite impressive and covers vital areas of Railway development. The Budget targeted commissioning of 3500 Km of railway line in 2017-18 as compared to 2800 Km in 2016-17. There is a major thrust on electrification. The target for 2017-18 has been doubled to 4000 route kilometers as compared to 2000 route kilometers in RE 2016-17. The strategy is also to increase "throughput' by 10 per cent in next 3 years. Throughput, in simple terms, means tonne kilometers and Passenger kilometers combined. Another area which will prove to be a game changer is "Station Redevelopment'. A beginning has already been made at Habibganj, near Bhopal and at Gandhinagar. Contracts for atleast 25 stations are expected to be awarded during 2017-18 for station redevelopment. 500 stations will be made "differently-abled friendly" by providing lifts and escalators. It is proposed to feed about 7000 stations with solar power in the medium term. A beginning has already been made in 300 stations. Works will be taken for 2000 Railway stations as part of 1000

Table-1 *Rupees (in crores)*

Year	Plan Outlay	GBS (Gross Budgetary Support)	EBR (Extra Budgetary Resources)	Internal Resource Generation
2011-12	45,061	21,073	14,790	9,198
2012-13	50,383	25,234	15,142	10,007
2013-14	53,984	28,174	15,225	10,590
2014-15	65,798	31,596	17,788	16,414
2015-16	93,520	35,007	39,006 *	19,446
2016-17	121,000	46,355	59,930	14,715
2017-18	131,000	55,000	62,000	14,000

*includes institutional finance of Rs 17,136 cr. This innovative method of funds generation was tried for the first time. Thereafter, it became a regular feature as can be seen from the figures of next two years.

MW solar mission. Steps will also be taken to launch dedicated trains for tourism and pilgrimage. There is evidence of ground level action in all the above areas as projects have started unfolding. A new strategy has been firmed up in signing joint venture with the State Governments. This shall facilitate innovative funding and speedy execution of the projects with support from the states. Railways shall be setting up joint ventures with 9 State Governments. 70 projects have been identified for construction and development.

Cleanliness:

Cleanliness has been strong focus area under the *Swachh Bharat Abhiyan* on Indian Railways. For Indian Railways, it means a renewed focus on the *Swachh Rail*. Cleanliness efforts are now visible on the railway platforms and in the trains while travelling. SMS based Clean My Coach Service has gained popularity. The budget now proposes to introduce *Coach Mitra* facility, a single window interface to register all coach related requirements. Toilet discharge from the train is a very common sight at Railway Stations. Not only it presents a pathetic sight, but it also causes corrosion to the rails. The budget proposes to fit all coaches with bio-toilets by 2019. This novel experiment, when completed, will change the way track aprons will look. To continue such efforts further, the Budget outlines that pilot plants for environment friendly disposal of toilet waste and conversion of biodegradable waste into energy are being set up at New Delhi and Jaipur Railway Stations. A clean station will have a spin off too, keeping cleaner surrounding, around stations.

Finance and Accounting Reforms:

Accrual based financial statement will be rolled out by March 2019. Under the accrual basis of accounting, revenues are reported on the income statement when they are earned. Under the cash basis of accounting, revenues are reported on the income statement when the cash is received. A key advantage of accrual basis is that it matches revenues with related expenses, so that the complete impact of a business transaction can be seen within a single reporting period. This accounting reform will enable Railways to calculate, more accurately, the value of each service they provide.

There has been no fare hike in this budget. Instead, to promote digital habit in passengers, service charge on e-tickets booked through IRCTC has been withdrawn. This is a welcome move. The shares of three Railway PSU's – IRFC, IRCON & IRCTC are proposed to be listed in the Stock Exchange.

Receipts and Expenditure:

Having discussed the focus areas for the Rail Budget, let us look at the Receipts and Expenditure for 2017-18, which is given in Table-2 on next page.

Toilet discharge from the train is a very common sight at Railway Stations. Not only it presents a pathetic sight, but it also causes corrosion to the rails. The budget proposes to fit all coaches with bio-toilets by 2019. This novel experiment, when completed, will change the way track aprons will look.

The gross traffic receipts in BE 2017-18 at Rs188,988 crores are more by Rs 16,843 crores as compared to RE 2016-17 of Rs 172,155 crores and by Rs 4,178 crores when compared to BE 2016-17. The passenger earnings are more by Rs 2,125 crores as compared with RE 2016-17, but are less by Rs 887 crores as compared with BE 2016-17. Similarly, the freight earnings in BE 2017-18 are more by Rs 9,256 crores as compared with RE 2016-17 and Rs 224 crores more as compared with BE 2016-17. There is significant increase in sundry earnings which is Rs 14,122 crores, higher by as much as Rs 4,032 crores, as compared to RE 2016-17. What emerges from the above figures is that the earnings have been kept at a realistic level and are not too ambitious. The total receipts (including capital and revenue) are Rs 306,498 crores which is Rs 27,908 crores more than RE 2016-17 and Rs 12,903 crores more than BE 2016-17.

The revenue expenditure has also been realistically assessed and has been increased by Rs 15,390 crores to Rs 178,350 crores in BE 2017-18 when compared with RE 2016-17. Railways has done well in containing the ordinary working expenses (OWE) at Rs 122,760 crores in RE 2016-17 i.e. less by Rs 800 crores compared to BE 2016-17. The target of OWE for BE 2017-18 is Rs 129,750 crores. The Net revenue has been targeted at Rs 8,948 crores in BE 2017-18 which is Rs 1,253 crores more when compared with RE 2016-17. However, it is much less than the actuals of 2015-16 when the net revenue was Rs 19,228 crores. The operating ratio has been targeted at 94.6 per cent which is slightly less than the operating ratio of 94.9 per cent of RE 2016-17. This is a challenging task as the operating ratio at the end of December 2016 was 109.6 per cent. The budget recognises this situation. It outlines that the tariff of the Railways would be fixed taking into consideration costs, quality of service, social obligation and competition from other form of transport.

The capital expenditure in the selected important areas of Railways development work are given in Table-3.

As can be seen that there is slight decline in allocation for construction of new lines to Rs 11,533 crores. The gauge conversion also gets reduced allocation of Rs 3,091 crores as not much is left for completion of gauge conversion. The categories of doubling

Table-2: Overview of Receipts and Expenditure

Rupees (in crores)

S.No.	Items	Actuals 2015-16	Budget 2016-17	Revised 2016-17	Budget 2017-18
	Receipts				
1	Gross traffic receipts (1a to 1e)	164,334	184,820	172,155	188,998
(a)	Receipts from Passengers	44,283	51,012	48,000	50,125
(b)	Receipts from Freight	109,208	117,933	108,900	118,157
(c)	Other coaching receipts	4,371	6,185	5,000	6,494
(d)	Sundry other earnings	5,929	9,590	10,100	14,123
(e)	Traffic Suspense	543	100	155	100
2	Miscellaneous receipts	4,046	4,451	150	500
3	Total Revenue receipts (1+2)	168,380	189,271	172,305	189,498
4	Capital Support from General Revenues	37,608	45,000	46,355	55,000
5	Total Railway Receipts +Budgetary Support (3+4)	205,988	234,271	218,660	244,498
6	Extra Budgetary Resources (EBR)	39,066	59,325	59,930	62,000
7	Total Receipts including EBR (5+6)	245,054	293,596	278,590	306,498
	Expenditure				
8	Total Working Expenses (8(a) to 8(c)	147,836	169,260	162,960	178,350
(a)	Ordinary Working Expenses	107,736	123,560	122,760	129,750
(b)	Appropriation to Pension Fund	34,500	42,500	35,000	43,600
(c)	Appropriation to Depreciation Reserve Fund	5,600	3,200	5,200	5,000
9	Miscellaneous Expenditure	1,315	1,800	1,650	2,200
10	Total Expenditure from Railway Revenues (8+9)	149,151	171,060	164,610	180,550
11	Expenditure from EBR & Budgetary Support (4+6)	76,671	104,325	106,285	117,000
12	Total expenditure including EBR (10+11)	225,826	275,385	270,895	297,550
13	Net Revenue (3–10)	19,228	18,211	7,695	8,948
14	Dividend payable	8,723	9,731	...	...
15	Excess/Shortfall (13–14)	10,506	8,479	7,695	8,948
16	Appropriation to the Development Fund	1,220	2,515	2,515	2,000
17	Appropriation to Capital Fund	5,798	5,750	5,180	5,948
18	Appropriation to Debt Service Fund	3,488	214	...	...
19	Appropriation to Rashtriya Rail Sanraksha Kosh (RRSK)	...	...	...	1000
20	Operating Ratio	90.5 per cent	92.0 per cent	94.9 per cent	94.6 per cent

(Note: Decimals rounded off to the next digit in the above figures.

of lines and the traffic facilities, which provide mobility, have got higher allocation. The doubling of lines allocation is Rs 2,543 cores, an increase from Rs 1,423 crores from RE 2016-17. Likewise, the allocation for traffic facilities has been increased to Rs 1,851 crores, a substantial increase from Rs 1,036 crores from RE 2016-17. There is a sizeable increase also for Road safety works, especially road over/under bridges. The allotment has been enhanced to Rs 4,512 crores, a significant increase from Rs 3,066 crores. There is a major enhancement in the category of track renewals. The Budget allocation for 2016-17 was Rs 4,000 crores which was enhanced

Table-3: Capital Expenditure in important areas

Rupees. (in crores)

Items	Actuals 2015-16	Budget 2016-17	Revised 2016-17	Budget 2017-18
Capital Expenditure (Budgetary sources)				
New Lines (construction)	13,248	11,963	13,660	11,533
Gauge conversion	3,407	3,276	3,721	3,091
Doubling of lines	2,950	4,782	1,423	2,543
Traffic facilities - yard remodeling & others	984	1,126	1,036	1,851
Rolling stock	4,240	5,448	6,150	2,006
Leased Assets-Payment of Capital Component	6,325	7,000	7,000	8,000
Road Safety works :				
a) Level crossing	470	555	679	705
b) Road over/under bridges	2,133	2,443	3,066	4,512
Track renewals	5,586	4,000	6,740	9,961
Bridge works	520	589	592	746
Signalling and telecom works	894	958	954	2,331

(Note: Decimals rounded off to the next digit in the above figures.)

Table-4: Expenditure on Safety Related Activities

Rupees (in crores)

Item	Budget	Revised	Budget
	2016-17	2016-17	2017-18
Revenue Expenditure			
Tracks maintenance	13,712	13,539	13,759
Locomotives	6,318	6,108	6,204
Carriages & wagons	14,312	14,351	14,734
Plant & Equipment	8,112	7,832	7,947
Traffic	35	35	35
Total Revenue (Safety)	**42,489**	**41,865**	**42,679**

Table-5: Targets in Mobility

Item	2015-16	2016-17		2017-18
	Actual	BE	RE	Budget
Passenger Km (million)	1,143,039	1,137,298	1,157,637	1,159,900
Net tonne Km (million)	654,481	694,607	621,247	675,622

to Rs 6740 crores in RE 2016-17 and has now been kept as high as Rs 9,961 crores in BE 2017-18. This indicates that sincere efforts will be visible in replacing over aged tracks. Likewise, allocation for bridge activities has gone up from Rs 592 crores in RE 2016-17 to Rs 746 crores to for BE 2017-18. Signalling and telecom has also witnessed a sharp increase – almost 145 per cent which has increased from 954 crores in RE 2016-17 to Rs 2,331 crores in BE 2017-18.

Other than *Rashtriya Rail Sanraksha Kosh* (RRSK), the traditional efforts of improving safety shall continue to be implemented. Expenditure for safety related categories will happen under various categories like tracks, locomotives, coaches, bridges and signaling. Total allocation under Revenue on safety related activities (as different from expenditure under RRSK) has been kept at Rs 42,679 crores, an increase of Rs 814 crores from RE 2016-17. The details are given in Table-4.

Mobility Overview

Improvement of mobility in Railway systems is indicated by net tonne kilometer and passenger kilometer, both these indices have been targeted for increase as in Table-5.

Financial resources have adequately backed the four focus areas of the Budget. There is adequate provision for the newly formed *Rastriya Rail Sanraksha Kosh*. Moreover, targets of earnings and expenditure and the physical targets of various plans have been kept at a realistic level. The Rail Budget in the *New Avatar* is poised to take a big lead in improving services of Indian Railways - the growth engine of the country.

References:

1. Budget document 2017-18
2. Statistical directorate summaries of Ministry of Railways. ❑

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Assessing the Changes in Structure and Processes

Happy Pant

Accessing disaggregated information about government expenditure in social sector programmes continues to be a challenge at the district level. Publishing such information in a timely and accessible manner and making it available in public domain can strengthen public monitoring of fund utilisation in development schemes and lead to improved results from public spending. These other important objectives too need to be integrated into the budgeting process

The string of Government decisions taken over the last two years were indicative of some major changes in budgetary processes coming off as the 12th Five Year Plan drew to a close. Correspondingly, the fourth budget of the present Government, presented on 1st February, has made way for putting into effect some of such shifts. The Union Budget for 2017-18 has shown continuity in terms of the overall policy trajectory being followed which is of fiscal consolidation. On the budget processes front, however, it came with a number of changes. It has merged the Rail Budget with the General Budget, discontinued the Plan and Non-Plan classification in Union Government's Expenditure Budget, and advanced the date of the Budget presentation by a month.

Merging Rail Budget with General Budget:

A big change introduced in this budget is the Rail Budget being presented as part of the General Budget. The decision, based on the advice of the NITI Aayog, put an end to the 92-year-old tradition of a separate Rail budget. During the British rule, in the early 1920s, railway finances were separated from the general finances. It has been argued that this merger of budgets would allow the Railways to boost economic growth.

Some have voiced concern that the merger is a mere cosmetic change; it was more important to implement the decade old recommendations of the Rakesh Mohan Committee for restructuring the Railways. The Committee had observed that Indian Railways (IR) was "going through a vicious circle of under investment, misallocation of scarce resources, increasing indebtedness, poor customer service and rapidly deteriorating economics"[1]. The core question that has haunted IR is whether it is a commercial organisation, or does it perform a social objective? The Committee had opined that reform and modernisation of India's Rail System was needed urgently; spinning off non-core activities, restructuring what remains along business lines and commercial accounting performance management systems should be adopted. There are figures on social costs borne by IR, and several Committees have recommended that the costs for these should directly be borne by the Union Government or the State Governments.

Ending Plan and Non-Plan Expenditure Classification:

The practice of classifying Expenditure Budget as Plan and Non-

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Plan was introduced in the First Five Year Plan in 1951, with the Planning Commission deciding the estimates of Plan allocation. Plan expenditure referred to the spending on programmes and schemes of the Government detailed under the prevailing Five Year Plan. It included all kinds of expenditure on programmes and schemes, whether on Recurring (or Revenue) or Capital Expenditure heads. For example, expenditure on teachers' salary under *Sarva Siksha Abhiyan*, constituted Plan Revenue Expenditure, and that on construction of school buildings was Plan Capital Expenditure. Non-Plan expenditure referred to the expenditure on all those functions or services by the government, which fell outside the purview of the Planning Commission / Five Year Planning. For instance, Government's expenditure on interest payments, subsidies, salary and pension payments (for regular cadre staff across sectors), police, defence, and expenditure on maintenance of assets or infrastructure across sectors constituted the Non-Plan budget. We must note here that Non-Plan expenditure was not meant only for purposes like defence, police or interest payments etc; in important development sectors like education and health, the salaries of all regular cadre government staff and resources for maintenance of infrastructure and assets came from the Non-Plan budgets for those sectors.

We could use a few examples to understand the classification of Plan expenditure and Non-Plan expenditure that was followed until now. Funds to the Rural Development Ministry for building roads under the *Pradhan Mantri Gram Sadak Yojana* were reported as Plan Expenditure, but their maintenance belonged to Non-Plan budget. Allocations for regular cadre teachers in *Kendriya Vidyalayas, Navodaya Vidyalas*, other government schools; funds for regular cadre doctors in health centres and medical colleges of the Government came from Non-Plan Budget, while salary for the contractual teachers under *Sarva Siksha Abhiyan* (SSA) and contractual doctors under National Health Mission (NHM) came from Plan budget. With the unveiling of this Union Budget, all these expenditure will be reported together.

The bifurcation of expenditure budget as Plan and Non-Plan had given rise to a misleading notion that Plan expenditure was developmental and Non-Plan was non-developmental. This had led to an excessive focus on Plan expenditure, with a corresponding neglect of items such as maintenance that was classified as Non-Plan; and neglect of Non-Plan spending requirements caused an acute shortage of regular cadre staff across sectors in most states. The bifurcation had also resulted in fragmentation of resources available for budgeting and made it

It is hoped that by clubbing Plan and Non-Plan expenditure, resource allocation would be easier; this will also help link outlays to outcomes in a better way. The Working Group constituted to examine the merger of Plan and Non-Plan spending had noted that doing away with the distinction between Plan and Non-Plan classification in Government's Expenditure Budget 'is meant to facilitate optimal allocation of resources with a holistic view of budget outlays for sectors and Ministries'.

difficult to ascertain the overall cost of delivering a service. Beginning from the Union Budget for 2017-18, the budget documents are reporting entire expenditure together. It is hoped that by clubbing Plan and Non-Plan expenditure, resource allocation would be easier; this will also help link outlays to outcomes in a better way. The Working Group constituted to examine the merger of Plan and Non-Plan spending had noted that doing away with the distinction between Plan and Non-Plan classification in Government's Expenditure Budget 'is meant to facilitate optimal allocation of resources with a holistic view of budget outlays for sectors and Ministries'.

Until now, allocations for *Dalits* were reported in the Budget following the Scheduled Caste Sub-Plan (SCSP) strategy which earmarked 16.6 per cent of the Plan outlays for *Dalits*. This year's Budget presents 'Allocations for Welfare of Scheduled Castes' under Statement 10A, but it is unclear what parameters have been used by Ministries and Departments for reporting these allocations. It is important that new norms should be developed for reporting under SCSP by the Ministries and Departments.

There are quite a few states that would follow the new budgeting practice in line with the Centre and scrap this distinction. It is necessary for the Union Government to ensure that those states that decide to continue with these segments in their next budgets do not face difficulties.

While the Plan and Non-Plan distinction has been dropped, an excessive focus on 'Capital' and 'Revenue' classification of expenditure could be problematic for important social sectors like education and health, where large proportions of government spending are reported as Revenue expenditure.

In the new planning framework, the role and importance of planning, especially at the sub-national level should not be undermined. It is recognised that decentralised planning is the most important strategy for bridging the developmental gaps by keeping in mind the needs of the people. The District Planning Committee (DPC) though a constitutional institution has remained neglected. While the Five-year plan approach comes to an end, the DPCs should be strengthened to support bottom-up planning at the district and State level.

An important intent of the erstwhile five-year plan process was to correct regional imbalances by sanctioning packages. The focus should not be lost, the Union Ministries should continue to make interventions for reducing regional disparity by identifying backward regions and channelising additional public resources towards those.

Advancing of Budget Presentation by a Month:

The Union Budget was presented this time on February 1, a month in advance. Until last year, as a convention, the Budget used to be laid in Lok Sabha on the last working day of February every year. Until 2000, we had followed the British era practice of presenting the Union Budget at 5 pm; it was changed subsequently to 11 am.

The effect of tabling of Union Budget one month in advance would be that the process of getting all legislative approval for the same can get completed before the beginning of the new fiscal, thereby helping various Ministries to ensure that funds in central programmes and schemes start getting released to the States in the first quarter itself. Earlier, the budget session began in the last week of the February and ran till mid-May with a recess in between. The Appropriation Bill was cleared only in the second half of the budget session, forcing the government to seek Parliament's approval through a Vote on Account in March to withdraw money from the Consolidated Fund of India to meet regular expenditure for two to three months. By advancing the presentation of Union Budget for 2017-18 by a month, the attempt is to push all spending Ministries towards releasing funds to States and other implementing authorities right from the beginning of the new financial year.

