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Rig Veda

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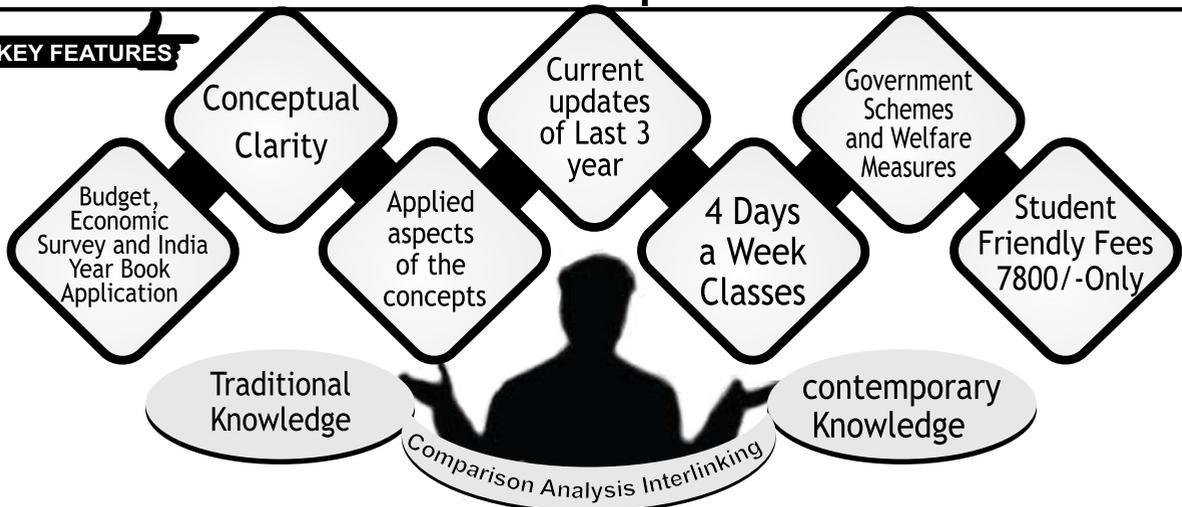
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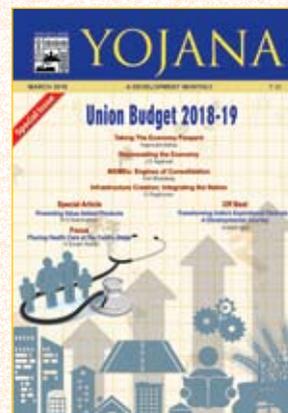
YE-783/2017



## PEOPLES' BUDGET

**B**udget is telling your money where to go instead of wondering where it went. We all know the importance of budgeting household expenses where one has to be aware of the income and adjust expenditure accordingly. We are also aware of the well known saying “aamdani athani, kharchha rupaiya” (income eight annas and expenditure one rupee). A household where there is no grip on expenditure, link to income goes haywire. Having a budget means you make a plan and don't let budget go out of control.

A nation's budget is not any less crucial to the well being of its citizens. Assessing income from various heads and adjusting expenditure accordingly is what the wise administrators of the nation do. Just like the household budget, there are allocations for education, health contingencies, upkeep of basic infrastructure, etc. in the nation's budget too. The Union Budget 2018-19 is the last full budget of the current government before the general elections. The government has tried to balance its allocations so as to plan programmes and allocate funds in critical areas like agriculture, rural development, infrastructure and health.



In a nation where agriculture is still the main stay of the population, farmers' welfare has to be high on the agenda of any government. The government, in its budgetary allocations for agriculture, has put its weight behind agrarian reforms. A clear set of initiatives which mark a paradigm shift in agricultural allocations include Operation Green to address price fluctuations in tomato, onion, potato, increase in MSP of kharif crops by one and half times, upgradation of 22,000 rural *haats* into Gramin Agricultural Markets (GrAMs), agri credit to farmers, etc.

Rural development, an allied area to farmers' welfare has also been accorded place of pride in the budget with focus on building rural infrastructure and creating employment opportunities. To fulfill the target of Housing for All by 2022 more than one crore houses are proposed to be built by 2019 in rural areas, besides additional 2 crore toilets to be built under Swachh Bharat Mission. Higher targets for women self help groups, Saubhagya are likely to cater to concerns of lower and middle class. Double allocation for Food processing industries as against last year to Rs 1400 crore, setting up of funds for fisheries and animal husbandry and restructuring of National Bamboo Mission are part of the government's emphasis on improving farmers' income and create opportunities of entrepreneurship in the rural allied sector.

Health care has received substantial attention in the budget. Being acclaimed as World's largest health care protection scheme, the National Health Protection Scheme (NHPS) places health care in the centre stage with provision for cover of upto 5 Lakhs rupees per year to over 10 crore poor and vulnerable families while the Ayushman Bharat Programmes provides for a corpus of Rs 1,200 crore to set-up 1.5 lakh Health and Wellness Centres.

On Education front, announcement of setting up of Ekalavya Model Residential School to provide quality education to the tribal children in their own environment by 2022 population is a welcome step. A New Scheme- Prime Minister's Research Fellows (PMRF) would facilitate 1,000 best B.Tech students to do Ph.D in IITs and IISc, with a handsome fellowship.

With a view to providing a dignified life to senior citizens the budget has announced slew of measures like exemption limit of interest income on deposits with banks and post offices being increased from Rs. 10,000 to Rs. 50,000 and raise in the limit of deduction for Health Insurance Premium and Medical Expenditure from Rs. 30,000 to Rs. 50,000. The Pradhan Mantri Vaya Vandana Yojana providing for an assured return of 8 per cent on investment of upto Rs. 15 Lakh as against previously Rs. 7.5 lakh has been extended upto March 2020.

Describing the MSMEs as the engines of growth the budget has focused on the micro, small and medium enterprises with an allocation of Rs 3794 crore for the purpose of credit support, capital and interest subsidy and innovations. This will in turn help in rapid job creation and self employment opportunities for youth.

The Government has taken 'Ease of Doing business' further by focusing on 'Ease of Living' for the citizens of the country. All in all this is a budget working towards inclusive growth in important sectors of the economy touching on people's lives.

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YE-775/2017

# Taking The Economy Forward

*Hasmukh Adhia*



*In the budget, maximum money is going to be spent on creation of rural infrastructure and rural employment. There is an increase in the budget allocation for rural livelihood programme under which self-help groups, mainly of women, are being helped by corpus funds as well as bank credit.*

*The allocation for food processing industry as well as animal husbandry sector has also been increased substantially. This will help in creation of allied activities in the farm sector and will also result in value addition in the primary agricultural products*

**T**he Union Budget 2018-19 is unique in many respects. It comes at a time when the economy is now witnessing the positive effects of two major structural reforms carried out by the Government in the last two years – demonetization and implementation of GST. At a time when all the indicators of economic activity are showing an upswing, this budget tends to build on that and create a conducive economic climate for India to grow at 8 per cent per annum in the coming years.