But there are some inherent challenges here. One of the disadvantages of moving the Budget preparation to 1st February is lack of availability of comprehensive revenue and expenditure data. Until last year, by the time budget formulation process reached its final stages in mid-February, data on revenue collections and expenditure trends were available for the first nine months of the financial year. The data on GDP and sectoral-growth in the economy, used for this year's budget formulation is likely to be based only on the first two quarters of the financial year 2016-17. Besides, advancing of the date would be fraught with other difficulties too. Whether the Houses of the Parliament and the Standing Committees will get adequate time to deliberate on the budget is another question.

Consolidated Outcome Budget:

The budget speech announced presenting of a consolidated Outcome Budget covering all Ministries and Departments for the first time. It is aimed at strengthening the focus on results from public expenditure especially in the development programmes and schemes. Creation of this document will provide crucial information regarding the use of public money in achieving desired results under the government programmes.

Other steps to Strengthen Budgeting:

These changes in some of the budgetary processes focus on improving public expenditure management, and so are steps in the right direction. But these steps alone won't be enough to improve the results from the government's spending in social sector. Strengthening of District Planning Committees that are constitutionally mandated to prepare development plans will be crucial. Accessing disaggregated information about government expenditure in social sector programmes continues to be a challenge at the district level. Publishing such information in a timely and accessible manner and making it available in public domain can strengthen public monitoring of fund utilisation in development schemes and lead to improved results from public spending. These other important objectives too need to be integrated into the budgeting process. ❑

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Budget Enhancement for Sports

- Budget for sports has been enhanced by 40 per cent since last year. This is because of the initiative and interest of the Prime Minister that he is taking in sports.
- Funds for promotion of sports among differently-abled will be done now from the funds allotted from *Khelo India* Programme and hence only a token amount has been provided.
- Contributions have been asked from the Public Sector Undertakings for the National Sports Development Fund so as to enhance the sports activities and promotion of players.
- A talent search portal is being launched for identification and nurturing of sporting talent in the country. To start with, a sum of Rs. 50 lakh has been kept for this purpose. Funds have been separately designated for nurturing and developing sports talent.
- National-level competitions have been organized under the *Khelo India* Programme so as to initiate a sporting culture in the country. Also, rural games are being planned to be held in the near future.

SWOT Analysis of the Indian Economy

Ravindra H Dholakia

..the puzzle posed by the Survey about consumption and income outcomes diverging across states in the face of rapid internal integration of goods, labour and capital is essentially not a puzzle. It arises out of superfluous analysis of the empirical evidence. Notwithstanding such minor limitations, the Survey has done a commendable job

The Economic Survey 2016-17 tabled in the Parliament on 31st January 2017 presents an assessment of the performance of the Indian Economy over time with a focus on recent developments. It analyses problems, challenges, possible solutions and prospects with arguments supported by extensive research and empirical evidence. It is a massive exercise with contributions from a large number of government officers, researchers and scholars. This year the Survey is presented in one volume only unlike the last couple of years, because the other volume containing the detailed assessment of the performance of the economy during the year 2016-17 is planned as a standalone volume to come later. The Survey, therefore, focuses on analyzing the basic Strengths, Weaknesses, Opportunities and Threats – popularly known as the SWOT analysis of the Indian economy with support derived from existing studies in the literature, commentaries in print and visual media and some fresh research undertaken specifically for the purpose in the government departments and research institutions. The present note briefly considers the salient points emerging about the Indian economy under separate heads of its Strengths, Weaknesses, Opportunities and Threats.

Strengths:

Under the gloomy global economic environment and wide spread slow-down, Indian economy still presents a bright spot with overall impressive performance. Although the Survey predicts the growth between and 6.5 per cent and 6.75 per cent during 2016-17, the Monetary Policy Committee (MPC) estimates it to be around 7 per cent making the country the fastest growing major economy in the world. Inflation rate is around 4 to 5 per cent and declining. Current Account Deficit (CAD) of the Balance of Payments is less than 1 per cent of Gross Domestic Product (GDP) with the dollar-rupee exchange rates reasonably stable. External debt is within safe limits and no slippage is expected from the fiscal discipline and consolidation path followed for the last couple of years both at the central and state governments with and without Ujwal DISCOM Assurance Yojana (UDAY).

FDI reform measures have ensured that India has been receiving one of the largest inflows of foreign direct investment (FDI). As the proportion of GDP it has grown from 1.7 per cent in 2015-16 to 3.2 per cent in

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the Second Quarter of 2016-17. The forex reserves have grown to $360 billion by December 2016 that more than meets the standard reserve adequacy norms.

- The large gap existing between the inflation rates measured through Wholesale Price Index (WPI) and Consumer Price Index (CPI) in 2015-16 has been bridged now and the relative prices in the economy have considerably stabilized. This has also resulted in restoring the growth in nominal GDP, which plays an important role in raising the government revenue growth.
- Successful demonetization of high value currencies is likely to yield long term benefits of reducing corruption, increasing household financial savings and widening the tax net.
- Goods and Service Tax bill has been passed by the Parliament and its implementation will result in a single nation-wide market; better tax compliance; higher investment and growth; and good governance practices.
- India's share in the world manufacturing exports is rising because the country has remained competitive despite high capital inflows and inflation.
- Internal mobility of goods given by the interstate trade in India is about 54 per cent of GDP or 1.7 times the international trade. Similarly, the extent of work related migration is also substantial.
- In terms of commitment to climate change, India has outperformed most other countries in imposing tax on petroleum and diesel.
- India has a distinctive advantage over other comparable countries in demography. The differing demographic profiles of several large states would ensure that the country would experience the peak over longer time compared to several other countries.
- A very extensive network and infrastructure is created in the country by JAM –Jan-dhan yojana, Adhaar cards and Mobile phones particularly to reach the target groups and remote areas directly and effectively.
- There is a convergence of health outcomes like life expectancy and fertility rates across states over time in the country.
- Considering all the strengths, the Indian economy has the potential to grow at 8 to 10 per cent in real terms over the medium to long run. This makes the real returns on investments in India most attractive among all comparable and competing countries at present.

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- An important strength of the economy missed by the Survey is that India has been a well acknowledged democracy at all levels with reasonably developed institutions and large public participation governance and decision making process. This plus point matters a lot for the international investors.

Weaknesses:

- A major weakness of the economy in the context of its potential is broad societal ideology, mindset and opinions about redistribution of income and wealth, capacity building for service delivery and market regulations, and curious confusion about property rights and role of private sector. Coupled with historically developed vested interests, it has created a less conducive socio-political environment for meeting the full economic potential of the economy.
- Even the Goods and Service Tax (GST) implementation to begin with is likely to suffer from sub-optimal design and too complicated a structure for efficiency gains.
- Ideological and philosophical confusion regarding the roles of the public and private sectors has led to unproductive delays and debates over allowing exits, divestments of government stake, avoiding intrusive policy interventions, protecting property rights, etc.
- Out of several essential public services, delivery of health and education does not provide any good replicable model across states. Efficient delivery of these services remains a major weakness.
- Private investment is low and exports are no longer growing at high rates. Both these are significant sources of growth, but have slackened substantially of late in India.
- The corporate sector and commercial banks are caught simultaneously with their respective stressed balance sheets. Firms are unable to spend on fresh investments because they have defaulted on their borrowings and the banks are unable to lend more because they have accumulated huge Non-Performing Assets (NPAs).
- Non-tax revenues of the Central government have not achieved the target because receipts from the spectrum, disinvestments and dividends to the government have fallen short of the expectation.

They are also not expected to grow in the near term.

- The fiscal deficits in the state government budgets have been rising of late. Implementation of the UDAY scheme is one important reason. Although there is a hope about improvement from the current year, the interest cost on state bonds has sharply increased in the January 2017 auction over October 2016.
- Heavy reliance on high growth rate of income to reduce the debt-GDP ratio rather than reducing primary deficit has not yielded the desired result both at the Central and the State levels.
- Distribution of public funds for various schemes in aggregate across districts has been so faulty that greater shortfall is found where the need measured by the number of the poor is higher.
- The ratio of working age population to non-working age population in India will reach its maximum value of around 1.7 by 2020. This is substantially less than corresponding maximum values in other BRICS countries, implying lower demographic dividend in India. However, India is likely to experience the value of the ratio near its peak over a much longer time.
- Investment and savings rates have been declining in the country over recent years.
- Income and consumption inequalities across states are increasing in India.

Opportunities:

- Reform the bankruptcy laws for exits of corporations to release locked up resources. The Government has already reformulated an Insolvency and Bankruptcy Code,2016 and now, its efficient implementation holds the key.
- Strengthen legal basis for Aadhar cards and allow inter-operability to encourage digitalization payments for efficient functioning of government schemes to achieve inclusion and equity. Aadhar has already got legal backing from the Parliament although it is yet to pass judicial scrutiny.
- Focus on Competitive and cooperative federalism presents a great potential to attract skills, investment and technology.
- Unfinished agenda on structural reforms can be completed with strong political commitment particularly after the demonetisation of high value currency notes since after a long time the Government has an absolute majority in the Parliament.
- Rising dollar on account of developments in the US economy could compel the Chinese economy to reduce its exports and rebalance in favour of domestic consumption. This would have positive spillover effects on India and the rest of the world. There could be intense competition among countries including India to occupy the space vacated by China.

> **..the demographic dividend would be enjoyed by the country over a much longer duration than most other countries. This also offers a natural opportunity to close the economic gap existing across the states over time. This aspect offers a specific perspective on the urgency to pursue relevant economic reforms to maximize such a gain.**

- Higher growth prospects in advance countries like US and Germany can lead to revival of exports from developing countries including India.
- In the context of promoting labour intensive exports, after Brexit, India has the opportunity of renegotiating free trade agreements with UK and Europe and gain substantially for export and employment growth.
- With the unfavourable stance of US on regional trade agreements, the relevance and effectiveness of the World Trade Organization (WTO) and multilateralism is likely to increase ultimately benefitting India.
- Among the large states in India, there are sharp differences in demography. The states can be divided broadly in two groups: Peninsular States such as West Bengal, Andhra Pradesh, Tamil Nadu, Kerala and Karnataka; and Hinterland States such as Madhya Pradesh, Rajasthan, Uttar Pradesh and Bihar. The Peninsular States have more elderly population compared to the Hinterland States which have more young population. The demographic differences indicate opportunities for greater labour mobility to achieve higher growth and welfare.
- The demographic dividend in the Peninsular States would reach the peak around 2020, but the Hinterland States would reach the peak only around 2040. Thus, the demographic dividend would be enjoyed by the country over a much longer duration than most other countries. This also offers a natural opportunity to close the economic gap existing across the states over time. This aspect offers a specific perspective on the urgency to pursue relevant economic reforms to maximize such a gain.
- There is an opportunity to create a Public Sector Asset Rehabilitation Agency to address the twin balance sheet problem by taking up large and difficult cases and taking tough decisions.

Threats:

- International rating agencies have not been consistent in upgrading their ratings of different countries when their macroeconomic performance over time is compared. India unfortunately, seems to be on the receiving side with almost unrevised ratings over the last seven years when its performance has significantly improved. It can discourage investments in the country.

- Competitive populism in the federal democracy can damage fiscal discipline and governance standards.
- Challenges arising out of pay revisions and UDAY bonds are significant concerns for states to maintain their fiscal discipline targets.
- International political order and environment are fast changing towards isolation and protectionism. Mood of anti-globalization regarding the goods, services and labour prevails in advanced economies. This could effectively close a potent option of achieving 15-20 per cent export growth for India to realise its overall growth potential of 8-10 per cent GDP growth over time.
- International oil prices are on the rise and so also the commodity prices. However, the Survey fails to recognize likely problems of slippages in oil production on one hand and threat of shale gas production in USA on the other hand, which can effectively constrain the oil price rise.
- As a consequence of developments in US economy, global interest rates and inflation rates in advanced countries are on the way to strengthen. This can have adverse impact on India's capital inflow and outflow and hence on its investment climate.
- If the rising dollar on account of developments in the US economy results in the dollar induced depreciation in Yuan, it may lead to substantial structural transformation and disruptions in China that can have adverse spillover effects on Indian trade and investment. The potential US-China trade war could destabilise the world economy.
- The world exports to-GDP ratio has been declining for the last 6 years. Under such a gloomy environment, raising the share of India's exports in the world exports is likely to be very challenging.

India's competitiveness in the world market is seriously threatened by emerging countries such as Vietnam, Bangladesh and Philippines. These emerging countries pose competition to India in a wide range of our export commodities and services.

In terms of the real effective exchange rate (REER), the Indian currency is appreciating against other currencies and hence Indian goods and services in the aggregate are losing their competitive advantage. The estimates of the extent of such appreciation varies from 19.4 per cent by the International Monetary Fund (IMF) to 12 per cent by the Reserve Bank of India (RBI) to about 8.3 per cent by the Survey for the period October 2016 over January 2014. The estimates of the extent differ because the underlying basket of currencies along with corresponding weights differs. However, irrespective of the magnitude of the estimates by three different agencies, the increasing trend of REER for Indian Rupee and hence decreasing trend for competitiveness of Indian products in the global market is clearly established.

India's demographic dividend is likely to recede soon because the peak is likely to be attained by 2020 and the peak is relatively lower than the one reached in China and Brazil.

The *Economic Survey 2016-17* has attempted a very exhaustive review of the Strengths, Weaknesses, Opportunities and threats for the Indian economy and has suggested some specific reforms and actions to tackle challenges and address weaknesses. There can be some differences of opinions on interpretations and conclusions based on the empirical evidence used in the Survey, or perceptions about strengths or opportunities. For instance, when the Survey argues that there is "high levels of internal work related migration in India", the empirical evidence shows only four states (Delhi, Maharashtra, Tamil Nadu and Goa) accounting for 75 per cent of the total in-migration and only four states (UP, Bihar, Jharkhand and MP) accounting for 66 per cent of the total outmigration. The rest of the states do not send or receive significant number of migrants. The labour mobility in these states is not high. Similar limitation applies to the analysis based on the mobility of goods and capital. Hence the puzzle posed by the Survey about consumption and income outcomes diverging across states in the face of rapid internal integration of goods, labour and capital is essentially not a puzzle. It arises out of superfluous analysis of the empirical evidence. Notwithstanding such minor limitations, the Survey has done a commendable job. ❑

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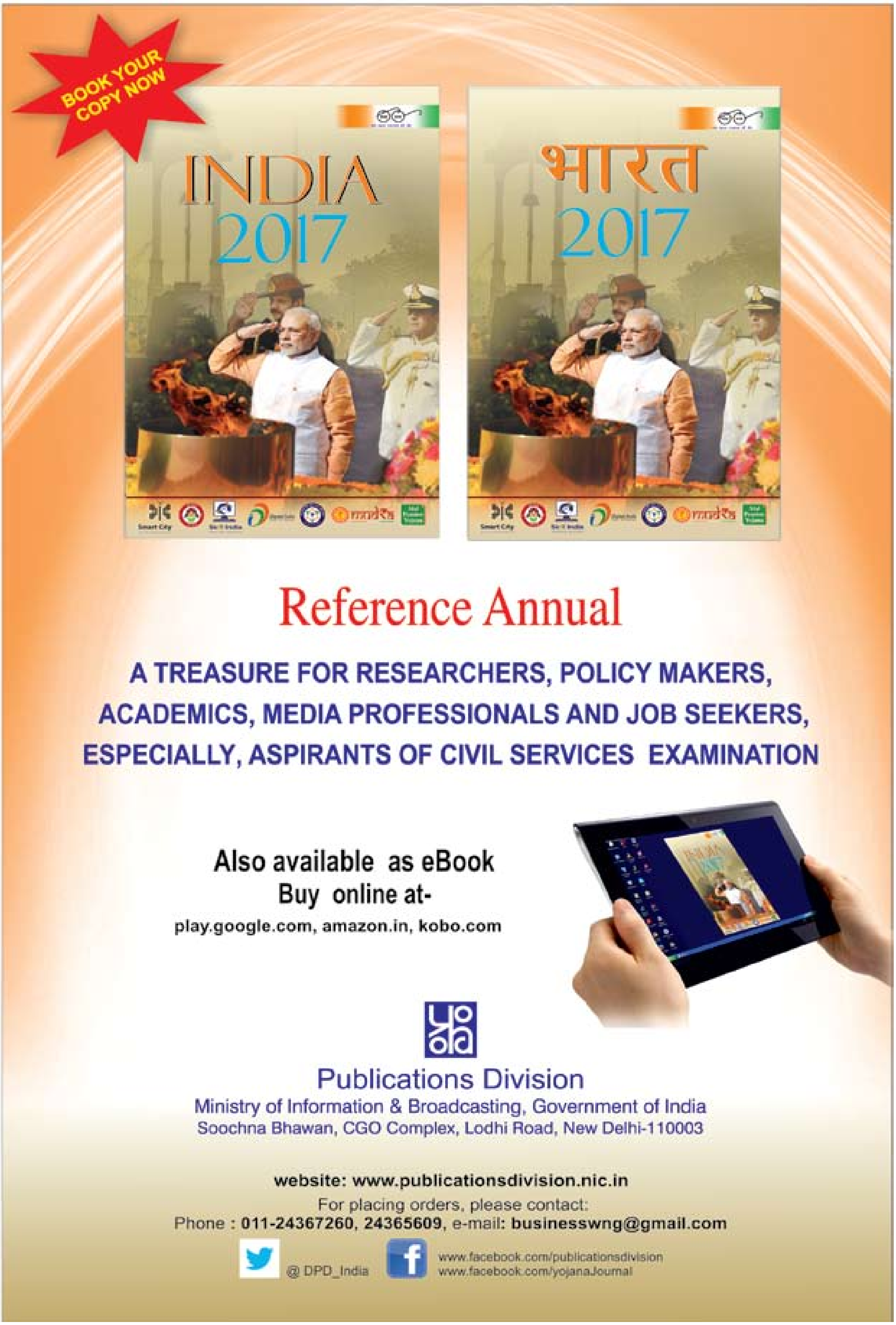

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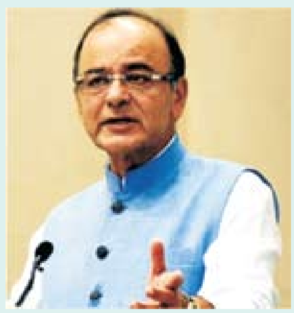
PM ON BUDGET

- This Budget is a reflection of the development measures undertaken by the Government over the past two and a half years and the vision to carry forward the momentum in this direction.

- This Budget is an important step towards overall development of the nation. It will create new employment opportunities, help in overall economic growth and will be complementary in raising the income of the farmers.
- The focus of the Budget is on agriculture, rural development and infrastructure which is also a reflection of the Government's commitment to raise investment and create employment opportunities.
- Government's aim is to double the farmers' income by 2022 and the policies and schemes have been designed keeping this in mind.
- The small and medium industries across the country have been a major source of employment generation. These industries have been demanding that they are facing difficulties in competing at the global level and if the taxes are lowered, then around 90 per cent of our small scale industries would be benefitted. Therefore, the Government has amended the definition of Small scale industries, widened their scope and reduced the tax rate from 30 to 25 per cent.
- This budget is associated with our aspirations, our dreams and in a way depicts our future. This is the future of our new generation, the future of our farmers. .... In FUTURE, the letter F stands for the farmer, U stands for Underprivileged which includes *Dalit*s, oppressed, women etc., T stands for Transparency, Technology Upgradation- the dream of a modern India, U stands for Urban Rejuvenation– the urban development, R stands for Rural Development and E stands for Employment for youth, Entrepreneurship, Enhancement to give a push to new employment and boost to young entrepreneurs.

FM ON BUDGET

- Overall approach, while preparing this Budget, has been to spend more in rural areas, infrastructure and poverty alleviation and yet maintain the best standards of fiscal prudence.



- We shall continue to undertake many more measures to ensure that the fruits of growth reach the farmers, the workers, the poor, the Scheduled Castes and Scheduled Tribes, women and other vulnerable sections of our society.
- Continuing with the task of fulfilling the people's expectations, our agenda for the next year is: "Transform, Energise and Clean India", that is, TEC India-
  - Transform the quality of governance and quality of life of our people,
  - Energise various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential, and
  - Clean the country from the evils of corruption, black money and non-transparent political funding.
- Promotion of a digital economy is an integral part of Government's strategy to clean the system and weed out corruption and black money.

HIGHLIGHTS OF THE BUDGET 2017-18

This Budget is anchored on solid fiscal and robust macro-economic foundations, built over the last two years. DemonetiSation, GST and JAM (Jan Dhan-Aadhaar-Mobile) have created a positive outlook for the future. Other reforms of the previous years have energised the economy.

Following are the major highlights of the Budget 2017-18:

a. Growth outlook remains positive.

b. Fiscal deficit of 3.2 per cent in 2017-18,with commitment to attain 3 per cent in the following year (2018-19).

c. Revenue deficit has been reduced in the current year and will be further reduced to 1.9 per cent next year.

d. Net market borrowings with buyback will be much lower at Rs. 3.48 lakh crore in 2017-18, compared to the previous year.

e. Commitment to anchor the fiscal policy on sustainable debt.

Sector wise analysis of major announcements made in the Budget in given below

I. Farmers

a. Long Term Irrigation Fund – Corpus enhanced to Rs. 40,000 crores

b. Micro Irrigation Fund will be set up by NABARD (corpus of Rs. 5,000 crore).

c. E-NAM will be expanded to 585 APMCs.

d. States will be urged to denotify perishables from APMC.

e. Model Law on Contract Farming will be circulated among States for adoption.

f. Crop Loan Target fixed at Rs. 10 lakh crore for 2017-18.

g. 63,000 functional PACS will be computerized and linked to CBS of DCCBs.

h. Coverage of *Fasal Bima Yojana* will reach 40 per cent in 2017-18 and 50 per cent of sown area in 2018-19.

i. Dairy Processing and Infrastructure Development fund will be set up with corpus of Rs. 8,000 crore in 3 years.

II. Rural Population

a. Mission Antyodaya will be launched to bring one crore households out of poverty and make 50,000 Gram Panchayats poverty free by 2019.

b. For MGNREGA – Highest ever allocation of Rs. 48,000 crore in 2017-18; focus on employment generation and asset creation.

c. For PM Gram Sadak Yojana – Rs. 27,000 crore, including contribution of States, will be spent in 2017-18. Pace of construction has accelerated from 73 kms per day during 2011-14 to 133 kms per day in 2016-17.

d. Safe drinking water will be provided to over 28,000 arsenic and fluoride affected habitations in next four years.

III. Youth, Education & Jobs etc.

a. Reforms in UGC will be undertaken.

b. SWAYAM platform will be launched with at least 350 online courses.

c. SANKALP, a skill development programme, will be launched at a cost of Rs. 4,000 crore to train 3.5 crore youth.

d. For leather and footwear industries, a scheme similar to the textile sector, will be implemented.

e. Five special tourism zones will be set-up.

IV. The Poor and the Underprivileged

a. *Mahila Shakti Kendras* will be set up at village level in 14 lakh Anganwadi Centres for empowering women with opportunities for skill development, employment, health and nutrition.

b. Affordable housing will be given infrastructure status. This will enable housing projects to get bank loans on liberal terms.

c. National Housing Bank will refinance individual housing loans of about Rs. 20,000 crores in 2017-18.

d. Specific milestones set for elimination of Kala Azar, Filariasis, Leprosy, Measles and Tuberculosis.

e. IMR and MMR will also be reduced.

f. 1.5 lakh Health Sub Centres will be transformed into Health and Wellness Centres.

g. Regulatory framework of Medical Education and Practice will be transformed.

h. Two new AIIMS in Jharkhand and Gujarat.

i. Rationalisation and amalgamation of existing labour laws into 4 Codes.

V. Infrastructure

a. Railways – Capital and Development Expenditure of Rs.1,31,000 crore, including Rs. 55,000 crore from the Government.

b. A rail safety fund named- ***Rashtriya Rail Sanraksha Kosh,*** will be created with a corpus of Rs. 1 lakh crore over 5 years.

c. Throughput of Railways will be enhanced by 10 per cent in next three years.

d. 70 projects identified for implementation through joint ventures between Railways and 9 State Governments.

e. Railways will offer end-to-end integrated transport solutions and logistic facilities.

f. Accounting Reforms – Railways will adopt Accrual Based Financial Statements by March 2019.

g. A new Metro Rail Policy will be announced and a new Metro Rail Act will be enacted.

h. Road Sector continues to be in focus

i. Select airports in Tier II cities will be taken up for O&M in PPP mode.

j. Airport Authority of India Act will be amended for effective monetisation of assets.

k. BharatNet project: 1.5 lakh Gram Panchayats will get OFC broadband connectivity by the end of 2017-18.

l. Two new caverns for strategic crude oil reserve will be set-up in Odisha and Rajasthan.

m. Second phase of Solar Park development for additional 20,000 MW capacity.

n. Eco system will be created to make India a global hub for electronics manufacturing.

VI. Financial Sector

a. Foreign Investment Promotion Board (FIPB) will be abolished in 2017-18.

b. Expert committee will be set-up to develop operational and legal framework for integration of spot market and derivatives market for commodities.

c. Multi State Cooperative Societies Act will be amended to plug regulatory gaps and protect poor and gullible investors.

d. Bill relating to Resolution of Financial Firms will be introduced in Budget Session of the Parliament.

e. Arbitration and Conciliation Act will be amended to provide resolution mechanism for disputes in infrastructure and PPP related construction contracts.

f. A Computer Emergency Response Team for our Financial Sector (CERT-Fin).

g. Revised mechanism will be announced for time bound listing of CPSEs.

h. Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.

i. An integrated public sector 'oil major' will be set-up through amalgamation of existing oil sector PSUs.

j. A new ETF with diversified CPSE stocks will be launched

k. Listing and trading of Security Receipts (SRs) issued by securitisation or reconstruction companies will be permitted in stock exchanges.

VII Digital Economy

a. Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly

b. Financial Inclusion Fund will be augmented.

c. Payment and Settlement System will be reviewed comprehensively to bring it in tune with current requirements of digital payments. A Payments Regulatory Board will be consituted in the Reserve Bank of India

d. Negotiable Instruments Act will be amended to deal with new challenges under increased bank transaction and cheque payments.

VIII. Public Service.

a. Head Post Offices will act as front offices for rendering Passport services.

b. Introduction of legislative changes, or even a new law, to confiscate the assets of big time offenders, including economic offenders, fleeing the country to escape the reach of law.

Sector Totals

(in crores of rupees)

Sl.No.	Sectors	BE 2016-17	RE 2016-17	BE 2017-18
1.	Agriculture and Allied Sectors	48572	52821	58663
2.	Rural Development	102543	114947	128560
3.	Infrastructure	348952	358634	396135
3a.	Transport	216268	216903	241387
4.	Social Sectors	168100	176225	195473
4a	Education and Health	112138	114806	130215
4b	Social sectors with welfare orientation	55962	61419	65258
5.	Employment Generation, Skill and Livelihood	12006	14735	17273
6.	Scientific Ministries	33467	34359	37435

(Source: Expenditure Profile and Expenditure Budget 2017-18)

Summary of Tax Proposals in Part B:

I. Affordable Housing:

1. Three concessions in the scheme of Income Tax exemption for Affordable Housing:

   a. Area of 30 and 60 Sq.mtr. to be counted as carpet area and not built-up area.

   b. 30 Sq.mtr. limit only in 4 metropolitan city limits and 60 Sq.mtr. for the rest of the country.

   c. Completion period extended from 3 years to 5 years.

2. Tax on Notional Rental Income for builders to be calculated only after one year of the end of the year in which completion certificate is received.

3. Three changes in Capital Gain taxation for immovable properties:

   a) Only two years required for counting it as long capital gain instead of three years;

   b) Base year for counting the cost of property shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property

   c) Basket of financial instrument in which capital gain can be invested without payment of tax to be expanded.

4. For Joint Development Agreement, the liability to pay Capital Gain Tax will arise in the year in which consideration amount is received.

5. For Andhra Pradesh capital, land belonging to owners as on 2.6.2014 to be exempted from capital gain if the same is offered under land-pooling mechanism.

II. Measures for stimulating growth:

1. Concessional withholding rate of 5 per cent for interest received by foreign entities on loans given in India or on-date investment made to be continued for another 3 years beyond 30.6.2017.

2. Start-ups to get two relaxations under the scheme of Income Tax holiday given last year.

   a) The condition of continuous holding of 51 per cent of voting rights to be relaxed as long as the original investment of promoter is not diluted.

b) Exemption available for 3 years out of any 7 years from the date of establishment.

3. The period of availment of MAT credit to be increased from 10 years to 15 years.
4. The corporate income tax to be reduced from 30 per cent to 25 per cent for companies with turnover upto 50 crore in 2015-16. This will benefit 96 per cent of existing 6.67 lakh companies.
5. In case of NPA of non-scheduled cooperative banks, interest to be recognised as income only when received.

III. Promoting Digital Economy

1. In the presumptive income tax for small traders, income to be taken as 6 per cent of turnover which is made by digital or banking means.
2. Cash expenditure allowable to be reduced to Rs. 10,000 from the existing Rs. 20,000.
3. Cash transactions of above 3 lakh not to be permitted. The penalty of equal amount to be levied in case of breach.

IV. Transparency in Electoral Funding

1. The donation to political parties to be reduced from Rs. 20,000 to Rs. 2000 for one person.
2. Electoral Bond to be introduced for tax paid money to be donated while maintaining secrecy.
3. Political parties to file their return in time limit prescribed in the Income Tax Act.

V. Ease of Doing Business

1. Domestic transfer pricing to be applied only if one of the two companies enjoys specified profit-linked deduction.
2. The audit limit for of business entities opting presumptive scheme to be increased from Rs.1 crore to Rs. 2 crore.
3. Individuals and HUFs not required to keep books of accounts if their turnover is up to Rs. 25 lakh or income is up to Rs. 2.5 lakh.
4. Foreign Portfolio Investors Category 1 & 2 to be exempted from provisions indirect transfer.
5. TDS of 5 per cent not to be deducted for individual insurance agents if they certify their income to be below taxable limit.
6. Professionals in presumptive scheme to pay advance tax only in one installment in March instead of four.
7. The Time limit for revising a tax return reduced to 12 months. Also time limit for completion of scrutiny will be brought down to 12 months from Assessment Year 2019-20 onwards.

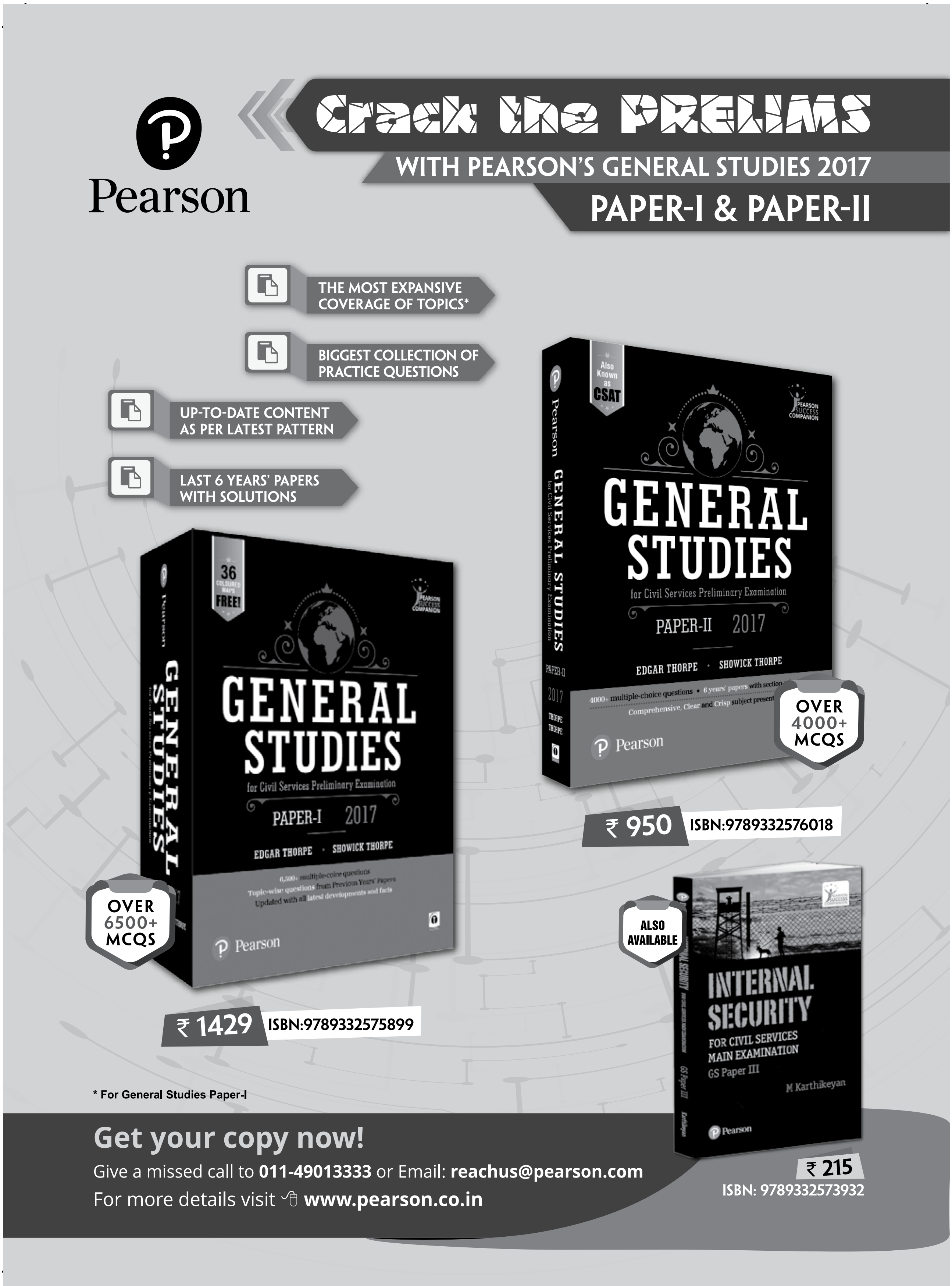
VI. Personal Income Tax

1. Personal income tax for people with income in the slab of 2.5 lakh to 5 lakh to be reduced to 5 per cent instead of 10 per cent. This will reduce their tax liability to half while all other tax payers above this slab will also be benefited in terms of lesser tax of Rs. 12, 500 per individual for Government, (revenue loss of Rs. 15, 500 crore).
2. The rebate of Rs. 5000 available in the bracket of Rs. 2.5 to 5 lakhs to be reduced to Rs. 2,500 rupees available only upto income of Rs. 3.5 lakh.
3. Surcharge of 10 per cent to be levied on individuals with income between Rs. 50 lakh to Rs. 1 crore (revenue gain of Rs. 2,700 crore).

VII. Indirect Tax

1. Custom Duty on LNG to be reduced from 5 per cent to 2.5 per cent. This will benefit chemical and petro-chemical industries as well as steel industries.
2. The Custom, CVD, SAD and Excise Duty for miniaturised POS card readers from m-POS, micro-ATM, finger-print readers, scanners and ID scanners used for digital payments to be made zero.

VIII. GST on track. To start most likely from 1st of July, 2017.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NORTH EAST DIARY

WORLD BANK TO GIVE US$ 48 MILLION FOR "NAGALAND HEALTH PROJECT"

A financing agreement for IDA credit of US$ 48 million (equivalent) for the 'Nagaland Health Project' was signed by India with the World Bank. The Objectives of the project are to improve health services and increase their utilization by communities in targeted locations in Nagaland. Communities in targeted locations will benefit from project activities at the community and health facility levels, while the population of the state as a whole will benefit from improvements in higher-level facilities as well as system-wide investments. The project will directly benefit about 600,000 people. It will support and complement existing systems and mechanisms involving communities under the National Health Mission. The closing date of Nagaland Health Project is 31st March, 2023.

NORTH EAST FILM FESTIVAL

The North East Film Festival (NEFF), 'Fragrances from the North East' a three day festival, was held from 28th to 30th January at NFAI campus, Pune. This platform is a unique window to the films, food, culture and handicrafts diversity of North East and enables the cultural amalgamation of the region with the rest of the country. By organizing the current edition of the festival at Pune, the objective was to sensitise people from other regions to the culture of the North East as envisaged in the "Ek Bharat Shreshta Bharat" programme of the Hon'ble Prime Minister. It has been decided to organize the festival in different cities every year as part of the "Ek Bharat Shreshta Bharat" vision.

The focus was to provide multiple platforms through workshops, film festivals, interactive sessions and special screenings at IFFI focusing on the region. As part of the new initiative, the Ministry of I &B sponsored 10 film makers from the North East for the first time to attend IFFI in Goa, to give an opportunity to young and emerging film makers from the region to interact with the foreign delegates attending IFFI and also explore collaborations with international film production houses, ensuring wider reach and audience for NE films. The Directorate of Film Festivals organized a special session on the North East film industry at the Indywood Film Carnival in Hyderabad. It also took the initiative to organize the first edition of the IFFI chapter of North East in Imphal in December 2016 in partnership with Manipur Film Development Corporation. The Indian Panorama had eight films selected from the North East region this year.

1st NORTH EAST INVESTORS' SUMMIT IN SHILLONG

The 1st North East Investors' Summit, organized jointly by the Ministry of Textiles and the Ministry of DoNER, at the State Convention Centre, in Shillong was inaugurated by Union Textiles Minister. This is the first ever North East Investors Summit dedicated to the textiles sector, in the history. The Summit is being organized exclusively for the North Eastern Region, focusing on manufacturing in textiles and allied sectors; and to showcase the region as a global destination for investment and explore the possibility of convergence of efforts of various central Ministries and North Eastern States in attracting investment into the region.

The Union Textiles Minister also launched 'India Handmade Bazaar' which is an online portal to provide direct market access facility to handloom weavers and handicraft artisans. The portal will facilitate weavers & artisans to enter information about their products for easy understanding of customers/exporters. The portal can be accessed through their mobile number registered with Office of Development Commissioner. The mobile number can be registered by visiting nearest Weavers' Service Centre & Marketing Centre as well. Buyers can view the products online and directly contact weaver/artisan to enquire or place an order.

Nearly 20 MoUs were signed on the occasion, to develop & promote NER handicrafts, handlooms, agro-textiles & geo-textiles. Various MoUs were signed to promote collaboration in the textiles sector, in each of the various states in the region.

Informing about the initiatives taken by the Ministry for the welfare of handloom weavers, she also discussed the *E-Dhaga* app and the '*Bunkar Mitra'* helpline. She said that with *E-Dhaga,* subsidy is just a click away for the weavers. The app enables handloom weavers to order and track their yarn, This would enable them to transact business anytime, anywhere; weavers can send their indents and payments online through this app.

'Bunkar Mitra', the first ever helpline for handloom weavers, available seven days a week, from 10 AM to 6 PM addresses the issues faced by weavers in a time-bound manner through the helpline.

Union Budget 2017-18: A Take-off for Infrastructure Sector

Krishna Dev

Increased focus is required in provision of service roads along high capacity corridors to cater for local motorised and non-motorised traffic and social requirements of pedestrian/cattle underpasses. At the other end of the spectrum, rural areas have benefited enormously from the PMGSY which emphasises new connectivity and upgradation of rural roads to meet the growth in traffic demand

The main agenda of Union Budget 2017-18 is to "Transform, Energise and Clean India (TEC India)". To foster the agenda of TEC India, ten distinct themes have been proposed to be focused upon. These themes mainly targeted the farmers, rural population, youth, poor and underprivileged, infrastructure, financial sector, digital economy, public service, fiscal management, and tax administration. To follow the agenda and achieve the targets a budgetary allocation for the year 2017-18 is Rs. 21,46,735 crores has been proposed.