This budget is different from other budgets in several respects. The main focus of the budget is on spending more money on agriculture and rural economy so that apart from helping the farmers in increasing their income, it results into creation of demand for goods and services which will promote private investment. In the budget, maximum money is going to be spent on creation of rural infrastructure and rural employment. There is an increase in the budget allocation for rural livelihood programmes under which self-help groups, mainly of women, are being helped by corpus funds as well as bank credit. The allocation for food processing industry as well as animal husbandry sector has also been increased substantially. This will help in creation of allied activities in the farm sector and will

also result in value addition in the primary agricultural products. In order to take care of unevenness in the prices of three major vegetable crops of tomato, onion, potato (TOP), a new scheme called ‘Operation Greens’ has been announced which will work on the pattern of ‘Operation Flood’ which worked very well for the milk sector. Under the scheme of ‘Operation Greens’ for which Rs. 500 crore has been set apart initially, the production and consumption centers will be linked properly and necessary logistics support will be created for movement of these products. Also wherever required, new warehousing and processing capacities for these crops will be created with the help of a network of Farmers Producer Organizations (FPO). Incidentally, in this budget, it is also announced that such farmer producer companies with a turn-over up to Rs.100 crores will get income tax exemption. This announcement will encourage professionalism in the farm processing sector. The Government’s budgetary proposals for rural economy will create 321 crore person days of employment, it will also create 51 lakh new rural houses, 1.88 crore toilets, 3.17 lakh km. of rural roads and it will provide 1.75 crore new household electric connections in addition to boosting up agricultural growth.

The second most important part of Union Budget 2018-19 is the

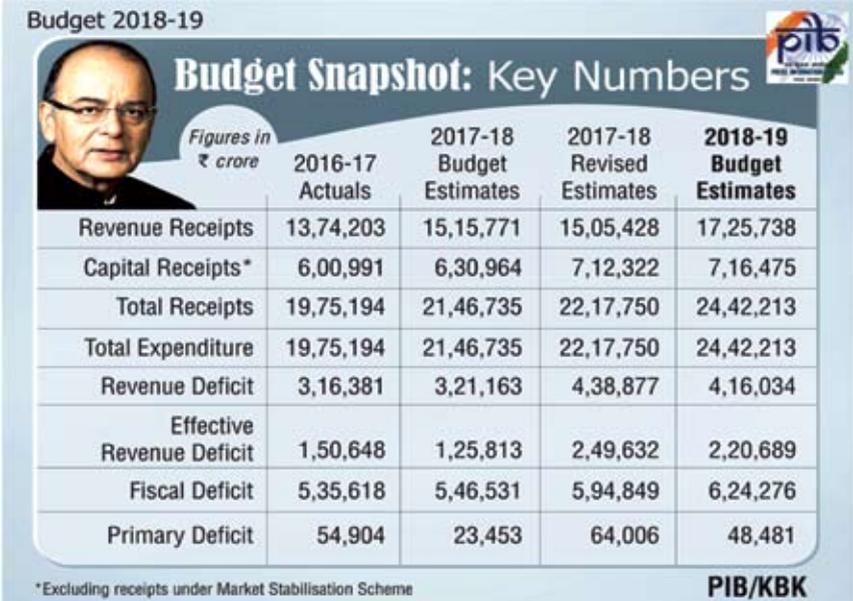
The author is an officer of Indian Administrative Service, presently working as Union Finance Secretary in Government of India. As Secretary, Financial Services, he is credited with many new strategies for banking reforms. As Secretary (Revenue), he is credited with bringing in many tax-friendly initiatives in the Income-Tax as well as Excise Duty and Service Tax.

emphasis given on health, education and other social protection schemes. The focus of education will be on improvement of quality of education and quality of teachers apart from use of digital technology for supplementary learning. In higher education, there is an ambitious plan of creating premier educational institutions including All India Institute of Medical Sciences (AIIMS) by spending capital expenditure of one lakh crore in the next four years which will be mostly funded from outside the budget.

In the health sector, the ambitious scheme of 'Arogya Bharat' will cover the wellness center scheme for the primary health care and the health protection scheme by coverage of Rs.5 lakh for every single BPL family for secondary and tertiary sector illnesses. This ambitious programme will cover 10 crore families (which will mean 50 crore persons) who would be given the benefit of having their operations and surgeries done up to expenditure of Rs.5 lakh per annum in any of empanelled public or private hospitals without payment of a single paisa. This programme will assure all the poor people about the Government taking care of their health care needs when some major illness such as cancer, heart ailment or kidney failure is detected in their family.

The Union Budget 2018-19 also has announced many programmes for helping small and medium industries which are the main instruments for creation of jobs. The Government has announced that in case of newly created jobs, the employer's contribution of 12 per cent of wages

Budget 2018-19



Figures in ₹ crore	2016-17 Actuals	2017-18 Budget Estimates	2017-18 Revised Estimates	2018-19 Budget Estimates
Revenue Receipts	13,74,203	15,15,771	15,05,428	17,25,738
Capital Receipts*	6,00,991	6,30,964	7,12,322	7,16,475
Total Receipts	19,75,194	21,46,735	22,17,750	24,42,213
Total Expenditure	19,75,194	21,46,735	22,17,750	24,42,213
Revenue Deficit	3,16,381	3,21,163	4,38,877	4,16,034
Effective Revenue Deficit	1,50,648	1,25,813	2,49,632	2,20,689
Fiscal Deficit	5,35,618	5,46,531	5,94,849	6,24,276
Primary Deficit	54,904	23,453	64,006	48,481

\* Excluding receipts under Market Stabilisation Scheme

PIB/KBK

will be given by the Government, in addition to 30 per cent cost of wages of new employment being allowed as deduction under Income Tax Law. The textile and leather sector has been given further boost in the budget. On the infrastructure development, the Government has announced an ambitious plan to fund the existing and new road, rail and urban infrastructure projects by supplementing the same with extra budgetary resources and borrowings. The total amount to be spent on infrastructure next year will be Rs. 5.97 lakh crore as against the estimated expenditure of Rs. 4.94 lakh crore in 2017-18.

In spite of absorbing the transitional effect of implementation of GST and uncertainty of revenue on Indirect Tax side, the Union Budget has set in place a prudent road map

for fiscal consolidation and fiscal glide path. The fiscal deficit for the year 2017-18 is revised from 3.2 per cent of GDP to 3.5 per cent of GDP and for the next year it is set at 3.3 per cent of GDP. In the subsequent two years, (if possible, in one year only) the plan is to reach a level of 3 per cent. In the year 2018-19 because of the good effects of demonetization and GST, we expect revenue buoyancy to further improve even as compared to the conservative target of revenue set for next year. If that happens, more money would be available for funding of government programmes.

On the whole, this is a Budget for growth. This is a Budget for rejuvenating rural economy and this is a Budget for creation of new employment. □

(E-mail: )

### Pilot Project for "Pay as You Use" Tolling

Paving the way for the implementation of the Budget announcement regarding "Pay as you use" tolling in India, the National Highways Authority of India is executing a pilot project to study the implement ability of the system in the country. The pilot project involves implementing a satellite based electronic toll collection system running on GPS/GSM technology for around 500 commercial vehicles on the Delhi Mumbai national highway. The project will run for one year. Working on a combination of mobile telecommunications technology (GSM) and the satellite-based Global Positioning System, the proposed tolling system would be able to deduct money from a vehicle account, credit the money to the concessionaire within one day and open the toll gate. In case of a failed transaction it would be able to alert the toll operator to collect payment manually and not open the gate

The pilot project will look at ways to integrate the new solution with the existing pre-paid wallet account offered by NHAI under the FASTag program. It will also draw a comparison between distance based tolling and the existing tolling system, as also virtual tolling Vs normal tolling.

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YE-788/2017

# Rejuvenating the Economy

*JD Agarwal*



*The Union Budget 2018-19 is pro-people, progressive, balanced and different from the general trend and is expected to take care of the aspirations of people. It will prove to be growth oriented, with focus on agriculture, rural development, education, employment and investment. Attempts have rightly been made by the Finance Minister to promote affordable housing, give boost to real estate sectors, stimulating growth, promoting digital economy and promoting ease of doing business by removing obstacles*

**T**his year's budget is to be analyzed in the back drop of the prevailing economic, social and political conditions in the country.

The government has undertaken several structural major reforms over the past four years resulting in a real GDP growth to reach 6.75 per cent in the year 2017-18. It is expected to rise to 7.5 per cent in 2018-19. Demonetization in November 2016 and launch of transformational Goods and Services Tax on July 1, 2017, the introduction of a new Indian Bankruptcy Code, implementation of Aadhaar Card, liberalization of FDI, implementing a major recapitalization package of Rs.88,000 crore to strengthen the stressed public sector banks and observing acceleration in the economy particularly in the second half have been some of the major fiscal consolidation measures undertaken in 2017-18. The robust economic growth at 7.2 per cent, stable inflation (lowest in the last 6 years, and fiscal consolidation, macroeconomic stability and the strong foreign exchange reserves of 409.4 billion dollars showing a growth rate of 14.1 percent, impressive proceeds from disinvestment of Rs. one lakh crores have been other factors of the economic scenario in 2017-18. Savings of Rs.65000 crores in subsidies has been seen by making Aadhaar as bases for DBT. Some of these indicators show resilience of Indian economy.

Indeed Indian economies is one of the best performing economy in the world. The disruptions caused to structural reforms such as demonetization and GST etc. did not result in serious adverse effects on the growth and other macroeconomic parameters of the economy. Equilibrium is largely achieved.

However, the economy is faced with certain challenges like low growth rate of agriculture in 2017-18 at 2.1 per cent despite respectable food grain production of 275.7 million tons and 300 million tons of fruits and vegetables during 2016-17, meeting the Prime Minister's concern for improving the incomes of agriculturists, raising farm productivity, strengthening agriculture resilience, expansion of education and health facilities, generating employment and giving boost to investment and export and poverty reduction and women empowerment by extending facilities of electricity and drinking water in the rural areas. Another challenge is gigantic amount of NPAs and problem of capitalization requiring infusing capital in the state-run banks.

The present budget has emerged in the back drop of the structural reforms and achievements in the last four years and keeping in view the challenges before the economy. It is guided by PM's mission to strengthen agriculture, rural development, health, education,

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The author is Distinguished Professor of Finance, founder Chairman & Director, Indian Institute of Finance & Chief Editor of Finance India.. He has authored many books, and articles and participated in radio/TV talk shows/interviews.

employment, MSME and infrastructure sectors.

### Fiscal Consolidation

This year's budget shows India to be a 2.5 trillion economy. The Finance Minister has rightly fixed up a target of 8 per cent growth and expects to achieve a growth rate from 7.2 percent to 7.4 percent during 2018-19. India is poised to continue to be one of the fastest growing economies in 2018-19, contributing positively to the growth of world economy. He has rightly made provisions to result in the desirable growth in agriculture and industrial sector targeting "Make in India" mission.

The Finance Minister has been very concerned about containing fiscal deficit to 3.2 percent of GDP. The fiscal deficit is being brought down from 6.4 percent in 2010 to an internationally acceptable level. A consistent approach to contain fiscal deficit has resulted in improvement of sovereign rating of India last year. Sovereign rating and ease of doing business, allowing 100 per cent FDI in retail business, and other structural reforms will facilitate in achieving the targeted growth rate.

An impressive allocation of Rs. 14.34 lakh crores for creation of livelihoods in rural areas and social welfare schemes is highly progressive, forward looking and a step in the right direction to achieve the mission of "Garibi Hatao". Proposal of various programmes to direct the benefits of structural changes and good growth to reach farmers, poor and other vulnerable sections of our society and to uplift the under-developed regions is appreciable. This year's Budget will consolidate these gains.

### Agriculture and Rural Economy

India's economy is still agrarian where about 49 percent of the people are directly engaged in agriculture. India lives in rural areas. Successive governments in the past have made attempts to focus on agriculture and rural development; yet masses



**BUDGET 2018-19**  
Initiatives in Gold Trading

- ◆ Policy to develop gold as an asset class to be formulated
- ◆ Consumer friendly and trade efficient system of regulated gold exchanges to be established
- ◆ Gold Monetization Scheme to be revamped to enable opening of a hassle-free Gold Deposit Account

The infographic features a central illustration of a woman in a blue jacket sitting at a desk with a computer monitor, a calculator, and stacks of gold coins. The background is a collage of images related to gold trading and finance.

engaged in agriculture and also living in rural India continue to be suffer abject poverty, face lack of facilities and deserve attention in terms of developing rural and social infrastructure with appropriate health and educational facilities. The Finance Minister has rightly focused on strengthening agriculture and rural economy. In tune with the Prime Minister's desire to double the incomes of farmers by 2022 – a very ambitious target-the Finance Minister has emphasized on generating higher incomes for farmers by extending necessary help to produce more at lesser cost and also earn more on their produce. For this, it is necessary that farmers get a fair price for their produce. There is also a need to strengthen the market connectivity.

In view of this, the Finance Minister has proposed a Minimum Selling Price (MSP) for Kharif crops to be set up at 1.5 times the produce cost on all the 23 produce. He has allocated an amount of Rs.2000 crores for agricultural market and infra fund in addition to allocation of Rs. 500 crores for Operation Green to be launched to promote agriculture products.

Agricultural credit facilitates farmers in their operations and raising the productivity as most of the farmers are small and marginalized. Increasing the target of agriculture credit from 8.5

lakh crores to 11 lakh crores would greatly facilitate farmers particularly small and marginalized farmers. However, attempts need to be made so that the credit is extended to farmers as targeted. In addition to the above proposals, the Finance Minister has extended Kisan credit facilities to allied areas such fisheries and animal husbandry. It is thoughtful to measure up Rs. 10000 crores for Fisheries and Aquaculture Development Fund and Rs. 10000 crores for Animal Husbandry Fund. Setting up of these funds will help people engaged in these sectors and facilitate in increasing their incomes.