The Budget 2017-18 is heavily focussed on the infrastructure sector with the aim of "efficiency, productivity and quality of life". To achieve these goals, a total allocation is of Rs. 3,96,135 crore has been made which is 18.45 per cent of the total budgetary allocation and 14 per cent higher than the previous year's budget. This allocation was Rs. 3,48,952 crore in 2016-17 (BE) and further increased to Rs. 3,58,634 crore in 2016-17 (RE). The details are given in Table 1.

As per the Gazette Notification of Department of Economic Affairs (Infrastructure Division), Ministry of Finance dated October 8, 2013, New Delhi, the infrastructure sector is a set of Transport, Energy, Water & Sanitation, Communication and Social and Commercial Infrastructure.

Transport:

In the Budget 2017-18, the transportation sector as a whole, including rail, roads, shipping and airports, a provision of Rs. 2,41,387 crores has been made in 2017-18 which is 61 per cent of total infrastructure sector budget. This ambitious and magnitude of investment will spur a huge amount of economic activity across the country and create more job opportunities. If this happens, it will change the entire scenario of the economy and the whole process of taking economy towards the higher growth with efficiency and the aim of improving in the productivity and quality of life will be achieved. But on the other hand there are major challenges which need to be taken care of.

a. Roads

For the road sector, the Budget allocation has increased to Rs. 64,900 crores in 2017-18 from Rs. 57,976 crores in BE 2016-17 (table 2), which is 27 per cent of total allocation of transport sector. It has been proposed

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Table 1: Expenditure Profile				
				(in Rs. crore)
SN	**Sectors/Heads**	**2016-17 (BE)**	**2016-17 (RE)**	**2017-18 (BE)**
1	GDP at Current Market Prices @2011-12 series	1,50,75,429	1,50,75,429	1,68,47,544
2	Total Budget Expenditure	19,78,060	20,14,407	21,46,735
3	(of which) Infrastructure	3,48,952	3,58,634	3,96,135
4	(of which) Transport	2,16,268	2,16,903	2,41,387
Source: Budget Document 2017-18				

that this amount will be spent on various important on-going projects and programmes and with the new target of a total of 2,000 kms of coastal connectivity roads which have been identified for construction and development. This will facilitate better connectivity with ports and remote villages. Also, the total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years.

In addition, an effective multi-modal logistics and transport sector will make the economy more competitive. A specific programme for development of multi-modal logistics parks, together with multi-modal transport facilities will be drawn up and implemented. This development of multi-modal logistics parks, together with multi-modal transport facilities is a long-term pending need for past many years to implement and a very welcome step.

The Pradhan Mantri Gram Sadak Yojana (PMGSY) is being implemented as never before and is accelerating an excellent momentum. The pace of construction of PMGSY roads has accelerated to almost double and reach 133 km roads per day in 2016-17 which is commendable, as against an average of 73 km during the period 2011-2014. The government has also taken up the task of connecting habitations with more than 100 persons in left wing extremism affected blocks.

The current target under PMGSY is committed to complete by 2019 and to complete this ambitious and important task a sum of Rs. 19,000 crores in 2017-18 (table 3) has been allocated for this scheme. The scheme together with the contribution of States, an amount of Rs. 27,000 crores will be spent on PMGSY in 2017-18.

It is important to mention that with the notable exception of the National Highways Development Project (NHDP), the major focus of this network expansion has been to improve connectivity rather than to

Table 2: Expenditure by the Infrastructure related Ministries/Departments					
					(in Rs crore)
SN	**Ministry/Department**	**2015-16 (Actuals)**	**2016-17 (BE)**	**2016-17 (RE)**	**2017-18 (BE)**
1	Ministry of Road Transport & Highways	46,913	57,976	52,447	64,900
2	Ministry of Railways	35,008	45,000	46,155	55,000
3	Ministry of Shipping	1,324	1,531	1,454	1,773
4	Ministry of Civil Aviation	4,168	2,590	3,452	2,702
5	Ministry of Power	7,735	12,253	10,476	13,881
6	Ministry of Petroleum & Natural Gas	31,287	29,160	30,241	29,158
7	Department of Communication	20,485	18,414	24,272	26,687
8	Ministry of Drinking Water & Sanitation	11,081	14,009	16,512	20,010
Total Budget Expenditure		17,90,783	19,78,060	20,14,407	21,46,735
GDP at Current Market Prices @2011-12 series		1,36,75,331	1,50,75,429	1,50,75,429	1,68,47,544
Source: Budget Document 2017-18.					

increase network capacity. The bigger hurdles on this sector are timeliness in awarding contracts, difficulties in acquiring land, and securing environmental clearances, and the persistent shortages in construction capacity.

Increased focus is required in provision of service roads along high capacity corridors to cater for local motorised and non-motorised traffic and social requirements of pedestrian/cattle underpasses. At the other end of the spectrum, rural areas have benefited enormously from the PMGSY which emphasises new connectivity and upgradation of rural roads to meet the growth in traffic demand. In a major shortcoming, however, there is no resolute effort that is dedicated to bringing existing rural roads up to standards of all weather connectivity.

Meanwhile, efforts to improve the situation are hampered by delayed clearances, multiple overlapping authorities and jurisdictions, frequently changing rules of engagement with the private sector, unyielding land laws and skill shortages.

Also, road development should not be seen in isolation but as part of an integrated multi-modal system of transport. It is therefore necessary to undertake detailed regional traffic and transport surveys on a regular basis—preferably every five years.

b. Airports

The Budget allocation increased for the airport sector from Rs. 2590 crores in BE 2016-17 to Rs. 2702 crores in 2017-18. But it has declined from Rs. 3452 crore in the RE of 2016-17. After increasing the RE of 2016-17 the sector indicted that it needs to be further increased as the sector is always have the needs and the capacity of absorbing the huge amount of money. Because, last 20 years have brought dramatic changes to Indian aviation. New airlines are inaugurating new routes, both domestically and internationally. Airports are being modernised and expanded. Safety standards at Indian airports and airlines are broadly at par with prevailing international practice.

A substantial investment will be required to ensure that the Air Navigation Services (ANS) can continue to deliver on an exceptional record of aviation safety. Already busy airspace over metropolitan cities will become even more crowded, and new technologies will have to evolve to allow faster processing to and from the terminal gate. This will mean a closer separation between landings and departures, and more sophisticated

Table 3: Allocation on Major Centrally Sponsored Schemes

(in Rs. crore)

S.N.	Schemes	2015-16 (Actuals)	2016-17 (BE)	2016-17 (RE)	2017-18 (BE)
1	Pradhan Mantri Gram Sadak Yojana (PMGSY)	18,290	19,000	19,000	19,000
2	Pradhan Mantri Awas Yojana (PMAY)	11,603	20,075	20,936	29,043
(a)	PMAY: Rural	10,116	15,000	16,000	23,000
(b)	PMAY: Urban	1,487	5,075	4,936	6,043
3	National Rural Drinking Water Mission	4,370	5,000	6,000	6,050
4	Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)	4,500	3,000	3,350	4,814
5	Swachh Bharat Mission (SBM)	7,469	11,300	12,800	16,248
(a)	SBM: Rural	6,703	9,000	10,500	13,948
(b)	SBM: Urban	766	2,300	2,300	2,300
6	Integrated Power Development Scheme	1,002	5,500	4,524	5,821
7	Urban Rejuvenation Mission: AMRUT-Atal Mission for Rejuvenation and Urban Transformation & Smart Cities Mission	4,186	7,296	9,559	9,000
8	Bharatnet	-	-	6,000	10,000
9	MRTS and Metro Projects	9,300	10,000	15,700	18,000
10	LPG Connection to Poor Households	-	2,000	2,500	2,500
11	Road Safety Works	2,603	2,998	3,745	5,217
12	Promotion of Electronics and IT HW Manufacturing (M-SIPS & EDF and Manufacturing Cluster	52	70	50	745

(Source: Budget Document 2017-18)

methods for managing traffic in the air-space proximate to airports.

The Budget 2017-18 targets that the selected airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode. Also, the Airport Authority of India (AAI) Act will beamended to enable effective monetisation of land assets. The resources, so raised, will be utilised for airport upgradation. The modernisation component which is need of the time is missing in the budget.

The Government must decide clear and stable rules governing the foreign ownership and operation of domestic airlines. This foreign ownership may also be expected to bring additional benefits of access to cheaper debt finance, technology transfers, management knowhow and access to international markets.

Careful regulations for assessing the stability of private equity and debt funding of domestic airlines should be developed, with a view towards promoting the overall financial health of the sector.

c. Shipping

Indian ports are highly constrained for capacity and are likely to remain so in the near future. Port usage was at an average of 80 per cent in 2011-12, despite slowdown following the global recession, and four of the 12 Major Ports had utilisation rates above 100 per cent.

Exports and imports for India, bulk of which takes place through the seaports, have demonstrated unprecedented growth during the last decade. While exports grew at a CAGR of about 21 per cent, imports witnessed a 25 per cent growth. India will have to make huge investment on creating Indian tonnage which is consistent with its present share in the world tonnage.

For the shipping sector which is considered most cost effective and environment friendly mode of transport, an outlay of Rs 1773 crore has been proposed for the BE 2017-18. This is an increased from Rs. 1531 crore the BE of 2016-17 and RE of Rs. 1454 for the same year.

The major allocation increased in ports & light houses in which it raised to 10 per cent from Rs. 732.50 crore in the 2016-17 (BE) to Rs. 801.40 crore for 2017-18. Also, the major increase in the allocation in the Shipping and North Eastern Area where the amount allocated in Budget 2017-18 to Rs. 238 crore and Rs 126 crore from the Rs. 172 crore and Rs. 100 crore 2016-17 (BE) respectively.

Inland Water Transport (IWT) is one of the most environment-friendly modes with excellent fuel efficiency and lower emission levels. IWT has the potential to serve as an important economic lifeline for the integral socio-economic development of the region adjoining the waterway network.

Inland Water Transport (IWT) is showing a decline in the budgetary allocation. The allocation for IWT has been declined from Rs 326.42 crore in 2016-17 (BE) to Rs. 278.42 crore in 2016-17 (RE) to Rs. 225 crore for the 2017-18 (BE). This is mainly due to the reason that the volume of cargo moved through inland water transport remains very low, confined largely to the movement of iron ore in Goa and fertiliser raw material in the West Coast region. But the development of inland water transport with adequate intermodal connectivity can help to reduce the congestion on roads and rail and reduce CO_2 emissions.

Communication:

Telecom sector is an important component of infrastructure eco-system. The current spectrum auctions have removed spectrum scarcity in the country and will give a major fillip to mobile broadband and Digital India for the benefit of people living in rural and remote areas and also creates the huge job creation.

A total allocation of Rs. 26,687 crore has been proposed for the year 2017-18 which is 45 per cent and 10 per cent higher than the last year BE and RE i.e. Rs. 18,414 and Rs. 24,272 crore respectively.

A scheme which is a project of national importance is called Bharat Net, a highly scalable network infrastructure accessible on a non-discriminatory basis, to provide on demand, affordable broadband connectivity for all households and on demand capacity to all institutions to realise the vision of Digital India. This would be the world's largest rural broadband connectivity project using optical fibre.

The allocation for Bharat Net Project to Rs. 10,000 crores in 2017-18 is stepped up from Rs. 6000 crore in the RE of 2016-17. By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 Gram Panchayats, with wi-fi hot spots and access to digital services at low tariffs. This Project, Optical Fibre Cable (OFC) has been laid in 1,55,000 kms. In addition, a DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.

3. Energy:

Power:

The Government is on the way to achieving 100 per cent village electrification by 1st May 2018. An increased allocation of Rs. 4,814 crores has been proposed under the Deendayal Upadhyaya Gram Jyoti Yojana in 2017-18.

In solar energy, it is now proposed to take up the second phase of Solar Park development for additional 20,000 MW capacity.

An eco-system is also being created to make India a global hub for electronics manufacturing. Over 250 investment proposals for electronics manufacturing have been received in the last 2 years, totalling an investment of Rs. 1.26 lakh crores. A number of global leaders and mobile manufacturers have set up production facilities in India. It is have therefore exponentially increased the allocation for incentive schemes like M-SIPS and EDF to Rs. 745 crores in 2017-18. This is an all-time high.

b. Oil & Natural Gas

Petroleum is the lifeline of modern civilization. It is the source of energy for agricultural, industrial and transport sectors and keeps the wheel of other essential industries moving. As a result, the petroleum and natural gas sector has the tremendous amount of scope for the expansion and job opportunities. It is one of the most organised and formal sectors in infrastructure. The amount of demand increasing from the automobile sector and the households in the recent past it is very important to focus on efficient and sustainable use due to its limited availability and carbon emission.

To strengthening the Energy sector, the Government has decided to set up Strategic Crude Oil Reserves. In the first phase, 3 such Reserves facilities have been set up. Now in the second phase, it is proposed to set up caverns at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will increase the strategic reserve capacity to 15.33 MMT.

An outlay proposed of Rs. 29,158 crore for the year 2017-18 which is less than the previous year's BE and RE. The allocation were made at Rs. 29,160 crore in 2016-17 (BE) and Rs. 30,241 crore at 2016-17 (RE). The figures indicates that the allocation was increased at the RE stage in 2016-17, the reason for reduction in the BE of 2017-18 is not stated in the budget. Though, the allocation in the Centrally Sponsored Scheme namely LPG Connections to Poor Household has been raised to Rs. 2500 crore in 2017-18 from Rs. 2000 crore in 2016-17 (BE) and is equal with the RE of 2016-17.

Water & Sanitation:

Swachh Bharat Mission (Gramin) has made tremendous progress in promoting safe sanitation and ending open defecation. Sanitation coverage in rural India has gone up from 42 per cent in October 2014 to about 60 per cent. Open Defecation Free villages are now being given priority for piped water supply.

To further boost this mission, it is proposed to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years. This will be a sub mission of the National Rural Drinking Water Programme (NRDWP).The allocation proposed at Rs. 6050 crore for 2017-18 from Rs. 5000 crore in 2016-17 (BE).

Overall Assessment:

Overall, the Budget 2017-18 indicates that the intention of the government is very much clear to achieve the targeted goals in a very timely and speedy mode as the allocation proposed for the infrastructure sector is almost 1/5th of the total budget. This indicates that the targets need to be very ambitiously achieved and to take infrastructure sector into the take-off stage. This will boost the economy and creates the huge opportunity for the jobs for the youth and create the environment for the foreign investor and give new life to the rural India.

This take-off stage may remain in the same pace as there are various major challenges that take a lot of time and make the project cost and time overrun viz. project preparation and approval, land acquisition, environmental clearance, legal and regulatory issues, inter-ministerial co-ordination, availability of skilled manpower & instant appointments, safety and financing issues etc.

The Government has a very limited timeline to spend the money to achieve these targeted goals. It is important that the projects should be monitored on a daily basis and status also should be uploaded on the daily basis on the respective websites otherwise the sector may again land to the stage of pre-condition to take-off at RE stage. ❑

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'ShaGun' - a web-portal for Sarva Shiksha Abhiyan launched

A dedicated web portal 'ShaGun' for the Sarva Shiksha Abhiyan was launched by the Union HRD Minister. 'ShaGun' aims to capture and showcase innovations and progress in Elementary Education sector of India by continuous monitoring of the flagship scheme - Sarva Shiksha Abhiyan (SSA). The Union HRD Minister also unveiled the 'Toolkit for Master Trainers in Preparing Teachers for Inclusive Education for Children with Special Needs', which has been prepared by World Bank in collaboration with Ministry of Human Resource Development.

The Ministry of HRD will also codify the learning outcome to set assessment standards for abilities with regards to comprehension, mathematics, language etc. and thus, ensuring that "all children acquire at least the minimum levels of learning" from Class I to Class VIII under Right to Education Act, 2009.

This e-initiative is a global democratic forum enabled by technology which will give a peek in the Indian elementary education scenario and spread constructive lessons. This first-of-its kind platform will give due recognition to people, State governments, schools, teachers working towards improving Elementary Education across the country. ShaGun will help monitor progress of implementation of SSA by assessing performance of States and UTs on key parameters and thereby serve as a platform for the central government for effective planning and deliver on the promise of providing quality education to all.

Neo-Developmental Model : Marching Towards Greater Glory

Nirendra Dev

..the uplift of rural infrastructure and helping Indian farmers is one of the most important factors for the overall growth of the Indian economy. The plans relating to basic rural infrastructures with focus on agro-development thus ought to be addressed in a rather cohesive and more direct manner than before. Steps have been accordingly taken and schemes tailored in last two-and-half years to ensure creation of gainful employment in villages and small towns to generate a resource base at the household level, improve agriculture and allied sectors and, ultimately, usher in rural happiness and prosperity

Under the present Government, the agri-sector, farmers' welfare and uplift of rural areas and creation of jobs have been always given prime importance. The efforts to bring about improvement in these areas have only got further push in this year's Budget.

It is a true that notwithstanding its potential, the agro-economy and rural development - as analysed by many - have not seen the expected results in India. But the Budget 2017-18 is expected to be a game changer in more ways than one. The enhanced allocation and identifying right projects and drawing out a crystal clear roadmap will help look at the broad canvas of the farm sector and the need for removal of various natural and even man-made impediments in rural development. The biggest strength of this year's Budget lies in its right balance. A balanced synthesis has been about rural focus, helping the agrarian community and also helping the consumers in urban India.

First, marking a significant 24 per cent higher allocation than last year, the total allocation for rural, agricultural and allied sectors for fiscal 2017-18 now stands at a staggeringly high Rs 1,87,223 crore.

It will be imperative here to understand that in order to enhance the growth of the country and in order to achieve inclusive growth as envisaged in the slogan '*Sabka Saath-Sabka Vikas* (With all-Development for all), rural infrastructures in agriculture and allied sectors ought to be made the vital areas of attention.

Over the decades, there have been issues of inefficient price discovery and price realisation for farmers. The fragmented nature of the markets is attributed for the same. Now, it is felt that the government has drawn plans on the integrated spot and derivatives market and thus, some of the prevailing gaps vis-à-vis providing marketing avenues will be plugged.

Better Value for Agri products:

To help farmers get better value for their produce, the Finance Minister also shared government's vision on preparing a Model Law on contract farming to be circulated among the states. It goes without stating that the government has also reiterated its earlier goal of bringing in more regulated agriculture markets on the electronic National Agriculture Market (e-NAM) platform.

"The coverage of National Agricultural Market (e-NAM) will be expanded from the current 250 markets to 585 Agriculture Produce Marketing Committees (APMCs)," the Finance Minsiter said in his budget speech

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adding, assistance up to a ceiling of Rs 75 lakhs will be provided to every e-NAM market for establishment of cleaning, grading and packaging facilities.

The electronic trading platform e-NAM launched in 2016 is rightly touted as a "big game changer".

e-NAM will actually be an answer to price volatility farmers often face. Officials in the agriculture ministry say they are aware of some of the challenges faced by farmers, and one issue that needs to be tackled is about the middle-men. Thus, the government initiative is to end the middlemen role and bring transparency in pricing. The government is keen that there is a benchmark price across the country and thus e-NAM platform will go a long way in this.

In fact, last year itself, the Union Agriculture ministry said e-NAM is an online platform that should not be mistaken as a parallel marketing structure. "It is a tool to create a national network of physical *mandis* (Markets) which can be accessed online," explained a senior official.

e-NAM helps leverage the physical infrastructure of *mandis* through an online trading portal, enabling buyers situated even outside the state to participate in trading at the local level.

The programme was aimed at integrating 21 *mandis* in eight states – Uttar Pradesh (six), Gujarat (three), Telangana (five), Rajasthan (one), Madhya Pradesh (one), Haryana (two), Jharkhand (one) and Himachal Pradesh (two).

However, there are few areas – that need to be looked yet again. Essentially the farmers need to do away with the procurement agents whom the government wants to cut off from the ecosystem for having a transparent system.

In the right perspective and sharing a right roadmap, Finance Minister also said in the budget speech that 'market reforms' will be undertaken and the states would be urged to denotify perishables from APMC.

"This will give opportunity to farmers to sell their produce and get better prices," he said.

The budget proposals, rightly again, also targeted to "integrate" farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses.

For the farming community, the Government has declared that dedicated micro-irrigation fund will be set up by NABARD to achieve the goal of 'Per Drop-More Crop'. The Government also earmarked a corpus fund of Rs 5000 crore for this. NABARD will also set up dairy processing infrastructure fund with Rs 8,000 crore. So far, only states like Gujarat, Maharashtra and Karnataka have done well in dairy farming.

e-NAM will actually be an answer to price volatility farmers often face. Officials in the agriculture ministry say they are aware of some of the challenges faced by farmers, and one issue that needs to be tackled is about the middle-men. Thus, the government initiative is to end the middlemen role and bring transparency in pricing. The government is keen that there is a benchmark price across the country and thus e-NAM platform will go a long way in this.

The Budget, this year, also provided an 'additional incentive' of 3 per cent to be provided to farmers for prompt repayment of loans within due date.

The Finance Minister has also noted that the agriculture sector will register a growth rate of 4.1 per cent during the current fiscal. To make things more feasible in this respect if not easier, it may be mentioned here that the sowing of both Kharif (Summer) and Rabi (winter) crops has been higher.

In yet another indication that the government is serious about helping the farmers when they are in dire condition, the Budget 2017-18 has mentioned that the allocation for new crop insurance scheme '*Pradhan Mantri Fasal Bima Yojana*', which was launched last year, has been increased to Rs 13,240 crore this fiscal from Rs 5,500 crore. Notably, the allocation for the next fiscal has been earmarked at Rs 9,000 crore. "The coverage of this scheme will be increased from 30 per cent of the cropped area in 2016-17 to 40 per cent in 2017-18 to 50 per cent in 2018-19," the Finance Minster has said.

The government's decision to provide enhanced fund allocation for *Fasal Bima Yojana* also earned appreciation from government's political detractors – both within Parliament and outside.

Box 1:

Rural Electrification:

The Budget 2017-18 also makes it clear that the government is laying top most priority to rural electrification. Despite Rajiv Gandhi Gramya Vidyutikaran Yojana (RGGVY), several parts of rural India do not get electricity. In this context, Power Minister told Lok Sabha during Question Hour on Feb 9, 2017 that "28 out of 29 states have agreed to work with the central project" to ensure 100 per cent electrification. The rural electrification in a massive manner has been getting priority under the present Government. The Rural Development ministry in 2014-15 had also mooted a proposal to re-utilise waste water and drain water for generating electricity on the lines being implemented in Delhi.

The government could also try to change the power map of India through extensive use of solar energy.

The *Pradhan Mantri Krishi Sinchai Yojana*–focusing on irrigation programme - was another project that got thrust in this year's Budget.

Referring to the Soil Health Cards, another innovative idea of the present Government, Finance Minister said in his budget proposals that the real benefit to farmers would be available only when the soil samples are tested quickly and nutrient level of the soil is known".

The government will, therefore, set up new mini labs in *Krishi Vigyan Kendras* (KVKs) and ensure 100 per cent coverage of all 648 *kendras*. "In addition, 1000 mini labs will be set up by qualified local entrepreneurs," he said.

Moreover, he said a Long-Term Irrigation Fund has already been set up in NABARD.

The Agriculture ministry officials say that infrastructure development in rural areas and agrarian fields will also mean impounding of rainwater in ponds and using it for critical irrigation, particularly in low rainfall areas. While many states have enacted legislation to ensure water harvesting both in urban and rural areas to supplement irrigation water supplies, the *Pradhan Mantri Krishi Sinchai Yojana* started in 2014 by the present Government is rightly seen as another path breaking venture.

It may be mentioned that the Union Budget for Fiscal 2016-17 also had pledged steps to be taken to reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022.

Spend More in Rural Areas

It is true that that the taste of the pudding is in its eating. Thus mere talk of bringing in improvements in rural India, would have little meaning if the expenses in rural areas are not raised. Finance Minister, in his budget proposals – his fourth since 2014 – has spoken about the attempts to spend more in rural areas. But having underlined the focus to improve infrastructures, rural roads and rural electrification, he has rightly shared the determination to bring about poverty alleviation also. He has also rightly said, "I have also kept in mind the need to continue with economic reforms, promote higher investments and accelerate growth".

It goes without saying that Rs 3 lakh crores are spent in rural areas every year. Having said so, the government has also underlined that with a clear focus on improving accountability, outcomes and convergence, it will undertake a Mission Antyodaya to bring 1 crore households out of poverty and to make 50,000 Gram Panchayats poverty free by 2019. The timing has been linked to the 150th birth anniversary of Mahatma Gandhi – and also the vital fact that villages were part of '*Gandhi Darshan*' – the Gandhian vision to change the face of India.

..infrastructure development in rural areas and agrarian fields will also mean impounding of rainwater in ponds and using it for critical irrigation, particularly in low rainfall areas. While many states have enacted legislation to ensure water harvesting both in urban and rural areas to supplement irrigation water supplies, the Pradhan Mantri Krishi Sinchai Yojana started in 2014 by the present government is rightly seen as another path breaking venture.

The government also proposes to utilise the existing resources more effectively along with annual increases. "This mission will work with a focused micro plan for sustainable livelihood for every deprived household. A composite index for poverty free Gram Panchayats would be developed to monitor the progress from the baseline," the Finance Minister has said.

Box 2: Highlights of Budget Announcement for Agriculture:

- Farmer credit fixed at record level of Rs 10 lakh crore.
- Expand Soil health cards base; Govt to set up mini-labs in *Krishi Vigyan Kendras*
- Long-term Irrigation Fund in Nabard— corpus at Rs 40,000 crore
- Model law on contract farming to be circulated for states
- Dairy processing infra fund with corpus of Rs 8,000 crore
- Mission Antyodaya to bring 1 crore households out of poverty
- A record highest ever Rs 48,000 crore allocated for MGNREGA
- *Prime Minister Gram Sadak Yojana*: Rs 19,000 crore allocated; along with states, Rs 27,000 crore will be spent
- Rs 23,000 crore allocated: *Pradhan Mantri Awas Yojana*
- Targets 100 per cent village electrification by May 2018

With regard to the much talked about rural job scheme, MGNREGA, Finance Minister has said, the Government has made a "conscious effort" to reorient MGNREGA to support the resolve to double farmers' income. It has underlined in no unambiguous term that while providing at least 100 days employment to every rural household, MGNREGA should create productive assets to improve farm productivity and incomes.

The target of 5 lakh farm ponds and 10 lakh compost pits announced in the last Budget from MGNREGA funds will be fully achieved. In fact, against 5 lakh farm ponds, the government is now hoping that about 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up. This single measure will contribute greatly to drought proofing of Gram Panchayats.

It is also significant to note that the participation of women in MGNREGA has increased to 55 per cent from less than 48 per cent in the past.

In his budget document, Finance Minister explained that the budget provision of Rs 38,500 crores under MGNREGA in 2016-17 has been now increased to Rs 48,000 crores in 2017-18. “This is the highest ever allocation for MGNREGA,” he said.

The initiative to geo-tag all MGNREGA assets and putting them in public domain will further establish greater transparency.

The Finance Minister also has laid down that the Government will continue to work closely with the farmers and the people in the rural areas to improve their life and environment. “This is a non-negotiable agenda for our Government,” the Finance Minister said.

Among a series of old and new programmes as enunciated by the Government, this year’s Budget also talks about strategies for imparting new skills to the people in the rural areas, mason training for about 5 lakh persons by 2022 and immediate target of training at least 20,000 persons by 2017-18.

Panchayati raj institutions still lack human resources for implementing development programmes. A programme of “human resource reforms for results” will be launched during 2017-18 for this purpose, he said.

In terms of helping the rural and agrarian community, it is also imperative to refer to the government’s slogan - *Sabka Saath Sabka Vikas*. On this, Finance Minister’s Budget approach for the fiscal 2017-18 begins with the girl child and women.

A number of ‘Mahila Shakti Kendras’ are to be set up at village level with an allocation of Rs 500 crores in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

A nationwide scheme for financial assistance to pregnant women has already been announced by Prime Minister on 31st December, 2016. Under this scheme, Rs 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children. This will help people in rural areas also.

Apart from these, it is worth mentioning that the government has made an allocation of Rs 19,000 crore for the *Pradhan Mantri Gram Sadak Yojana* or PMGSY—aimed at connecting all rural habitations in the country. It is understood that along with spending by state governments, PMGSY may result in a capital expenditure of Rs 27,000 crore. The Finance Minister said the pace of road construction was 133 km per day under PMGSY in 2016-17 as compared with 73 km per day in 2011-14. Moreover, it is also being underlined that the allocation for *Pradhan Mantri Awaas Yojana*, a housing scheme for the poor, has been raised by 44 per cent to Rs 23,000 crore for 2017-18 to go toward building 10 million houses. Similarly, for *Deen Dayal Upadhyay Gram Jyoti Yojana* – the rural electrification programme, the allocation has been raised by a whopping 43 per cent to Rs 4,814 crore for 2017-18 from the amount that was a year ago.

Conclusion:

It goes without saying that the uplift of rural infrastructure and helping Indian farmers is one of the most important factors for the overall growth of the Indian economy. The plans relating to basic rural infrastructures with focus on agro-development thus ought to be addressed in a rather cohesive and more direct manner than before. Steps have been accordingly taken and schemes tailored in last two-and-half years to ensure creation of gainful employment in villages and small towns to generate a resource base at the household level, improve agriculture and allied sectors and, ultimately, usher in rural happiness and prosperity. ❑

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J&K WINDOW

DIGI DHAN MELA HELD AT JAMMU

The Digi Dhan mela, which is a Government of India initiative aimed at incentivizing digitally enabled transformation in the country following the recent demonetization, was held in Jammu.

As there is need of digitization in the country for easy transfer of money. Digitization will pave way for a new revolution in which, paper currency will be replaced by digital transactions thus proving beneficial to curb black money. In the wake of this, the Union Government is contemplating to merge Jan Dhan, Aadhar and Smart Phones for boosting the economy of the country and for the easy transfer of money. In a few years, the mindset of the common masses would have a drastic change to adopt the digital technologies. A huge public participation was seen thronging different stalls put up by various banks, telecom companies, Aadhar and different departments of the State Government to gather first hand information about various Digital Schemes of the Government of India.

Union Budget 2017-18 : Big Boost to Agriculture

Laxmi Joshi
V P Ahuja

The agriculture sector is projected to register a healthy growth rate of 4.1 per cent from the drought-reduced growth rate of 2 per cent in 2015-16. The Budget also gives a push to market reforms in agriculture, increases funding for crop insurance and sets a higher target for farm credit. It has also charged the apex rural bank, the National Bank for Agriculture and Rural Development (NABARD), with the task of implementing schemes to improve access to irrigation and develop the dairy sector

The 2017-18 Budget made multiple announcements for the agriculture sector. This could come as a breather for the discomforts caused to farmers by demonetisation. It could also help boost consumption and spur growth.

The current budget signifies a major boost for the interrelated sectors viz. horticulture and dairy sectors by significantly increasing allocation, which is bound to show notable results in future. The agriculture sector is projected to register a healthy growth rate of 4.1 per cent from the drought-reduced growth rate of 2 per cent in 2015-16. The Budget also gives a push to market reforms in agriculture, increases funding for crop insurance and sets a higher target for farm credit. It has also charged the apex rural bank, the National Bank for Agriculture and Rural Development (NABARD), with the task of implementing schemes to improve access to irrigation and develop the dairy sector.

In order to accelerate the agricultural growth, credit sector has received the highest priority in the Budget 2017-18. The allocation for FY 2017-18 is targeted at Rs 10 lakh crore, signifying an increase of Rs 1 lakh crore. This is a welcome provision as it is slated to increase lending in the agriculture sector.

The Government has announced various initiatives in agriculture during the past two years with the resolve of doubling the farmers' income in the next five years. These schemes include the *Pradhan Mantri Krishi Sinchai Yojana* (PMKSY), the *Pradhan Mantri Fasal Bima Yojana* (PMFBY), and the creation of a National Agriculture Market for farm produce through an electronic platform (e-NAM). The Union Budget 2017-18 also proposes to create a dedicated micro-irrigation fund of Rs 5000 crore with NABARD, which is a welcome move as over 54 per cent of the 141 million hectares of net cultivated area in India does not have the required infrastructure for irrigation.

The coverage of the National Agricultural Market (e-NAM) is proposed to be expanded from the current 250 markets to 585 Agriculture Produce Marketing Committees (APMCs), with an assistance of up to Rs 75 lakhs offered to every e-NAM market for the establishment of cleaning, grading and packaging facilities. This move is likely to benefit farmers by promoting value addition of their produce.

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Mr. Ved Parkash Ahuja is former Additional Economic Adviser to the Ministry of Agriculture, GOI. He is presently associated with the Agricultural Outlook Project as Consultant in NCAER.

The Budget also stipulates that a model law on contract farming would be prepared and circulated among the states for adoption to integrate farmers who grow fruits and vegetables with agro-processing units for ensuring better price realisation and reduction of post-harvest losses. The states would also be urged to de-notify perishables from APMCs to free farmers from the clutches of the middlemen and allow them to sell their produce independently.

The PMFBY launched in the country from the Kharif 2016 season onwards has made impressive progress during the first season itself. The scheme provides coverage to 366.64 lakh farmers (that is, 26.50 per cent of the total farmers) and is expected to exceed the target of 30 per cent coverage for both the Kharif and Rabi seasons in 2016-17. For the flagship crop insurance scheme, PMFBY, there has been a remarkable increase in the budget provision from Rs 5500 crore in 2016-17 to Rs 9,000 crore in 2017-18. The targeted coverage under the PMFBY for the budget year (2017-18) will be to bring 40 percent of the cropped area under insurance, and to take it further up to 50 per cent next year (2018-19).

The Soil Health Card scheme, initiated in 2015, would be strengthened further with the setting up of mini labs for soil testing in all the 648 *Krishi Vigyan Kendras* (farm research institutes) across India. In addition, 1000 mini labs will be set up by qualified local entrepreneurs with assistance from the government.

The recently enacted Goods and Services Tax (GST) Act is also likely to have major implications for India's agriculture and food sectors, especially in view of the fact that these sectors are currently subjected to a wide array of direct and indirect taxes levied by the Central and State Governments.

The Budget also stipulates that a model law on contract farming would be prepared and circulated among the states for adoption to integrate farmers who grow fruits and vegetables with agro-processing units for ensuring better price realisation and reduction of post-harvest losses. The states would also be urged to de-notify perishables from APMCs to free farmers from the clutches of the middlemen and allow them to sell their produce independently.

For better price realisation and reduction of post-harvest losses, the Government is planning to integrate farmers who grow fruits and vegetables with agro-processing units. It has already integrated 250 *mandis* (markets) in ten states with the electronic National Agriculture Market (e-NAM) in the first phase, on which commodities worth Rs 421 crore have been traded. A mobile app has also been launched to access information related to the prices of commodities traded on the e-NAM platform to encourage more farmers to take advantage of this new initiative. About 69 agricultural and horticultural commodities including fruits and vegetables have been notified for trading on e-NAM platform. The integration of these *mandis* with the e-platform will also help enhance farmers' income.

A sum of Rs 2,000 crore has been allocated as corpus for a new fund, the Dairy and Infrastructure Development Fund, to be established under NABARD. Milk and cattle rearing would also fetch additional income for the farmers, and the move of establishing a fund dedicated to dairy development is thus going to transform farmers' livelihoods while also augmenting the percentage contribution of milk and processed milk items to the overall agricultural output of the nation. In line with the growing demand for packaged milk and other dairy products, dairy cooperatives and other dairy companies have also stepped up investments in cold-chain facilities for the procurement and marketing of milk and milk products. This growing trend for the demand of milk and milk products is expected to continue, with the sector experiencing robust growth in the short and medium runs. ❑

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11,931 Villages Electrified Under DDUGJY

11,931 villages have been electrified out of 18,452 un-electrified villages as on 30.01.2017, under Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY). Remaining villages are targeted to be electrified by May, 2018.The progress of electrification of un-electrified villages during the last two and half years, as informed by the State Power Utilities, is as under:

Upto 15th January 2017, 5,775 projects have been sanctioned under DDUGJY for various rural electrification works, including electrification of un-electrified villages. 4.27 crore Below Poverty Line (BPL) households have also been sanctioned under the scheme.

Sl. No.	Year	Target	Achievement
1	**FY 2014-15**	1900	405 (73%)
2	**FY 2015-16**	5686	7108 (125%)
3	**FY 2016-17 (upto 31.12.2016)**	8360	4423 (53%)

A Budget for the Youth

S S Mantha

To keep this momentum going, citizens also need to wholly participate in legitimate wealth creation and upholding their moral responsibilities. As the baton has been passed over to the next generation, it is important to note, that with great power, comes great responsibility

In 2016, the United Nations published a report on global demographics where the Indian population stood at 1.3 billion, the second most populated country in the world. With a projected growth rate of 1.2 per cent, India by 2022 could surpass China and become the first major democracy in history to be home to over 1.5 billion people. Currently, more than 60 per cent of India's population is below the age of 35 and by 2020, the average age of an Indian will be about 29 years – compared to 37 for China and 48 for Japan.

As we edge closer to 2020, these numbers, facts and figures throw up a poignant question – are we prepared to face the enormity, the gravity of the situation? The challenge, of having to provide education, skills and gainful employment to a growing country, is going to require detailed planning, a precise approach and a backup counter approach. This brings us to the recently concluded Union Budget 2017-18 announcement.

Aptly titled 'Transform, Energise and Clean India (TEC India)', it seeks to transform the quality of governance and quality of life. Of the several distinct themes to foster this broad agenda, it is very gratifying to see the importance laid on the rural population, infrastructure building, employment schemes, security, affordable housing and strengthening the digital economy for speed, accountability and transparency.

The Uruguayan novelist, Eduardo Galeano, once said, "I don't believe in charity, I believe in solidarity. Charity is vertical, it's humiliating. It goes from the top to the bottom. Solidarity is horizontal. It respects the other and learns from the other. I have a lot to learn from other people."

Rural India has three important concerns today – all access is limited, resources are very few and far between but most importantly, the deep seated ideas are difficult to shake or mould. In such situations, what matters most – is education. Echoing Galeano's thought, American writer and futurist Alvin Toffler says, "the secret message communicated to most young people today by the society around them is that they are not needed, that the society will run itself quite nicely until they — at some distant point in the future — will take over the reins. Yet the fact is that the society is not running itself nicely; because the rest of us need all the energy, brains, imagination and talent that young people can bring to bear down on our difficulties. For society to attempt to solve its desperate problems without the full participation of even very young people is imbecile."

The Author is an eminent academician. He was the chairman of All India Council for Technical Education (AICTE), Ministry of HRD, GOI from 2009 – 2015. Currently, he is an Adjunct Prof. in the National Institute for Advanced Studies (NIAS), Bengaluru.

Education thus, plays a very important role. It refines sensitivities and perceptions that contribute to independence of mind and spirit – deeply entrenching the values of socialism, secularism and democracy. It develops manpower for different levels of the economy; and is the substrate on which research and development flourish, being the ultimate guarantee of national self-reliance. The essence and role of education, articulated in the National Policy, envisages education for all. RTE, operationalised in 2010, is also an important step in this direction.

There are however, always a few roadblocks that could hamper progress. One such concern is the issue of underdeveloped infrastructure. Villages with limited access to resources like good teachers, materials growing poverty, child labour, early school dropouts and illiteracy, are some of the most basic yet glaring issues. To counter this, adoption of new technology is the only solution.

Digital technology can seamlessly transform even a small paddy field into a classroom, in less than a few minutes. Where Gurukuls earlier existed to teach children the way of life far away from their families, a digital Gurukul setup today could work wonders. Children in these new setups can easily learn while also supporting their families, thus helping create a perfect work-life balance at an early age. And, in order to create this wider channel of change, creating Wi-Fi belts in villages, using television, radio and computers as teaching aids while also assigning a bunch of tech enthusiasts to move around and set these up could definitely be a step towards success. Further, albeit Gross Enrollment Ratio (GER) at primary school level of more than 95, a lot is left uncovered in quality. Missing basic infrastructure in many government schools, a system of rote learning prevalent in even the best private schools has destroyed any innovation that can come from children.