Finance Minister's announcement to develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs) to take care of the interests of more than 86 per cent small and marginal farmers and setting 42 mega food parks with an investment of Rs.1290 crores will greatly help in increasing the productivity of agriculture. Post harvest tax incentive and 100 per cent rebate for farming producing companies will also help increase production for agriculture produce and chasing a target of possible potential of 100 billion dollar export of agriculture produce which will help increase incomes of the farmers in due course. The budget provision for facilitating farmers for

installing solar water pumps to irrigate their fields is appreciable. The budget proposal to extend the facility of Kisan Credit Cards to fisheries and animal husbandry farmers will help them meet their working capital needs and increase in their incomes.

### Rural Economy

The Finance Minister has made a serious attempt to alleviate poverty in rural economy through allocations to various schemes. This is the human face of the budget. The Finance Minister has taken care of welfare of poor and lower middle class families by providing for 8 crores free LPG connections under Ujjwala Scheme to poor women and 4 crore poor households are being provided with free electricity connection under Saubahagya Yojana allocating Rs. 16000 crores under this scheme. This will greatly facilitate reduction in burning of fuel and causing deforestation and the sufferings of women. To fulfill the target of Housing For All by 2022, more than one crore houses will be built by 2019 in rural areas, besides constructing about 2 crore toilets in addition to already 6 crore toilets under Swachh Bharat Mission are also welcome steps. Similarly, allocation of Rs. 5750 crores to national livelihood and Rs. 9975 crores for social security schemes for 2018-19 are laudable. These schemes will help in adding to the dignity of Indian women.

However, there may be apprehension whether such a laudable target can be achieved as at times there is lack of effective implementation. Prevailing corruption at the grass root level also adversely affects the benefit of government's schemes reaching targeted people.

### Education, Health and Social Security

Education and health of a nation is very important to build sustainable society. While education facilitates to make use of human resource for contributing to the wealth of the nation and to generate incomes for

a good living, good health facilitates sustaining such human resource. It is one of the most important gifts of the nature to the world. It is to be appreciated that the Finance Minister has been very concerned for education, health and employment. His allocation to health as percent of GDP, as compared to other BRIC countries is low. For instance China spends about 3.2 per cent of GDP as compared to 1.4 per cent of GDP in case of India.

His provision for one lakh crore for infrastructure system in education, setting up 2 new schools for planning and architecture, announcement of setting up one medical college for every three parliamentary constituencies with 24 new medical colleges, and upgrading hospitals to medical colleges will helping making the medical education and medical facilities available in the neighborhood of people around the country. Similarly, providing scholarships to 50 lakh youth by year 2020 is laudable to help meritorious youth from middle and lower middle class families to pursue higher education including medical education in some of the ivy league institutions.

The budget provision of setting up 1.5 lakh centres to provide health facilities closer to home with an allocation of Rs. 1200 crores under Aayushman Bharat programme is remarkable. Similarly, large amount of allocations made for TB nutritional support is also one of the welcome features in the budget.

Finance Minister's announcement for the world's largest government funded health care programme titled National Health Protection Scheme to cover over 10 crore poor and vulnerable families covering approximately 50 crore beneficiaries from 10 crore families and providing coverage up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization is a laudable step. This will also help promote business of insurance and generate employment in the country.



Setting up 1.5 lakh centres for health facilities, medical colleges and government funded health care programmes will help generate more employment and take care of the health of the nation. This will also help people from different regions to seek quality medical treatment in their neighborhood rather than going to metro cities and face problems.

The provision for including all 16 crore accounts under PM Jan Dhan Yojana under micro insurance and pension schemes is very well thought out. Under social inclusion schemes the provision for Rs.52719 crore for SC welfare and Rs.39139 crore for ST welfare will help the people belonging to schedule caste and schedule tribes. Every block with more than 50 percent ST population will have Ekalavya schools at par with Navodaya Vidyalayas. To empower new employees a provision has been made to contribute 12 per cent of wages in EPF in all sectors for next 3 years. And for women the contribution of EPF has been reduced to 8 percent for first 3 years.

### Infrastructure and Industry

Finance Minister has been equally concerned for investing in infrastructure by emphasizing that infrastructure is the growth driver of the economy. He has announced an increase of budgetary allocation to infrastructure for 2018-19 to Rs.5.97



in Digital India programme of the government.

The Finance Minister has been very concerned about MSMEs which constitute 99 per cent of the companies, by providing them Rs.3794 crores for giving credit support, capital and interest subsidy and for innovations. MSME change in basis of

It is appreciable that despite large allocations to social welfare schemes in agriculture, education, health and infrastructure, and a moderate target of disinvestment of Rs. 80,000 crore, he has been able to keep the fiscal deficit at 3.3 per cent and targeting a growth rate of 7.2 to 7.4 per cent of GDP without any additional tax burden.

### Tax Proposals

It is always advisable to have minimum changes in the tax policy to maintain stability. Accordingly, he has kept the tax rates, both personal and corporate, unchanged. To give relief to salaried people he has introduced a standard deduction of Rs. 40,000 withdrawing travelling allowance. He has been very caring for senior citizens by giving relief to Senior Citizens-interest income on deposits with banks and post offices proposed to be increased from Rs. 10,000 to Rs. 50,000 U/S 194 A and hike in deduction limit for health insurance premium and/or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D is another benefit to the middle class.

He has rightly introduced Long Term Capital Gains (LTCG) tax at a moderate rate of 10 per cent, on the basis of equity, as there is no justification for incomes of Rs. 3.6 lakh crores from this asset class to be exempted from tax. The tax on LTCG should have been 20 per cent as had existed prior to October 2004. The budget also proposed that all dividends distributed by equity mutual funds have to pay a 10 per cent? This would cut down on the net amount of money that mutual fund houses could distribute to their investors. He has proposed 1 per cent education cess ( tax on tax) for revenue considerations to run massive social security schemes.

However, it could be worthwhile to lose a revenue income of Rs. 15000 crore by raising the minimum exemption limit to Rs. 3 lakh to make it a dream budget. This could have

lakh crore and to connect the nation with a network of roads, airports, railways, ports and inland waterways. To further boost tourism, the Budget proposal to develop ten prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private investment, branding and marketing are welcome announcements which will generate employment and result into growth.

Large amount of allocations have been made in Railways, Aviation, and digitalization of the economy. Railway capex has been pegged at Rs.1.48 crore to eliminate unmanned railway crossing, to build escalators, to provide WiFi and CCTV camera, to eliminate unmanned rail crossings. An allocation of Rs.11000 crore for Mumbai rail network and Rs.17000 crores for the Bengaluru metro have been provided to take care of the needs of these metro cities.

To further increase Broadband access in villages, the government proposal to set up five lakh Wi-Fi hotspots to provide net connectivity to five crore rural citizens and allocations of Rs.10000 crore in 2018-19 for creation and augmentation of Telecom infrastructure would help

classifying from investment in plant and machinery/equipments to annual from Rs 50 crore to turnover 250 crore and reducing the tax rate to 25 per cent will encourage ease of doing business, growth oriented and align them to new tax regime resolving around GST. Finance Minister has also offered Rs. 3 lakh crore more of MUDRA loans for MSMEs. An outlay of Rs.7148 crore for the textile sector in 2018-19 would help generate employment and boost growth.

### Employment

There is a very high rate of unemployment among the educated youth leading to frustration which required immediate attention. This year's budget has rightly focused on generating employment by making a provision of 70 lakhs for formal jobs through an investment in infrastructure, road, railways, airports and helipads, rural infrastructure, interconnecting rural with urban areas with a view to boost employment and quality of life of people. While appreciating the steps taken in the Budget for generation of employment, the government may consider setting up of National Labour Exchange as suggested in one of the studies completed at Indian Institute of Finance and published in Finance India to deal with the problem of unemployment in the country.

been made up by raising tax on LTCG to 20 per cent with indexation.

In order to facilitate growth and employment he has reduced the corporate tax rates to 25 per cent for MSMEs with turnover up to Rs. 250 crores. This proposal as well relief in personal taxation may result in a revenue loss of Rs. 5995 crores.

However, to promote “Make in India” and for revenue considerations, he has proposed to raise customs duty from 2.5 per cent to 10 per cent on various items such as perfumes and toiletry preparations (10 per cent), automobiles and automobile parts (5 per cent), footwear (10 per cent), imitation jewellery (5 per cent), electronics/hardware (5 per cent), furniture (10 per cent), watches and clocks (10 per cent), toys and games (10 per cent), textiles (10 per cent), edible oils of vegetable origin (15 to 17.5 per cent) etc. While he has reduced customs duty on certain items such as capital goods and electronics (5 per cent), medical

devices (2.5 per cent), refractory items (2.5 per cent), As a result, some of the items in which customs duty has been raised would be costlier while some of the other items would be cheaper.

### Conclusion

The Finance Minister has done a tremendously good job in presenting this Budget. On the whole the budget is a welcome shift from market driven economic system to the social welfare orientation, where the government takes care of the needs, requirements and aspirations of more than 80 per cent population of the country.

The Union Budget 2018-19 is pro-people, progressive, balanced and different from the general trend and is expected to take care of the aspirations of people. It will prove to be growth oriented, with focus on agriculture, rural development, education, employment and investment. Attempts have rightly been made by the Finance

Minister to promote affordable housing, give boost to real estate sectors, stimulating growth, promoting digital economy and promoting ease of doing business by removing obstacles. The government’s heavy spending would reverse the sluggish growth in agriculture and industry.

There is a need for structural reforms and a total revamp of agriculture to be technology oriented to increase the incomes of farmers. However, that could not be a part of budget proposals. Similarly, education at all levels and legal and judicial reforms require structural reforms. The present system is not keeping pace with the requirements of the economy and people. NITI Aayog needs to work out a solution with a out of box thinking. The add on approach and fine tuning the existing system is not likely to yield the desired results. □

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### Allocations for Socially Weaker Sections

There is an increase of 12.10 per cent in the budget allocation for Ministry of Social justice and Empowerment in the Union Budget 2018-19 over 2017-18. In 2017-18, it was Rs. 6908.00 crore which has now been increased to Rs. 7750.00 crore in 2018-19. Also there is an increase of 11.57 per cent in the budget allocation for schemes in 2018-19 over 2017-18. In addition, there is an increase of 41.03 per cent in the budget allocation for the welfare of OBC in 2018-19 over 2017-18.

A New scheme Venture Capital Fund for OBCs on similar lines as Venture Capital Fund for SCs to be launched with an initial corpus of Rs. 200 crore. Rs. 140 crore has been provided for it in 2018-19. The Skill Development Training has been given to 13,587 manual scavengers and their dependents. 809 manual scavengers and their dependents have been provided bank loans.

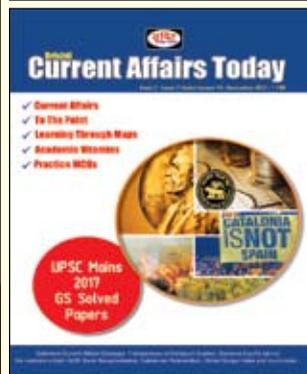
For the Pre-Matric Scholarship for OBC, the income eligibility has been increased from Rs.44,500/- per annum to Rs. 2.5 lakh per annum. For Pre-Matric Scholarship for SC, the income eligibility has been raised from Rs.2.00 lakhs to Rs. 2.5 lakhs. Stipend for day scholars has been raised from Rs. 150 to Rs. 225 and for hostelers it has been raised from Rs. 350 to Rs. 525/-. Top Class Education for Scheduled Castes has been raised from Rs. 4.5 lakh to Rs. 6 lakh per annum. For Free coaching for SC and OBC students, the income eligibility has been raised from Rs. 4.5 lakhs to Rs. 6 lakhs. Stipend has been raised from Rs. 1500/- Rs. 2500/- for local students and from Rs. 3000 to Rs. 5000 for outstation students. For Pre-matric Scholarship for OBC, the rates of scholarships has been increased substantially.

The earlier rates of scholarships of day - scholars from Class I to V, Class VI to VIII and Class IX to X of Rs. 25, Rs.40 and Rs. 50 respectively for 10 months has been revised to Rs. 100 per month for 10 months from Class I to X. Earlier rates of scholarships of hostelers from Class III to VIII and Class IX to X of Rs. 200 and Rs. 250 respectively for ten months has been revised to Rs. 500 per month for 10 months from Class III to X. Adhoc grant for all students under the scheme is Rs. 500 per annum. Under the National Fellowship for Scheduled Castes, the assistance has been increased from Rs. 25,000/- to Rs. 28,000/- per student.

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# Promoting Value Added Products

*M S Swaminathan*



*At present there is a mismatch between production and post-harvest technologies which leads to losses to both producers and consumers. It is in this connection that food processing industries are urgently needed. Fortunately the 2018-19 budget provides substantial support to food safety and food processing. Value-added products will have to be prepared in order to promote greater investment in post-harvest technology. ... Both technology and public policy as well as farmer's involvement in the conservation of perishable commodity will I hope to bring an end to the mismatch*

**I**ndia is probably the only country which, by an Act of Parliament, has assured food security in every household where there is need for social support for avoiding hunger. Still, there is widespread hunger and malnutrition. This results in denying our children, women and men an opportunity for the full expression of their innate genetic potential for physical and mental development. Based on the budget and its further development, I suggest a few areas which need additional attention both financially and scientifically.

### Price Volatility

Our farmers suffer from a high degree of price volatility leading to income instability. In particular, prices of vegetable commodities like potato, tomato and onion. Such price volatility is a perennial problem. We should find a permanent solution rather than merely take adhoc steps to pacify the consumer. A feasible method is the promotion of peri-urban horticulture. Considerable areas of land are available both within cities and nearby areas and they can be used to promote a peri-urban horticulture

movement involving the cultivation on rooftops and vacant land with crops like tomato, onion, chilli and other essential food plants. This will confer a double advantage – price stability on the one hand and sustainable nutrition security on the other.