The budget thus recognising this situation has introduced a system of measuring annual learning outcomes in schools and provided for an 'Innovation Fund for Secondary Education' which proposes to encourage local innovation. This is expected to ensure universal access, gender parity and quality improvement. Moreover, the same to be introduced in 3479 educationally backward blocks is a right step forward – and there is a need to expand this across all districts in the country.

Bertrand Russell said, "It is because modern education is so seldom inspired by a great hope that it so seldom achieves great results.

Lifelong learning, virtual learning or blended/hybrid learning is transforming many a life today. Content available across the best of the Universities can be streamed both in online and offline mode.

The wish to preserve the past rather than the hope of creating the future dominates the minds of those who control the teaching of the young." This brings us to the next step in education – universities.

Universities for higher education were set up to impart knowledge and award Degrees and Diplomas. The spirit of learning, debating the and seeking answers to "what if" were key points. The learning atmosphere was to be assiduously created and preserved. Since the best learning happens in free enterprise through interactions with the learned from various disciplines, it is no wonder then that some of the great universities nurture almost all disciplines and departments from liberal arts to social sciences to basic sciences to applied sciences and many more.

However in India, boundary conditions have changed for establishing universities to accommodate the massive expansion. Disaggregation of quality standards and the lack of adequate funds have forced an affiliation system to be a mere setup that has thrived over the years. And as the affiliation system grew to unmanageable proportions, the focus of the university shifted from that of learning and knowledge dissemination, to one that was predominantly administrative. While examinations and result declarations took centre stage, university departments stopped interacting owing to an imbalance of resources in men and material. Further, internal structures like the Management Council / Syndicate, the Academic Council, have all fallen to the vagaries of various political groups, leaving hardly any time for academics – something that a university is essentially based on.

Autonomy for institutions is a way out of this impasse. Leaders who command respect are expected to restore academic ambience and trust on a University Campus, isolating the academic pursuits from the administrative. Of course, the statutory provisions to run a University would also need to undergo a sea change. The Government, rightly recognising the above, has backed good quality higher education institutions to have greater administrative and academic autonomy.

Lifelong learning, virtual learning or blended/hybrid learning is transforming many a life today. Content available across the best of the Universities can be streamed both in online and offline mode. The Government has put systems in place to develop SWAYAM platform, by leveraging IT and plans to launch it with at least 350 online courses. This would enable anyone to virtually attend courses in addition to liberally subscribing to lifelong learning.

As a counter measure, the budget also proposes a National Testing Agency to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions. This will mitigate the pressure and stress that the children and the parents undergo in making themselves able enough to file through a maze of applications, keep track of multiple examinations, and do well at least in some of them, not to speak of a fortune that is required to support the activities financially.

At this juncture, I would have definitely liked to see schemes to encourage setting up institutes following the Fraunhofer Model – where the society (in our case, the Private-Public Setup Society) earns about 70 per cent of its income through contracts with industry or specific government projects and the other 30 per cent of the budget is sourced in the proportion 9:1 from federal and state (Land) government grants and is used to support preparatory research. Thus, the size of the society's budget would depend largely on its success in maximizing revenue from commissions. This funding model applies not just to the central society itself but also to the individual institutes. This serves both to drive the realisation of the Fraunhofer Society's strategic direction of becoming a leader in applied research as well as encouraging a flexible, autonomous and entrepreneurial approach to the society's research priorities.

That apart, even a basic beginning with Max Planck like institutes in India would go a long way. According to its primary goal, the Max Planck Society supports fundamental research in the natural, life and social sciences, the arts and humanities in its 83 Max Planck Institutes that focus on excellence in research. While these institutes operate independently from, though in close cooperation with, the universities, they focus on innovative research which does not fit into the university structure due to their interdisciplinary or transdisciplinary nature or which require resources that cannot be met by the state universities.

We need a sustainable ecosystem that would assist the younger generation of India and industry across sectors in developing skills of international standards. We need a network for delivery of skill based training across the country that enables development of a multi-collar workforce (Rust, Blue, Grey and White), enabling workers to move up the value chain. Which brings us to the next part of the discussion – addressing a greater need for vocational education and skill development institutes.

In order for Vocational Education to play its part effectively in the changing national context and for India to enjoy the fruits of the demographic dividend, the Government recognises an urgent need to redefine the critical elements of imparting vocational education and training to make them flexible, contemporary, relevant, inclusive and creative.

Vocational Education and Training (VET) is an important element of the nation's education initiative. In order for Vocational Education to play its part effectively in the changing national context and for India to enjoy the fruits of the demographic dividend, the Government recognises an urgent need to redefine the critical elements of imparting vocational education and training to make them flexible, contemporary, relevant, inclusive and creative.

The budget reinforces many of these ideas into action and has thus extended the *Pradhan Mantri Kaushal Kendras* to more than 600 districts across the country. It further proposes to set up 100 India International Skills Centres across the country and to launch SANKALP - Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme, at a cost of Rs 4000 crores, and provide market relevant training to nearly 3.5 crore youth. Let's look at some statistics.

- In 2012, there were around 474.1 Mn workers, the second largest after China.
- More than 94 per cent work in unincorporated, unorganised enterprises ranging from pushcart vendors to home-based diamond and gem polishing operations i.e. sectors which don't offer social safety and any other profits of employment.
- The organised sector includes workers employed by the government, state-owned enterprises and private sector enterprises.
- 60 per cent of India's workforce is self-employed, many of whom remain very poor.
- Of the remaining 40 per cent nearly 30 per cent are casual workers while only about 10 per cent are regular employees, of which two-fifth are employed by the public sector.
- India has one of the lowest levels of per capita income and productivity. The per capita income is 30,000 dollars in Japan, 879 dollars in Sri Lanka while it is only 433 dollars in India. Currently, India's per capita income is 7.5 per cent of the per capita income in developed countries. As per experts, this needs to be increased to 80 per cent in half-a-century.
- Around 55 per cent of our population is supported by the agriculture sector. With the GDP contribution of this sector progressively declining; we see rural-urban migration causing significant problems.

At this stage, SANKALP needs to be planned and executed well to address these concerns effectively. That apart, the announcement to Strengthen Skills for Industrial Value Enhancement (STRIVE) in 2017-18 at a cost of Rs 2,200 crores needs to be seamlessly integrated with the MSME sector for maximum benefits. Some of the notable value additions are the schemes for creating employment in the leather and footwear industries along the lines of textiles sector and the Incredible India 2.0 campaign to be launched across the world to promote tourism and local employment.

With most of the developing economies having a sizeable ageing population leaving behind a wide gap of opportunities as they move out of the workforce, Indians should be potential front-runners for filling the gap. According to a recent newspaper report these numbers in the coming few years are as large as 8 million in Japan, 17 million in USA and almost 4 per cent of the entire European population base. And should India ignore this, we stand to lose these opportunities to China, Sri Lanka and other growing Asian economies.

Conclusion

The Government's push for digitalisation is bound to have a cascading effect on the youth, the way business in India is conducted and on the value systems in general. Some of the positive initiatives are provisions for digital economy in the Budget, like the BHIM app or new schemes like the Referral Bonus Scheme for individuals and a Cashback Scheme for merchants, Aadhar pay, among others. Even the proposed mission that will be setup with a target of Rs 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards and proposals to mandate all Government receipts through digital means, will all bring in transparency and accountability not only in the Government but also in the private sector, beside creating new jobs and skilling opportunities.

As mentioned earlier, opportunities like Max Planck or Fraunhofer institutes would have paved the way for integrated innovation and Make in India/Start up India initiatives. A Make in India hub for productisation that would promote massively new products in various sectors like the Defence, Railways, and Infrastructure etc., could have been the star of the budget.

I would have personally liked to see more schemes to integrate Skills and Education in our Schools and Colleges, providing for multi-point entry and exit from the formal education system to the Vocational education system and job markets. Further, setting up a National Skills University to integrate all skills-based initiatives of the Government to optimise return on investments would have been an important initiative.

Amongst various initiatives aimed at youth empowerment, a matter of concern however, would be to see the Education spend as a measure of GDP going down since 2012 when the youth population has been going up.

I believe that the government has to write the new chapter in India's growth and future by creating a sanctioned charter for the citizens, addressing their needs and carefully enforcing duties. To keep this momentum going, citizens also need to wholly participate in legitimate wealth creation and upholding their moral responsibilities. As the baton has been passed over to the next generation, it is important to note, that with great power, comes great responsibility. ❑

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Improving Productivity and Employment Growth

Arup Mitra

..to help modernise the labour intensive goods industries, to enable the units to manufacture quality products which will generate export demand, and to help them expand so that their contribution to both growth and employment generation becomes significant, are still in the waiting list. Instead of merely importing technology, how innovation can be pursued which will contribute to productivity and employment, both have to be the important menu in the future discourses

Industrial growth and employment creation fall into the domain of primary objectives of the Government. India, or any developing country for that reason, needs to revive its industrial sector because services alone cannot provide enough outlets for productive absorption of the unskilled and semi-skilled work force and agriculture, on the other hand, comprises a great deal of underemployment. The total factor productivity growth in the industrial sector can be raised significantly through technological advancement, contributing to non-input driven growth. Even if technological innovation is believed to be capital intensive, the recent research (Vivarelli, 2013) shows a number of channels through which employment gains are actually possible. Product diversification, manufacturing of new products and by products without proportionate rise in capital and material and more importantly, the large scale adoption of the new technology can result in employment gains. So productivity gains and employment gains can be attained concurrently and they do not necessarily involve trade-offs. In the backdrop of this it would be interesting to take a quick look over the Union Budget 2017-18 in order to understand the short term implications and their extent of convergence to the long terms goals.

Just a little while ago the historic demonetisation took place. And it is feared to have had an adverse impact on growth at least in the short run, which in turn would raise unemployment. The non-agricultural investment and growth located largely in the urban areas are likely to suffer raising the urban unemployment rate and underemployment. The medium and small enterprises both in manufacturing and services are likely to suffer in terms of investment, growth and employment. However, the large units are also not completely out of risk. After all, many units subscribe to the practice of bribes in order to avoid regulations and carry out their businesses. The first negative impact of a cut down in investment is always seen in terms of a reduction in labour demand. This is because labour is the only input, particularly in the era of contractualisation, which is extremely fluid compared to other inputs. So cutting down the labour cost to cope with declining market trends is the easiest (and possible to implement) choice for the entrepreneurs. The rural sector unemployment is also feared to rise because, given that the agriculture sector is not in a position to absorb labour significantly, many of them

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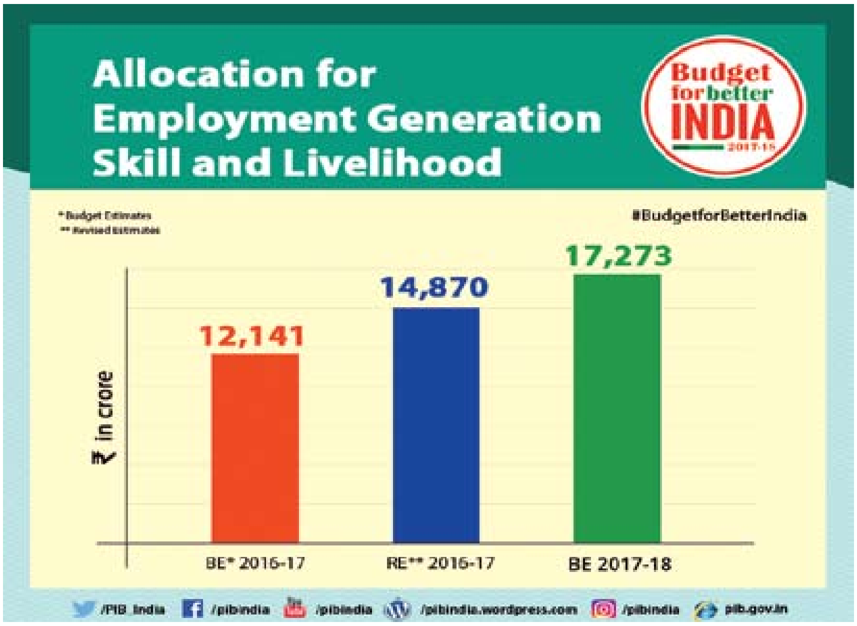
take recourse to rural non-farm sector, where business requires cash on day to day basis. So, demonetisation may not spare the rural non-farm sector growth and employment. However, much of this might have been exaggerated because business after all involves a great deal of transactions which are notional and which involve considerable time lags. Hence, the adjustment mechanisms may neutralize the growth-dampening aspect of demonetisation. Like the nationalisation of banks in the seventies demonetisation was necessary and long overdue. It had to be sudden; else the whole purpose would have been lost.

The Union Budget has made the highest allocation to MNREGA so that employment opportunities are created. One of the standard criticisms of the employment guarantee programme was that it did not create enough assets which could contribute to future growth. However, the Union Budget brings in a new dimension of using space technology to plan MNREGA works, so that work allocation does not have to take place in the last minute towards the end of the financial year when the expenditure has to be incurred hurriedly, else, the allocations have to be returned. During 2017-18, it is proposed that another 5 lakh ponds will be constructed, for drought-proofing. If this irrigation programme is linked up with the MNREGA program, it will be a highly effective strategy in addition to being productive from the point of view of agricultural growth. A total allocation for rural, agricultural and allied sectors for 2017-18 is 24 per cent higher than the last year's figures, indicating clearly that the Government wishes to deal with rural unemployment, underemployment and poverty issues more aggressively.

Allocations of PM's employment generation and credit support schemes has been stepped up by 3 times. PMEGP is basically a credit-linked subsidy programme which combines Rural Employment Generation Programme (REGP) and *Pradhan Mantri Rozgar Yojana* (PMRY). The Ministry of Micro, Small and Medium Enterprises (MoMSME) administers the programme and it is implemented by the Khadi and Village Industries Commission (KVIC). At the state level, KVIC directorates administer the programme. The primary aim is to generate jobs in both rural and urban areas through self-employment ventures, micro enterprises, and other projects. The dual objective is to bring back the tradition of village artisanship and to help (urban) youth not able to find jobs otherwise. The programme aims at providing employment in a continuous and sustainable manner and enhancing the earning capacities of the beneficiaries.

Keeping pace with the nationwide programme to go digital, the Budget emphasises that increased digital transactions will enable small and micro enterprises to access formal credit. Hence, rise in productivity of these units and meaningful contribution to be made by these units to national GDP are some of the expected outcomes which may help these units overcome the adversity of demonetisation. The small and micro enterprises are numerous while their contribution to value added, has been nominal. Take the example of unregistered manufacturing – their share in total manufacturing value added is around one-third or so. The move to revive them within the broad ambit of the country to go digital is interesting, particularly if we keep in mind that the organised manufacturing alone cannot reduce the mismatch between labour demand and supply in a significant manner. In order to avoid the incidence of taxes, many enterprises decided to remain within the unregistered/informal sector by splitting their activities into multiple units. Digitization may help consolidation, facilitating collection of taxes; while the units surviving on the margin can actually improve their financial viability and performance. For those who do not have debit cards or mobile phones, a merchant enabled Aadhaar payment system is proposed to be launched.

The small firms with a turnover of around 50 crore or less will have to pay a lower tax (25 per cent). The modern small scale industries are, therefore, likely to invest more, and in the process the industrial growth and employment are expected to rise. On the other hand, foreign investment which comes along with advanced technological configurations has received considerable amount of attention in the Budget given the fact that more than 90 per cent of the FDIs are proposed by automatic mode and that the Foreign Investment Promotion



(Source: PIB)

Board has been abolished, economic activities are expected to pick up considerably without the compulsion of going through bureaucratic delays. A 36 per cent increase in FDI is likely to boost investment and generate employment considerably.

A host of factors have been identified as the determinants of productivity growth in the industrial sector as we have seen in terms of our research on Total Factor Productivity Growth (TFPG). Among them trade openness, agglomeration economies, infrastructure & ICT and innovation are the four major sets. Innovation is also another variable which can enhance productivity. Through innovation higher level of technology is attained which in turn raises the non-input driven component of growth. The importance of infrastructure is widely recognised in the literature. For example, public infrastructure is considered to be a crucial factor in enhancing productivity and technical efficiency through complementary relationship with other factors of production and external economies of scale. Poor employability of the labour force is seen as a major constraint to investment and employment growth and over time, this skill mismatch has grown, particularly in relation to the manufacturing sector (Mitra, 2013). The Union Budget methodically addresses these constraints. According to the Budget, the Government in the ensuing 2017-18 financial year will launch a scheme *Sankalp* (Skill Acquisition and Knowledge Awareness for Livelihood Promotion Programme) at a cost of Rs 4,000 crore. Around 3.5 crore youth will be trained under *Sankalp* program launched by the Government. *Sankalp* will provide market relevant training to the youth. *PM Kaushal Kendras* will be extended to 600 districts; 100 international skill centers are to be opened to help people. *Kaushal Kendras* are being set up as community skill centers focused on rural population with facilities for language lab, digital library, assessment and career guidance and skill room. All this is expected to improve the employability.

Budget 2017-18: Measures for Growth and Employment Generation

- The next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) in the next financial year 2017-18 at a cost of Rs 2200 crore to be launched. STRIVE will focus on improving the quality and market relevance of vocational training provided in it and strengthen the apprenticeship programmes through industry cluster approach
- Special Scheme for creating employment in leather and footwear industries to be implemented. This will be on the lines of the already launched Special Scheme for creating employment in the textile sector.
- Five Special Tourism Zones, anchored on SPVs in partnership with the States to be set up, tourism being a big employment generator with a multiplier impact on the economy. Incredible India 2.0 campaign to be launched across the world.
- *Pradhan Mantri Kaushal Kendras* to be extended all over the country from current 60 to cover more than 600 districts across the country. 100 India International Skills Centres to be established across the country. These centres would offer advanced training and also courses in foreign languages. This is expected to help those of our youth who seek job opportunities outside the country.
- "SANKALP" (Skill Acquistion and Knowledge Awareness for Livelihood Promotion Programme) to be launched at a cost of Rs 4000 crores
- SANKALP is expected to provide market relevant training to 3.5 crore youth.
- Income tax for smaller companies with annual turnover upto Rs 50 crore reduced to 25 per cent in order to make MSME companies more viable and also to encourage firms to migrate to company format. This will make the MSME sector more competitive as compared to large companies.
- Concessional with-holding rate of 5 per cent being charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds.
- To give a boost to Start-ups, the condition of continuous holding of 51 per cent of voting rights which had been given to Start-ups to carry forward losses, has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also, the profit linked deduction available to the start-ups for 3 years out of 5 years is being changed to 3 years out of 7 years.

The concept of India International Skills Centres (IISC) to be established across the country is really interesting as these centres will offer advanced training and courses in foreign languages. This is expected to help those who seek job opportunities outside the country. There has been a strong criticism against the ITIs relating to the quality of training imparted to the participants. 'A plumber had to be retrained by the recruiting agency before he can be sent to the middle-east to pursue work'. From this point of view, the recent move is very encouraging; it will facilitate labour mobility across countries, reducing the excess supplies in the domestic economy, and on the other hand, the country's foreign exchange earnings through remittances will rise sizably. Remittances contribute significantly to the well-being of the relatives who stay back. How remittances can be utilised for creation of productive assets through mechanisms which incentivise the process can be the policy agenda in the future. As a first step, this explicit

Budget 2017-18: Measures for increasing Ease of Doing Business

- The threshold limit for audit of business entities that opt for presumptive income scheme, has been raised from Rs 1 crore to Rs 2 crore. Similarly, the threshold for the maintenance of books for individuals and Hindu Undevided Families (HUF) is proposed to be increased from turnover of Rs 10 lakhs to Rs 25 lakhs or income from Rs 1.2 lakhs to Rs 2.5 lakhs.
- The Foreign Portfolio Investor (FPI) Category I & II will be exempt from indirect transfer provision under the IT Act. Besides, indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of, or, arising out of redemption or sale of investment in India, which is chargeable to tax in India. This will remove apprehensions over taxation upon transfer of stake of investors of India-based funds located abroad.
- Individual insurance agents will be exempted from the TDS provision of 5 per cent being deducted from commission payable after filing a self-declaration that their income is below taxable limit. Professionals with receipt upto Rs 50 lakhs p.a. can pay advance tax towards presumptive taxation in one installment instead of four.
- Scope of domestic transfer pricing proposed to be restricted only if one of the entities involved in related party transaction, enjoys specified profit-linked deduction. This is expected to reduce the compliance burden for domestic companies since the number of entities being covered under domestic pricing had gone up substantially resulting in longer scrutiny.

move on the part of the government to create employable labour force which will match the international standards and thus contribute to spatial and upward mobility is noteworthy; and it reflects a highly progressive long term vision that the government holds.