### Seawater Farming

India has a shoreline of nearly 8000 kms and there is great opportunity for seawater farming as is done in the Kuttanad region of Kerala. Both crops and fisheries can be included in the seawater agroforestry system. Globally, 97 per cent of water is seawater and India should become a leader in demonstrating how seawater can be used for the cultivation of variety of crops. This will increase the income of coastal agriculture and also make them better prepared to face calamities like tsunami. The technologies for seawater farming and below sea level farming are available with M S Swaminathan Research Foundation which will undertake the task of training and capacity building in this area. The programme will include conservation of mangroves and other salt tolerant species. A genetic garden of halophytes has been established for this purpose.

The author is Founder Chairman, M S Swaminathan Research Foundation. He has been described as "the Father of Economic Ecology". He has held many posts in international and national committees like Chairman of the UN Science Advisory Committee Independent Chairman of the FAO Council, Chairman, National Commission on Farmers and Director General, International Rice Research Institute, the Philippines. He has won many awards like the Ramon Magsaysay Award for Community Leadership, the first World Food Prize in 1987, the Mahatma Gandhi Prize of UNESCO. He is the recipient of Padma Shri (1967), Padma Bhushan (1972) and Padma Vibushan (1989). Professor Swaminathan is a Fellow of many of the leading scientific academies of India and the world, including the Royal Society of London and the U S National Academy of Sciences.



## National Year of the Millet

The Government of India has declared 2018 as the National Year of the Millet. Tamil Nadu are leaders in the cultivation of millet crops like samai, thinai, kezhvaragu, panivaragu, kambu and several other minor millets. Kolli Hills has a rich germplasm of such millets. Therefore, it will be useful to organise a Millet Biovalley for the conservation of Millets. Such a programme should be accompanied by the variety of small food industries based on the production of a wide variety of processed millets like breakfast cereals.

## Animal Husbandry and Fisheries

Kisan credit cards should be given to not only those cultivating crops but also promoting the cultivation of poultry and marine and inland fisheries. Animal husbandry such as rearing of goat, sheep and poultry products can give substantial addition all income to farmers. They can also help fisher families to derive some income during the season when catching fish is prohibited in order to promote regeneration.

## Rice Bio Park

A Rice BioPark should be organised which will show to farmers how to increase their income through biomass utilisation. Thus, value added products will be prepared from rice straw, husk, brawn and grain. Similar bioparks can be organised in the case of pulses. This will help the farmers to derive income and employment from every part of the biomass.

## Adaptation to Climate

It is important to set up climate risk management R&D centres at least one at every block level. Such centres should be supported by trained Climate Risk Managers, one woman and one man from each

Panchayat. Climate Change could become a mega catastrophe and there is need for immediate steps both in the areas of mitigation and adaptation. Training manuals are available with MSSRF which can undertake trainers' training programme.

## Establishment of Farm Schools

Farmer to farmer learning through Farm Schools established in outstanding farmers fields should

## Allocation for Food Processing Sector

In the Budget 2018-19, the Government has moved forward towards achieving the goal of doubling the income of farmers by 2022 and has charted a road map for arresting price volatility of TOP (Tomato, Onion and Potato) in the country. Allocation for the Ministry of Food Processing has been doubled in the current Budget 2018-19 to Rs. 1400 crore.

Under Operations Greens we shall be creating a sustainable road map to ensure that Tomato Onion Potato (TOP) are available in every nook and corner of the country round the year without any price volatility. A sum of Rs. 500 crore has been earmarked for this purpose in the Budget 2018, the Minister said.

The Government is looking at compressing the supply chains and creating appropriate climate infrastructure for natural preservation of Tomato Onion Potato (TOP) and promoting Farmers Producers Organizations, Agri Logistics Processing facilities, and professional management.

One of the most revolutionary initiatives announced in Budget 2018-19 to give impetus to the food processing sector is establishing **Specialized Agro Processing Financial Institutions** to unlock finance for establishing food processing industries. These institutions would help overcome the deterrents faced while installing food processing projects that are capital intensive and have long gestation period, by ensuring timely, accessible and affordable credit to this sector.

Thrust provided for promoting agri-clusters and Mega Food Parks in the Budget to strengthen farmers. The initiatives taken by the Government are:

- Promotion of **cluster based development of agri commodities** and regions in partnership with Ministry of Agriculture, Commerce and allied ministries;
- **100 per cent income tax deduction from profit** derived from activities such as post-harvest value addition to agriculture to FPOs having annual turnover of Rs. 100 crore;
- Setting up of **state of art testing facilities in all the 42 Mega Food Parks** to encourage export of agri-commodities realizing their full potential.

Food processing sector constitutes around 8 per cent and 10 per cent of Gross Value Added (GVA) in manufacturing and agriculture sector in 2015-16. Value of processed food export has increased to USD 13.9 billion on 2016-17 which constitutes 11.2 per cent of India's total export. The Minister added that the Government has been able to bring central focus to food processing industry in terms of its potential to increase farmer's income, provide employment and reduce wastage.



be initiated. Such a land to land programme can hasten the spread of skilled work in farming.

### Peri-urban Horticulture Revolution

Urbanisation in India is growing and the problem of food inflation largely rises from the demand-supply gaps in urban areas. One way of stabilising the prices of vegetables and fruits in urban areas is to promote peri-urban horticulture by providing the necessary technical and marketing support. Decentralised production, as for example in Israel, could be supported by cooperative marketing. Urban and peri-urban ‘horticulture revolution’ could pave the way for more stable prices to the consumer. At the same time, we should ensure that the quality of the food remains high and free of pesticide residues and other unsafe chemicals. Thus, we can ensure stability of supply coupled with high quality and safe food, while contributing to price stability. The urban population demands special foods particularly fruits and vegetables. Therefore, a peri-urban farming programme would be timely.

National Food Security Act 2013 provides for inclusion of millets and other grains in the Public Distribution System. A recent media report indicates that the acreage under *Ragi* and *millets* is likely to

go up substantially in Karnataka as well as in several other states. Remunerative pricing and effective procurement are the keys to revive interest in such crops. The Karnataka government has procured over 1 lakh tonnes of *Ragi* at Rs. 2000 per quintal. Farmers will produce more if procurement and consumption go up. From 1992 onwards, MSSRF has been working in Kolli Hills in Tamil Nadu as well as in Koraput in Odisha trying to promote the conservation of a wide range of minor millets through opportunities for commercialisation. The Food Security Act 2013 also includes millets like ragi, jowar, bajra etc in the food basket under the PDS. It is now known that such millets are not only nutritious but are also climate smart in the sense that they are more resilient to rainfall distribution. In order to ensure that these nutritious and climate resilient crops are again cultivated on a large scale in dry farming areas we should ensure that they have a market. Fortunately, many food processing companies are coming up based on ragi, bajra, jowar and a range of minor millets. We need to ensure that both under the Food Security Act and school meal programme, there is sufficient off take of nutritious millets. Also, government should change the practice of referring to such crops as “coarse grains”. They should be referred to as “climate smart nutri-millets”. Also, we should

propose to the United Nations to declare one year of this decade as International Year of Underutilised and Biofortified Crops. Next year is the International Year of Pulses, and pulses are also climate smart and protein rich. Through suitable policy support for the cultivation and consumption of such crops, it should be possible to erase the image of our country as one with the largest number of malnourished children and women.

Another urgent requirement is greater investment in research on these “orphan crops”, so that the yield potential is substantially enhanced. Both higher yield and assured marketing will increase the attractiveness of these crops to small farmers.

An area of concern is post-harvest management of the harvested crops. At present there is a mismatch between production and post-harvest technologies which leads to losses to both producers and consumers. It is in this connection that food processing industries are urgently needed. Fortunately, the 2018-19 budget provides substantial support to food safety and food processing. Value-added products will have to be prepared in order to promote greater investment in post-harvest technology. Cold storages and cold chains are needed. The recent potato crisis in West Bengal, Uttar Pradesh and Bihar could have been avoided had there been cold storage available in Punjab, Haryana region. Both technology and public policy as well as farmer’s involvement in the conservation of perishable commodity will, I hope, bring an end to the mismatch.

A recent issue of National Geographic Magazine (Feb 2018) rised a question “Who will Feed China”. We also have to ask a question “Who will feed India” if post-harvest high, since we have to feed more and more from less and less land. The present budget has started the process of ending the mismatch. □

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# Transforming India's Aspirational Districts – A Developmental Journey

*Amitabh Kant*



*...a focused implementation of various government schemes through convergence on mission mode with real-time monitoring mechanism at district level is expected to transform these aspirational districts and attain nation's best figures in next 3-5 years' timeline*

**I**ndia is on a robust growth trajectory and the international bodies such as World Bank, Moody's investors service etc., have also projected that India will be the fastest growing economy again in 2018. The latest report of the World Bank on 'Ease of Doing Business' had shown significant jump of 42 ranks, which, India is the only country to achieve this quantum jump.

While the economic growth prospects are on a positive note, our social sector faces severe development challenges. India stands at 131 of 188 nations on the Human Development Index, 2016 of UNDP and ranked 100 out of 119 countries on the Global Hunger Index. The latest National Family Health Survey (NFHS) reveals that one in every two women is anemic; one in every three children is stunted; one in every four children is malnourished and one in every five children is wasted. The learning outcomes of various surveys too reflect, a somewhat, grim picture. When one drives deep into data, the picture seems to be different and the position in respect of these indicators is not as frightening as it appears to be at the national level. For example, percentage of stunted children - Kerala

(19.7) and Bihar (48.3); percentage underweight children - Mizoram (11.9) and Jharkhand (47.8); Infant Mortality Rate per 1000 live births Andaman and Nicobar Islands (10) and Uttar Pradesh (64); Maternal Mortality Rate per 1 lakh live births - Kerala (61) and Assam (300); Mathematics Class V NAS Score - Tamilnadu (56 per cent) and Chhattisgarh (32 per cent); similarly Reading Comprehension - Tamilnadu (54 per cent) and Bihar (29 per cent); Percentage of households - five states achieved 100 per cent and Jharkhand (40 per cent). On the whole, around 200 districts across India distort the national averages.

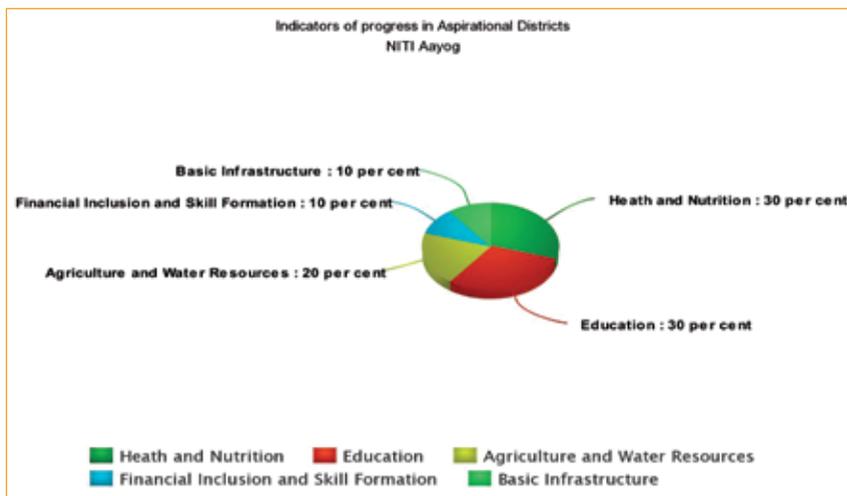
Moving forward, a focused implementation of various government schemes through convergence on mission mode with real-time monitoring mechanism at district level is expected to transform these aspirational districts and attain nation's best figures in next 3-5 years' timeline.

The wide-spread disparity in development indicators, both economic and social, among various regions of the country had drawn the attention of policy makers for quite sometime, as early as 1960's. The identified backward districts

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## List of 115 Aspirational Districts

State	Name of Districts
Andhra Pradesh	• Vizainagram • Visakhapatnam • Cuddapah
Arunachal Pradesh	• Namsai
Assam	• Darrang • Udalgiri • Dhubri • Hailakandi • Barpeta • Goalpara • Baksa
Bihar	• Katihar • Khagaria • Aurangabad • Begusarai • Purnia • Banka • Sheikhpura • Gaya • Araria • Jamui • Sitamarhi • Muzaffarpur • Nawada
Chhattisgarh	• Korba • Bastar • Mahasamund • Bijapur • Dantewada • Kanker • Kondagaon • Narayanpur • Rajnandgaon • Sukma
Gujarat	• Narmada • Dahod
Haryana	• Mewat
Himachal Pradesh	• Chamba
Jammu and Kashmir	• Kupwara • Baramula
Jharkhand	• Sahebganj • Godda • Latehar • Pakaur • Lohardaga • Palamu • PurbiSinghbhum • Ramgarh • anchi • Simdega • West Singhbhum • Bokaro • Chatra • Dumka • Garhwa • Girdih • Gumla • Hazaribagh • Khunti
Karnataka	• Yadgir • Raichur
Kerala	• Wayanad
Madhya Pradesh	• Damoh • Chhatarpur • Singrauli • Rajgarh • Barwani • Guna • Vidisha • Khandwa
Maharashtra	• Nandurbar • Washim • Gadchiroli • Osmanabad
Manipur	• Chandel
Meghalaya	• Ribhoi
Mizoram	• Mamit
Nagaland	• Kiphire
Odisha	• Rayagada • Kandhamal • Koraput • Kalahandi • Gajapati • Malkangiri • Dhenkanal • Balangir
Punjab	• Ferozpur • Moga
Rajasthan	• Baran • Dholpur • Jaisalmer • Karauli • Sirohi
Sikkim	• West Sikkim
Tamil Nadu	• Ramanathapuram • Virudhunagar
Telangana	• Bhoopalpalli • Khammam • Asifabad
Tripura	• Dhalai
Uttar Pradesh	• Chitrakoot • Chandauli • Balrampur • Siddharthnagar • Bahraich • Fatehpur • Sonbhadra • Shravasti
Uttarakhand	• Haridwar • Udham Singh Nagar
West Bengal	• Murshidabad • Nadia • Maldah • Dakshin Dinajpur • Birbhum



in the past are largely represented by few states such as undivided Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan. Each of the recommendations of the Committees resulted in programmes/schemes, which were sector or area-specific. There was lack of convergence and absence of centralised monitoring mechanism. Reports suggest that out of the allocations made, only a fraction of amounts reached these districts. Reliable and real-time data was also a big challenge. Another issue with policy formulation was ‘one size fits all’ approach. With