Allocation for infrastructure has been evidently large. This will also generate employment as building of massive infrastructure would require manpower. However, more desirable outcomes could have been expected if this infrastructure building strategy could have been accompanied by a regional dimension. Regional inequalities have grown over time, instead of convergence, divergence is seen to have taken place in terms of economic growth across the states. And one of the effective ways of curbing regional inequality is to foster infrastructure in areas which are lagging behind. Of course we understand that concentration begets agglomeration economies and to benefit in terms of agglomeration economies, more investment has to be pumped into the areas which already have a significant initial base. But, in the process, some of the areas remain completely neglected and industrialisation for example, tends to become highly area centric, resulting in regional tensions. In order to curb these problems, it is desirable to pursue a more regional approach when it comes to building infrastructure. The pace of industrialisation in the north-east has been negligible.

Besides a new metro rail policy is expected to be announced which will open up new job opportunities for the youth. This is a great solace for the urban based educated youth! The metro rail project will also add significantly to the infrastructure network, efficiency in commuting and work performance. In the face of the growing urban population prompted by the village-to-city migration, more such employment oriented projects with an 'urban bias' would have been desirable.

However, more should have been done for the manufacturing sector if industry-led-growth is going to be the mandate. The Government should have proposed tax incentives for the labour-intensive industries including leather, gems and jewellery as part of the "Make in India" initiative to boost manufacturing, create jobs and revive exports. The China-style mega industrial cities across the country equipped with production units, public utilities, residential areas, schools and hospitals are very much in the offing under the smart cities programme but any significant mention of a big fiscal boost in the budget 2017 for such growth centers is not significantly noticeable. The labour intensive goods based industrialisation does not seem to have been the major focus of the Budget. Rather the Budget is more agriculture and rural centric, which is, in any case, warranted given the fact that a large majority of the population still lives in the rural areas and nearly half of the work force is engaged in the agriculture sector. However, to help modernise the labour intensive goods industries, to enable the units to manufacture quality products which will generate export demand, and to help them expand so that their contribution to both growth and employment generation becomes significant, are still in the waiting list. Instead of merely importing technology, how innovation can be pursued which will contribute to productivity and employment, both have to be the important menu in the future discourses.

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Transforming the Real Estate Sector

Ranjeet Mehta

India today has a huge demographic advantage in terms of the young population and it is of paramount importance that appropriate steps are taken to ensure that job creation keeps pace. Housing is a labour-intensive industry, with a long backward linkages tail, generating a large multiplier of economic activity in sectors while significantly aiding in job creation. This also plays very favourably with aspirations of India's youth, and will help in the realisation of the demographic dividend of this segment. This Budget continues to be a step in the right direction

Budget 2017 is unique in more ways than one. First, the government has done away with the taxonomy of Plan and Non-Plan expenditure. The outgo will now be classified as revenue and capital expenditure. Second, the Union Budget will subsume the Rail Budget leaving aside the practice of 92 years. Both are steps in the right direction and are likely to improve outcomes.

Generally, when Finance Ministers prepare annual budgets in times of slowdown, they have only two ways of engineering an economic growth-the demand side; and the supply side. Or, a combination of both. Demand-led growth is essentially consumption led growth which is typically triggered by low rates of direct and indirect taxation to leave more in the hands of the consumer to consume and some sops, even subsidies. This triggers demand for products and services and props up the economy. The Finance Ministers rarely choose one over the other. Rather, they often provide incentives in a mix with the objective of triggering economic activity from both the demand and the supply side.

Budget 2017 has predominantly chosen investment-led growth over demand-led growth in the Indian economy. Given that India is grappling with very low consumer and industry sentiment, the chances of churning a consumption boom through tax reduction were pretty low. Hence, taking a hit in taxes in the hope of a pick-up in demand looks a risky proposition. It was better to take control of the situation by increasing government investments for a sustained and definite growth.

The budget has pumped up the investment/supply side of the economy with nearly all the resources at its disposal. There's Rs 3.96 lakh crore for infrastructure projects; Rs 2.44 lakh crore of loans under the MUDRA scheme for entrepreneurship; Rs 1.85 lakh crore for the rural, agri and allied sectors, Rs 48,000 crore for MGNREGA to create productive assets in rural areas; Rs 1.84 lakh crore for schemes for women and children. The belief is that such projects will create enough demand for affiliated sectors which will create a chain reaction of higher economic activity.

But, while the ultimate objective of both demand and supply-led economics is to churn the economy into action demand-led growth push, creates instant consumption growth in the economy, may be in a quarter. In contrast, investment-push growth has a lag effect and only shows up in higher GDP numbers as late as 3 quarters later. Against this back drop, the Indian

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real estate sector, with backward and forward linkages to approximately 265 ancillary industries needed immediate push.

Real Estate sector has been making rapid strides in recent times and has emerged as one of the most important contributors to the Indian economy. But we have seen a slow down in post demonetisation. The sector continues its metamorphosis from being largely fragmented and unorganised to become as structured and organised as its peers in developed economies across the globe. The growing prominence of India in the global scenario has had a positive impact leading to increased expectations and responsibilities on this sector.

With the real estate sector hoping for a push from the Union Budget 2017-18, the announcement of 'Infrastructure status' to the affordable housing sector, can serve as a significant step in achieving the government's 'Housing for All by 2022' mission. This could be a game-changing step for developers who already have a good presence in the affordable segment. The Central government has identified 305 cities and towns under the Housing for All by 2022 Mission, also called the *Pradhan Mantri Awas Yojana,* has targeted to build 2 crore homes for urban poor by the year 2022. This Mission is expected to need 38 million workforce by 2030 from 29 million at present, predicted to be the key job creator.

Budget 2017 is based on the following ten themes with a goal to "Transform, Energize and Clean India".

1. Farmers: For whom the Budget has committed to double their income in five years;
2. Rural population: Providing employment and basic infrastructure;
3. Youth: Energising them through education skills and jobs;
4. Poor and the underprivileged: Strengthening the system of social security and affordable housing;
5. Infrastructure for efficiency, productivity and quality of life;
6. Financial sector: Growth and stability through stronger institutions;
7. Digital economy for speed, accountability and transparency;
8. Public service: Effective governance and efficient service delivery through people's participation;
9. Prudent fiscal management to ensure optimal deployment of resources and preserve financial stability and;
10. Tax administration: Honouring the honest

With the real estate sector hoping for a push from the Union Budget 2017-18, the announcement of 'Infrastructure status' to the affordable housing sector, can serve as a significant step in achieving the government's 'Housing for All by 2022' mission. This could be a game-changing step for developers who already have a good presence in the affordable segment.

Real Estate Sector: Highlights

- Affordable Housing has been given the Infrastructure status;
- One crore rural houses will be created by 2019;
- National Housing Bank to refinance Rs 20,000 crore loans;
- Pradhan Mantri Awas Yojana to get Rs 23,000 crore;
- Real estate developers to get tax relief on unsold stock as liability to pay capital gains will arise only in the year a project is completed;
- Instead of built-up-area of 30 and 60 sq meters, the carpet area of 30 and 60 sq meters will be applicable for affordable housing;
- Holding period for capital gains tax for immovable property reduced from 3 years to 2 years;
- Tax break of 1 year post receipt of the completion certificate, for the unsold stock;
- No cash transaction above Rs 3 lakhs will be allowed;
- Indira Awaas Yojana will be extended to 600 districts;
- Indexation for capital gains shifted from 01-04-81 to 01-04-2001.

Affordable Housing Sector: Infrastructure Status

It is expected that the Union Budget-2017 which promises to continue economic reforms, control inflation and prudent fiscal management, now with the much demanded 'Infrastructure Status' to affordable housing segment would positively impact the real estate sector, from the perspective of middle-class end-consumers, giving a major boost to 'Housing for All by 2022 Mission'. The involvement of private players would lead to competition, which in-turn would provide better options for the middle-class and lower-middle class aiming to buy their first homes.

Industry had consistently been demanding the government to allot 'Industry Status' to real estate sector as well. Since the real estate sector is not included among the categories of industry, developers, builders and investors are often compelled to avail loans at higher rate of interests. Due to the hefty interest rate loans, constructors are compelled to face shortage of funds.

There is another push to low cost housing through *Pradhan Mantri Awas Yojana* (PMAY). Under the scheme, government has announced that an interest rate of only 4 per cent would be charged on loans above Rs 9 lakh and 3 per cent on amount above Rs 12 lakh. However, there is ambiguity whether those not falling under EWS (Economically Weaker Section) or the LIG (Low Income Group) segments would be the beneficiaries. The government has also extended the time of completion of such projects from 3 years to 5 years. Thus, more projects will now be eligible for profit-linked income tax exemptions. So far, we have seen limited participation from private developers in the affordable housing segment despite high demand. Profit-linked exemption along with the infrastructure status for affordable housing will push developers to undertake more affordable housing projects, thus increasing private players' participation in the sector.

Low cost / Affordable Housing: Criteria

The criteria for low cost / affordable housing has been changed from built-up area of 30 / 60 sq mtrs to carpet area of 30/60 sq mtrs, thus making the low cost – affordable housing segment more lucrative for the builders and also making the segment more attractive for the buyers. With the change in criteria from built-up area to carpet area, the purchasers get more spacious homes and the builder is able to market the property to a larger segment of buyers. The 30 sq mtrs limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including the peripheral areas of metros, limit of 60 sq mtrs will apply.

Immovable Assets reduced Holding Period

The Budget 2017-18 has lowered the holding period for gains to qualify as long-term in the case of immovable property to 2 years from 3 years currently. This will significantly reduce the tax burden of people selling properties after 2 years and promote investment in the real estate sector. The government also changed the base year to which acquisition cost of an immovable asset is indexed to. The new base year is now 2001, against the earlier year of 1981. This will enable people to improve the acquisition cost of their immovable assets, thereby reducing their overall capital gains. Also the tax break of 1 year post receipt of the completion certificate, for the unsold stock, gives a slight breather to the builders.

Refinancing Individual Housing Loans:

The demonetisation drive towards the end of 2016 has resulted in surplus cash within the banks; thereby allowing major banks across the country to lower their lending rates. The lending rate cut will be welcomed by not only new home buyers, but will also be a reason to rejoice for home buyers who have already taken a flexible housing loan. However, the refinancing scheme from the National Housing Bank (NHB) will improve the sentiment of current homeowners, especially those subjected to high lending rates in the past.

The demonetisation drive towards the end of 2016 has resulted in surplus cash within the banks; thereby allowing major banks across the country to lower their lending rates. The lending rate cut will be welcomed by not only new homebuyers, but will also be a reason to rejoice for homebuyers who have already taken a flexible housing loan.

Capital Gains Tax Liability Changed

The Budget proposes to change the prevalent practice and has clarified that the landowner entering into a joint development agreement for development of the property, shall be subject to capital gains tax upon completion of the project. This is a significant change, which is much needed, to bring clarity on the aspect and avoid litigation with the department, which was invariably a norm given the current ambiguity. That means if a Joint Development Agreement is signed for the development of property, then the capital gains tax will only be paid in the year of completion of the project. Apart from several other measures to reduce capital gains tax, this step will provide tax relief not only to the landowner but also the builder/promoter, thereby decreasing their liability. This is also likely to help improve land transactions and bring in more supply of land into the property market that has been reeling under pressure for the last three years.

No Cash Transaction Above Rs 3 lakh:

As one of the extensions to the demonetisation drive, the government plans to disallow any cash transaction above Rs 3 lakh. The real estate sector involved several cash transactions before the demonetisation drive. However, buyers and developers had turned cautious post-demonetisation with a notable reduction in the number of cash transactions. Therefore this provision may only lead to some impact on the sector in the short term, while it will lay down the foundation for a transparent economy and boost foreign investment.

Land-pooling Mechanism for New State Capital of Andhra Pradesh:

The budget announced that the new state capital of Andhra Pradesh is being constructed by an innovative land-pooling mechanism without the use of the Land Acquisition Act. Land acquisition remained a much-debated issue and a major hurdle with respect to large-scale developments. The new land pooling mechanism may significantly reduce land related disputes and increase the speed of development. The exemption of capital gains tax will uplift the confidence of landowners whose land is being pooled for the creation of the capital city under the government scheme. However, the exemption is only limited to those who were the owners of such land as of June 2, 2014, the date on which the state of Andhra Pradesh was reorganised.

Reduction in Income Tax Rate for Basic Slab

The tax rate has been reduced from 10 per cent to 5 per cent on individual income between Rs 2.5 lakhs and Rs 5 lakhs. This reduction will help broaden the tax net and also increase the disposable income in the hands of the tax payers coming within the category. This, coupled with the incentives on low cost housing and the reduction in interest rates by banks, is likely to promote thrust in the affordable housing segment.

At the end, there is no hesitation in concluding that it was a transformative budget for the real estate sector and the government has done well to create awareness for the need to increase tax compliance. The government has progressively accelerated economic initiatives and policy reforms, which are slowly bearing fruits. Demonetisation was a temporary setback and the economy will bounce back. In particular, we look forward to the gains once Goods and Services Tax (GST) is rolled out towards the second quarter of this year.

Doing away with some of these basic hindrances and irritants will boost development leading to more quality supply to the market. Developers have been increasingly opting for joint development and partnerships with land owners as it allows to diversify risk and less capital expenditure. Since the government is looking to eliminate black money completely from real estate, this will go a long way in encouraging land transactions with full cheque payments.

The ten themes of the Budget have a goal to "Transform, Energize and Clean India with a good balance of fiscal prudence, focus on capital expenditure, consumption and increasing productivity.

The affordable housing, in many ways, is a lodestone for the Budget's objectives. There is a large, genuine and mostly unmet need for affordable housing, with an urban housing shortage of 18.9 million units, of which 96 per cent is in economically weaker sections or low-income segment. Accordingly, the focus on this segment remains a must for the sustainable development and inclusive growth of India.

The Budget initiatives have aptly captured multiple areas to promote the sector by encouraging investment by builders. Affordable housing has been given infrastructure status, with attendant benefits of attracting more capital and accessing lower cost funds. Further, NHB will refinance individual home loans of ₹ 20,000 crore. As an allied development, lowering of tax slabs and recent softening of interest rates would also have a positive demand impact on the sector.

India today has a huge demographic advantage in terms of the young population and it is of paramount importance that appropriate steps are taken to ensure that job creation keeps pace. Housing is a labour-intensive industry, with a long backward linkages tail, generating a large multiplier of economic activity in sectors while significantly aiding in job creation. This also plays very favourably with aspirations of India's youth, and will help in the realisation of the demographic dividend of this segment. This Budget continues to be a step in the right direction. ❑

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Growth in Health Budget 2017-18

Rajeev Ahuja

...the central government spends only 1/3rd of total government health spending. This means that majority (2/3rd) of the government spending actually comes from the states. Therefore, states have an important role to play in increasing government health spending in India

Health allocation in the union budget 2017-18 has gone up to Rs 50,283 crore, which represents a healthy increase of about 27 per cent over the allocation of Rs 39,533 crore made in the previous budget.[1] It turns out that growth in health allocations in 2017-18 budget is the highest ever growth in nominal terms in the last 15 years or so! (Graph 1). In real terms too– that is after adjusting for medical inflation which is expected to remain stable in the coming fiscal year too–it should represent a healthy growth.

A quick look at the trends in central health allocations and expenditures will help place the issue of central health funding in perspective.

Graph-1 depicts growth rate of central health allocations and expenditures (in nominal terms) from 2004-05 to 2017-18. It is important to be reminded of the context here. This period was preceded by not only low but declining growth in public health spending. To shore up this spending to improve the service delivery, National Rural Health Mission was launched in 2005-06 – at a time when the country was experiencing higher economic growth and the government revenues were buoyant. So, from 2004-05 to 2017 -18, the central health allocations grew at a rate of higher than 10 per cent per annum for all the years, except for 3 years in a row i.e., from 2013-14 to 2015-16. This 3-year period happens to be one during which the central administration changed and, moreover, the share of taxes devolved to states increased as per the recommendations of the Fourteenth Finance Commission. A higher share of tax devolution to states was meant to provide greater unconditional funds to states to enable them to carry out their mandates health service delivery being one of them.

A higher growth in central health allocations placed health expenditures too, in a higher growth trajectory until 2010-11 when the growth rate fell below 10 per cent and remained so till 2015-16. It is beginning to increase now. Although health expenditure figure for 2016-17 is not available as yet but going by the revised estimates, growth in health expenditure for this year is likely to be around 17 per cent. Another important point to note is that in 2015-16, although health allocations dipped sharply by 15 per cent (growth rate being minus 15 per cent), health expenditure grew by over 9 per cent, implying upward correction during the mid-year budget revision.

Against this backdrop, the increase of about 27 per cent in health allocations in the 2017-18 budget represents a healthy growth. And if central health expenditure in 2017-18 materialises as planned, it would represent a healthy

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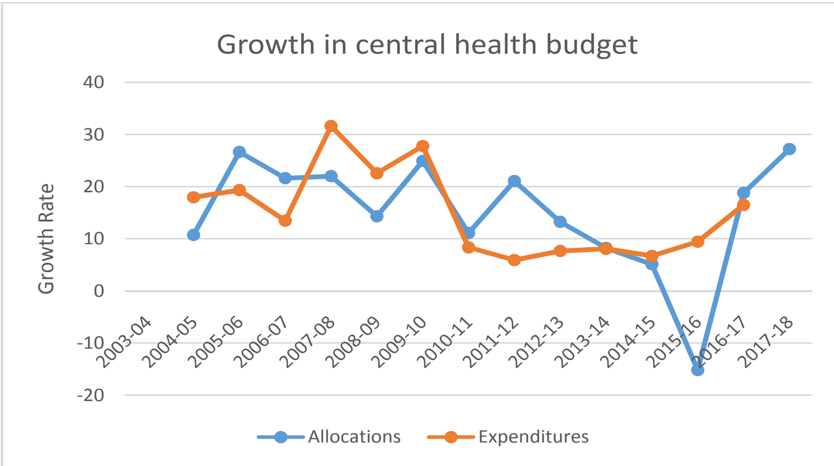
Graph-1:



(Source: Central budget documents, various years)

growth in health expenditures too. Why do we believe that health expenditures will match health allocations? An improvement in the budget utilisation rate in the last 2 years inspires this confidence. See the table -1.

Budget Allocations: A Closer Look

A closer examination of the budget of Department of Health & Family Welfare which accounts for about 94 per cent of total central health budget 2017-18 reveals some interesting aspects (also refer the table-2):

- The budget heads have been reorganised to make the budget look simpler and easier to comprehend.
- Nearly 59 per cent of the health budget gets transferred to states/ UTs under centrally sponsored schemes viz., National Health Mission and national health protection scheme.
- Central sector schemes which include *Pradhan Mantri Swasthya Suraksha Yojana* (PMSSY) – which deals with setting up of AIIMS like institutions and upgradation of medical college institutions -- gets only about 15 per cent of allocations.
- Human Resources for health and medical education received the highest increase in the Budget allocation (increased by Rs 3425 crore), followed by an increase in allocation to NRHM (Rs 3100 crore) and PMSSY (Rs 1525 crore). Together, these 3 heads account for nearly 80 per cent of the increase in health allocation of the Department.
- Given the shortage of medical personnel, especially of specialist doctors, creation of human resource for health is high on the Government's agenda. In his budget speech, FM mentioned about creating additional 5,000 post-graduate seats per annum. It is little wonder then that the Budget for human resources for health and medical education received the highest increase in this Budget.
- NRHM continues to receive the highest allocation in the health budget – nearly 45 per cent of the total allocations made to the Department of Health & Family Welfare. However, allocations within NRHM suggests greater emphasis on health system strengthening under NRHM.
- Capital expenditure envisaged in the Budget has increased to Rs 3510 crore, up from nearly Rs 1760 crore in 2016-17, mostly on account of capital expenditure in public hospitals, including those under PMSSY.

When More is Less:

However, the increase of 27 per cent in health allocations in this budget, has not pleased many stakeholders who were expecting even higher allocations from this Budget. What could be the basis for higher expectations from this Budget? One, of course, is India's track record of low public health spending and two, the absence of any announcement relating to the National Health Protection Scheme as well as unclear funding of some of the new programs announced recently. Let's examine, in some detail, each of these two reasons that may have created higher expectations from this Budget.

Low Public Health spending in India:

No matter what indicator of government health spending is considered – as a share of GDP (1.3 per cent in 2014-15) or as a share in total government spending (4.8 per cent in 2014-15) or as a per-capita spending (less than $20 in 2013-14) – India comes out poorly in comparison to its peer countries. However, government health spending in India has historically been low. It is wrong to expect a few rounds of annual budgets to correct that historical distortion or imbalance which is a legacy issue. Further, the central government spends only 1/3rd of total government health spending. This means that majority (2/3rd) of the government spending actually comes from the states. Therefore, states have an important role to play in increasing government health spending in India. With the implementation of the Fourteenth Finance Commission recommendations, the role of states in

Table-1

Budget Utilization Rate	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Share of Revised in Budget Allo.	99.6	92.9	84.9	82.6	81.5	105.0	103.7
Share of Actuals in Budget Allo.	97.2	85.0	80.9	80.7	81.9	105.7	

(Source: Central budget documents, various years)

funding of healthcare has only gone up.

At the state level, the issue with healthcare is not just about its financing. States are also responsible for getting health services delivered. That there are huge gaps in public healthcare delivery system is a well-known fact. States, who are the implementing agencies and are closer to the ground reality, understand too well that healthcare delivery and financing are two wheels of healthcare cart. Both the wheels need to move in tandem in order to move straight ahead.

To get the states spend significantly more on health, delivery of health services must improve. Improvement of health services is not just a simple question of plugging of gaps in service delivery. The delivery system requires an architectural correction to make the system responsive to the needs of the population due to a shift in the disease burden, and better management and higher accountability of the delivery system. This architectural correction requires highest political commitment, strong leadership and vision in each state.

National Health Protection Scheme (NHPS):

In his Independence Day speech of August 2016, PM had confirmed that the Government was working on the scheme to provide health insurance cover of up to Rs 1 lakh to the poor. In the Budget speech of February 2016, the Finance Minister too had mentioned about Government's intention of launching NHPS which would not only provide for higher financial protection against hospitalisation costs but also brings larger population under its fold. Against this backdrop, expectations were built around government announcing NHPS in the budget 2017-18. As the FM didn't make any such announcement, it belied people's expectations.

In all probability, announcement of the scheme has been deferred and not dropped. Probably, the timings weren't right in the wake of assembly elections in 5 states. The Government may have decided to play safe as announcement of the scheme would have been considered as a populist move to woo the voters in the five poll-bound states.

Similarly, funding for some new schemes announced recently is not very clear. For example, a scheme of cash transfers of Rs 6,000 to an expectant mother for promoting institutional deliveries and immunization as well as the ambitious targets set for elimination of Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020, and Tuberculosis by 2025. Achievement of these ambitious targets is as much dependent on states' capacities to implement activities as of funding those activities. However, it is not immediately clear if/where the allocations for these schemes are budgeted. If the action plans have already been developed, there must be a funding provision somewhere.

Further, the FM announced transforming of health sub-centres (SCs) across the country into Health and Wellness Centres. Neither any time line has been set to transform 1.5 lakh SCs nationwide, nor has any funding been committed to it as of now. Perhaps, the idea has just been mooted, funding for which will follow over the next few years. Lastly, some of the announcements made in the budget such as amendment of the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and to promote generic drugs, and regulations of medical devices doesn't have much budgetary implication.

All in all, the central health budget is pretty decent. Now all eyes are set on states who will be announcing their budgets over the next few weeks and months. It is to be seen whether states take the lead in a monumental task of prioritising health both in financing and delivery of health services.

Table-2:

	Budget of Department of Health & Family Welfare				
			Rs. in crores		
		Budget 2016-17 A	Budget 2017-18 B	Absolute Change B-A	% age Change in %
1	Establishment Expenditure of the Centre	3804	4731	927	24.4
2	Central Sector Schemes/Projects, *of which*	4789	6967	2178	45.5
	Pardhan Mantri Swasthya Suraksha Yojana	2450	3975	1525	62.2
3	Other Central Sector Expenditure, *of which*	6607	7965	1358	20.6
	Statutory and Regulatory Bodies	100	171	71	71.0
	Autonomous Bodies	5174	6088	914	17.7
	Others	1333	1706	373	28.0
4	Centrally Sponsored Schemes (a+b)	21862	27691	5829	26.7
	(a) National Health Mission, *of which*	20362	26691	6329	31.1
	National Rural Health Mission	18087	21189	3102	17.2
	National Urban Health Mission	950	752	-198	-20.8
	Tertiary Care Programs	725	725	0.0	0.0
	HRs for Health and Medical Education	600	4025	3425	570.8
	(b) National Health Protection Scheme	1500	1000	-500	-33.3
	Total	**37062**	**47354**	**10292**	**27.8**

Source: Central budget 2017-18

Endnotes:

1 For the purpose of this analysis health allocations include allocations to Ministry of Health and Family Welfare (MoHFW) and to Ministry of AYUSH (MoAYUSH). Till 2014-15, AYUSH was part of MoHFW but subsequently was declared a separate ministry. To make the allocations and expenditures comparable overtime, it is necessary to include MoAYUSH, in the analysis. Allocations to MoHFW include allocations to Department of Health and Family Welfare as well as Department of Health Research. ❑

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Weaker Sections: Welfare and Development

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..the overall focus of the Union Budget 2017-18 is on all basic and priority areas like education, affordable housing, developing skills, financial assistance, etc. The Budget allocation is a hint of the Government's agenda. With focus on an effective mechanism for output and outcome monitoring, which is already a priority area of the Government, the weak and vulnerable sections of the society can expect a substantive improvement in the quality of their life

The Union Budget 2017-18 has an optimistic outlook for the weaker and vulnerable sections of the society. The overall approach of the Budget is towards rural areas, infrastructure and poverty alleviation. The Budget is based on the principle of **"TEC India" i.e. "Transform, Energise and Clean India"**. The terms 'Transforming' and 'Energising' and 'Cleaning' have particular relevance for the vulnerable and weaker sections of the society. The budget envisages transforming the quality of the governance which has a direct bearing on the quality life of the people. It aims at energising various sections of the society, especially the vulnerable sections with the larger objective of unleashing their true potential and improving quality of their life.

Social groups like Schedule Castes (SCs), Schedule Tribes (STs), women, children, minorities and the people with disabilities need special focus and attention. The Budget exhibits the intention of the Government to improve the status of these social groups through their socio-economic empowerment. There has been a significant increase in the budget a allocation for these groups across the Ministries/Departments. Some major increases in allocations are as follows-

(i) 'Allocation for the Welfare of Scheduled Castes' {earlier known as Scheduled Castes Sub-Plan (SCSP) up to 2016-17}, has been stepped up from Rs 38833 crore (BE) in 2016-17 to Rs 52,393 crore (BE) in 2017-18, showing an increase of about 35 per cent.

(ii) 'Allocation for the welfare of STs' {earlier known as Tribal Sub-Plan (TSP)}, has been increased to Rs 31920 crore (BE) in 2017-18 from Rs 24005.39 crore (BE) in 2016-17 showing an increase of about 33 per cent.

(iii) Allocation for the 'Gender Budget', which has been increased from Rs 90769.80 crore (BE) in 2016-17 to Rs 113326.65 crore (BE) in 2017-18, i.e. an increase by 24.85 per cent.

(iv) 'Allocation for the welfare of children' has been increased from Rs 65758.45 crore (BE) in 2016-17 to Rs 71305.35 crore (BE) in 2017-18 i.e. an increase by 8.44 per cent.

(v) Enhanced allocation of Rs 4195 crore has been provided to the Ministry of Minority Affairs for BE, 2017-18 as compared to Rs 3827 crore in BE 2016-17 representing an increase of about 8.76 per cent.

With regard to SCs and STs, 26 Central Ministries/Departments

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have made 'Allocations for welfare of SCs' and 32 Central Ministries/ Departments have made 'Allocations for welfare of STs'. While there has been a substantial hike in overall allocation, some schemes that may draw the attention are in the field of agriculture, drinking water supply, housing, health, education etc. and have been shown separately in in Table-1 and 2 respectively for SCs and STs.

'*Pradhan Mantri Fasal Bima Yojana* (PMFBY)' and '*Pradhan Mantri Krishi Sinchai Yojana* (PMKSY)'will have 61 per cent and 41 per cent hike in their allocation in 2017-18 over 2016-17. 'Interest Subsidy for Short Term Credit to Farmers' will be new scheme to be launched in 2017-18 with an allocation of Rs 15000 crore out of which SCs will have earmarked allocation of Rs 2430 crore. Other major schemes, which have significant increase in allocation for SCs are '*Swach Bharat Mission*- Rural' (55 per cent), '*Pradhan Mantri Awas Yojana* (PMAY)-Rural' (50 per cent), and '*Pradhan Mantri Kaushal Vikas Yojana* (PMKVY)' (51 per cent).

The schemes will have similar significant hike in the earmarked allocation for 'Allocation for Welfare of STs'. '*Pradhan Mantri Fasal Bima Yojana* (PMFBY)' will have 83 per cent hike, and '*Pradhan Mantri Krishi Sinchai Yojana* (PMKSY) will have 45 per cent hike, '*Swach Bharat Mission*- Rural' will 55 per cent hike, '*Pradhan Mantri Awas Yojana* (PMAY)- Rural' will have 39 per cent hike and '*Pradhan Mantri Kaushal Vikas Yojana* (PMKVY)' will have 51 per cent hike in their allocation in 2017-18 over 2016-17. 'Interest Subsidy for Short Term Credit to Farmers', a new scheme to be launched in 2017-18 will have an allocation of Rs.1200 crore for the STs as shown in table-2 below-

The Budget also exhibits a very favourable expenditure profile of the nodal Ministries/Departments which deal with SCs, STs, Other Backward Castes (OBCs), Minorities and Person with Disabilities (PwDs) etc. Table-3 is about the budget allocation of the Ministries/Departments dealing with these social groups.

Lack of education is the major reason of backwardness of SCs and STs. It has been observed that the dropout rate of SCs students is higher than national average. One of the reasons for this is the poor economic condition of the families. The students in many cases drop out from the school either due to parents being not able to support their study or to support the family by way of an additional working hand to supplement the family income. The Budget addresses the issue with greater focus. For instance, there has been a significant increase in the allocation on scholarship schemes for the students from the weaker sections in the Budget. Allocation under Post Matric Scholarship (PMS) for SCs student is Rs 3348 crore in 2017-18 in comparison to Rs 2791 crore provided in 2016-17 which is an increase by 20 per cent.

Distance of the home from the school is another important reason for children from weaker section dropping out of the schools, especially girl children. This problem has also drawn attention in the Budget 2017-18. The allocation for construction

Table-1: Allocation for Welfare of SCs under Major Schemes

(Rs In crore)

In-line Ministries/ Departments	Scheme	BE 2016-17	BE 2017-18	Percentage Increase
Agriculture, Cooperation and farmers' Welfare	*Pradhan Mantri Fasal Bima Yojana*	921.00	1484.67	61.20
Agriculture, Cooperation and Farmers' Welfare	Interest Subsidy for Short Term Credit to Farmers	-	2430.00	New Scheme
Agriculture, Cooperation and farmers' Welfare	*Pradhan Mantri Krishi Sinchai Yojana* (PMKSY)	391.32	550.80	40.75
Drinking Water and Sanitation	*Swach Bharat Mission*- Rural	1980.00	3068.62	54.98
Drinking Water and Sanitation	National Rural Drinking Water Mission	1100.00	1331.00	21
Health and family Welfare	National Rural Health Mission	3931.02	4272.93	8.69
Rural Development	*Pradhan Mantri Awas Yojana* (PMAY)- Rural	5116.74	7652.72	49.56
Skill Development	*Pradhan Mantri kaushal Vikas Yojana*	311.00	470.00	51.12
School Education and literacy	*Navodaya Vidyalaya Samiti*	380.00	418.27	10.07

Table-2: Allocation for Welfare of STs under Major Schemes

(Rs In crore)

In-line Ministries/ Departments	Scheme	BE 2016-17	BE 2017-18	Percentage Increase
Agriculture, Cooperation and farmers' Welfare	*Pradhan Mantri Fasal Bima Yojana* (PMFBY)	392.86	719.04	83.02
Agriculture, Cooperation and farmers' Welfare	Interest Subsidy for Short Term Credit to Farmers	-	1200.00	New Scheme
Agriculture, Cooperation and farmers' Welfare	*Pradhan Mantri Krishi Sinchai Yojana* (PMKSY)	187.20	272.00	45.29
Drinking Water and Sanitation	*Swachh Bharat Mission*- Rural	900.00	1394.83	54.98
Drinking Water and Sanitation	National Rural Drinking Water Mission	500.00	605.00	21
Health and Family Welfare	National Rural Health Mission	2125.22	2332.28	9.74
Rural Development	*Pradhan Mantri Awas Yojana* (PMAY)- Rural	3823.43	5318.28	39.09
Skill Development	*Pradhan Mantri Kaushal Vikas Yojana* (PMKVY)	157.75	238.15	50.96
School Education and literacy	*Navodaya Vidyalaya Samiti*	203.00	223.81	10.25

of hostels for boys and girls from SC communities has been increased from Rs 45 crore (BE) in 2016-17 to Rs 155 crore (BE) in 2017-18. There are also other schemes to facilitate higher education among the SCs like National fellowship for SC students allocation for which has been increased from Rs 200 crore (BE) in 2016-17 to Rs 230 crore (BE) in 2017-18.

'PM Research Fellowship' is a new scheme to be implemented by the Department of Higher Education. The scheme will have the SC component of Rs 12 crore in 2017-18. Protection of Civil Rights of the SCs who are generally very vulnerable to various forms of atrocities by the people from the so called higher castes is also a priority area of the Government which is appropriately reflected in the Union Budget 2017-18. The allocation under the scheme 'Strengthening of Machinery for the Enforcement of Protection of Civil Rights Act, 1995 and Prevention of Atrocities Act, 1989' has been increased 100 per cent i.e. from Rs 150 crore (BE) in 2016-17 to Rs 300 crore (BE) in 2017-18.

Similar major initiatives for STs include provision of increased allocation under Post Matric Scholarship Scheme (PMS). The BE of 2017-18 under PMS for ST students is Rs 1347 crore against Rs 1200 crore provided in 2016-17 i.e. an increase by 12.25 per cent. Under the scheme 'National Fellowship and Scholarship for Higher Education of ST Students', allocation has been increased from Rs 50 crore in 2016-17 to Rs 120 crore 2017-18 i.e. by 140 per cent. The Budget also shows the intention of the Government to promote Tribal Research Institutes (TRIs) as primary and effective sources of inputs for formulation of policies and programmes for tribal development. Allocation for TRIs has been increased from Rs 21 crore

Table-3: Expenditure Profile of Social Ministries/Departments 2017-18

(Rs. In crore)

Ministries/Departments	2016-17 (BE)	2017-18 (BE)	Percentage Increase
Department of Social Justice and Empowerment	6566.95	6908.00	5.20
Ministry of Tribal Affairs	4827.00	5329.00	10.39
Ministry of Minority Affairs	3827.00	4195.00	9.61
Department of Empowerment of Person with Disabilities	784.00	855.00	9.05

in 2016-17 to Rs 80 crore in 2017-18 i.e. by nearly five-fold.

For minorities, the Budget 2017-18 focuses on their educational and skill development. Allocation for the Minority Affairs Ministry has been increased to Rs 4195 crore for 2017-18 which is 9.6 per cent more than allocation of Rs 3827 crore (BE) provided in 2016-17. The overall allocation for 'Educational Empowerment of Minorities' has been increased from Rs. 1949 crore in 2016-17 to Rs 2054 crore in 2017-18 i.e. by Rs 105 crore. Similarly for 'Skill Development and Livelihoods' the allocation increased is from Rs 542 crore in 2016-17 to Rs 635 crore in 2017-18 i.e. by 17 per cent.

The '*Divyangs*' dealt by the nodal Department of Empowerment of Persons with Disabilities are other social groups which have special focus of the Government. The Department will have an increment in its allocation by 10 per cent, i.e. from Rs 784 crore in 2016-17 to Rs 855 crore in 2017-18.

Government is dedicated to the cause that every individual household should have roof over its head. Towards realisation of the same, works are already in progress under *Pradhan Mantri Awas Yojana* (PMAY)-Rural for affordable housing. As mentioned shown in table-1 and 2 there has been 50 per cent increase in earmarked allocation for SCs and 39 per cent increase in earmarked allocation for STs under PMAY.

Free LPG connections to poor households is a very important and successful initiative taken by the Government. In order to sustain the initiative, the allocation for the *Pradhan Mantri Ujjwala Yojana* (PMUY) has been increased by Rs 20 crore i.e. from Rs 500crore in 2016-17 to Rs 520 crore in 2017-18. The target is to cover upto 5 crore households in two years.

Providing employment and entrepreneurship opportunities to youths from SCs, STs and other social groups is also one of the target area of the Budget. The initiatives taken to increase employment are-

- Inculcating entrepreneurship skills among Schedule Castes and Schedule Tribes is of Stand-Up India. The Budget allocation for this scheme has been increased to Rs 520 crore in 2017-18 from Rs 500 crore in 2016-17.
- Launching of next phase of Skill strengthening for Industrial value Enhancement (STRIVE) in 2017-18 at a cost of Rs 2,200 crore to improve the quality and market relevant vocational training in ITIs and to strengthen the apprenticeship programmes through industry cluster approach.
- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) will also be launched in 2017-18 with corpus of Rs 4,000 crore to provide market relevant training to 3.5 crore youth.
- A Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of Rs 8,000 crore over 3 years to promote diary development in the country by creating adequate processing and infrastructure facilities. Initially the fund will start with a corpus of Rs 2000 crore.

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Some other important initiatives for the marginalised sections of the society in the Budget are as given below-

i. Introduction of Aadhar based Smart Cards for senior citizens containing their health details and to make a beginning to that effect through a pilot in 15 districts during 2017-18.

ii. To undertake the '*Mission Antodaya*' to bring one crore households out of poverty by 2019 and to make 50,000 Gram Panchayats poverty free by 2019 on the occasion of 150th birth anniversary of Mahatma Gandhi. The Mission will have focused micro plan for sustainable livelihood for every deprived household.

iii. Under the *Pradhan Mantri Mudra Yojana*, the Budget envisages to double the lending target of 2015-16. Target for 2017-18 is set at Rs 2.44 lakh crore, with priority lending to *dalits*, tribals, backward classes, minorities and women to start small scale businesses/ enterprises.

In sum the overall focus of the Union Budget 2017-18 is on all basic and priority areas like education, affordable housing, developing skills, financial assistance, etc. The Budget allocation is a hint of the Government's agenda. With focus on an effective mechanism for output and outcome monitoring, which is already a priority area of the Government, the weak and vulnerable sections of the society can expect a substantive improvement in the quality of their life. ❑

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