### EDUCATION

Sl. No.	Indicators	Weight in Education Index	Weight in Overall Composite index	Source / Periodicity (All indicators to be validated through Survey)
1	NER (a) elementary level	14	4.2	Ministry of Human Resource Development (MHRD) - UDISE / Annual
	(b) Secondary level	6	1.8	MHRD - UDISE / Annual
2	Toilet access: per cent schools with functional girls’ toilets	5	1.5	Survey / Monthly
3	Learning outcomes (All, Boys, Girls, SCs, STs, Minorities) (a) Mathematics performance in Class 3 (b) Language performance in Class 3 (c) Mathematics performance in Class 5 (d) Language performance in Class 5 (e) Mathematics performance in Class 8 (f) Language performance in Class 8	50	15	Tests in schools selected through Stratified Random Sampling by Third Party on Monthly Basis
4	Female literacy rate (15+ Age group)	8	2.4	Survey / Quarterly
5	Percentage of schools with functional drinking water facility	4	1.2	Concerned Officer-DC/ Monthly + Survey / Quarterly
6	Percentage of schools with functional electricity facility at secondary level	1	0.3	Concerned Officer-DC/ Monthly + Survey / Quarterly
7	Percentage of elementary schools complying with RTE specified Pupil Teacher Ratio	8	2.4	Concerned Officer-DC / Monthly to be validated by MHRD-UDISE Annually
8	Percentage of schools providing textbooks to children within 3 months of start of the academic session	4	1.2	MHRD/Annual
	<b>Total</b>	100 per cent	30 per cent	

## List of Indicators per Thematic Area

### HEALTH & NUTRITION

Sl. No.	Indicators	Weight in Health & Nutrition Index	Weight in Overall Composite index	Source / Periodicity (All indicators to be validated through Survey)
1	Percentage of pregnant women receiving 4 or more antenatal care check-ups out of the total no. of pregnant women registered for antenatal care	8	2.4	Health Management Information System (HMIS), MoHFW 2016-17 / Monthly
2	Percentage of pregnant women taking Supplementary Nutrition under the ICDS programme regularly	3	0.9	District Collector (DC) / Monthly
3	Percentage of pregnant women having severe anaemia (Haemoglobin<7g/dl) out of total no. of women registered for antenatal care	9	2.7	HMIS / Monthly
4	Percentage of institutional deliveries out of total number of reported deliveries	7	2.1	HMIS / Monthly
5	Percentage of home deliveries attended by an SBA (Skilled Birth Attendance) trained health worker out of total number of reported deliveries	3	0.9	HMIS / Monthly
6	Percentage of new-borns breastfed within one hour of birth	10	3.0	HMIS / Monthly
7	Percentage of underweight children under 5 years	7	2.1	Survey
8	Percentage of stunted children under 5 years	8	2.4	Survey
9	Severe Acute Malnourishment	5	1.5	Survey
10	Percentage of infants aged 6-23 months receiving an adequate diet (breastmilk + complementary feed)	5	1.5	Survey
11	Percentage of children fully immunized (9-11 months) (BCG+ DPT3 + OPV3 + Measles1)	10	3.0	HMIS / Monthly
12	Tuberculosis (TB) cases notified per 100,000 population	5	1.5	DC/RNTCP MIS / Monthly
13	Health Infrastructure Indicators	20	6.0	
13a	Proportion of Sub centres/ PHCs converted into Health & Wellness Centres (HWCs)	6	1.8	DC
13b	Proportion of Primary Health Centers compliant to Indian Public Health Standards	5	1.5	HMIS / Monthly
13c	Proportion of functional FRUs (First referral units) against the norm of 1 per 500,000 population (1 per 300,00 hilly areas)	3	0.9	HMIS / Monthly
13d	Proportion of specialist services available in District hospitals against IPHS norms	2	0.6	HMIS / Monthly
13e	Percentage of Anganwadis centres/UPHCs reported to have conducted at least one Village Health Sanitation & Nutrition day/Urban Health Sanitation & Nutrition day/ outreach in the last one month	2	0.6	HMIS / Monthly
13f	Proportion of Anganwadis with own buildings	2	0.6	Concerned Officer - DC / Monthly
	<b>Total</b>	100 per cent	30 per cent	

\*National Family Health Survey 2015-16

# Health Management Information System, MoHFW 2016-17

\$ Value for Anaemia (Hb<11g.dl) taken as proxy for indicating best district

^RNTCP Annual Report 2017

Agriculture and Water Resources				
Sl. No.	Indicators	Weight in Agriculture Index	Weight in Overall Composite index	Source / Periodicity (All indicators to be validated through Survey)
1	Water Positive investments and Employment	30	6	
1(a)	1 (a) Percentage of net sown area under micro-irrigation	17.5	3.5	Concerned Officer, DC & Survey / Monthly
1(b)	1(b)Percentage increase in water bodies rejuvenated under MGNREGA	12.5	2.5	Concerned Officer, DC & Survey / Half yearly
2	Crop Insurance- Percentage of net sown area under PradhanMantriFasalBimaYojana (PMFBY)	15	3	Concerned Officer, DC / Half Yearly
3	Increase in Critical Inputs usage and supply	17.5	3.5	
3 (a)	3 (a)Percentage increase in agricultural credit	7.5	1.5	Concerned Officer, DC & Survey / Monthly
3(b)	3 (b) Certified quality seed distribution	7.5	1.5	Concerned Officer, DC & Survey / Half yearly
3(c)	3 (c) Increase in Fertilizer use	2.5	0.5	Concerned Officer, DC / Quarterly
4	Number of Transactions in District mandi linked to eNAM	10	2	Concerned Officer, DC, Survey/ Monthly
5	Percentage change in Price Realization (defined as the difference between Farm Harvest Price (FHP) and Minimum Support Price (MSP))	5	1	Concerned Officer, DC Survey / Monthly
6	Percentage share of high value crops to total sown area in district	2.5	0.5	Concerned Officer, DC / Half Yearly
7	Agricultural productivity of Rice and Wheat	5	1	Concerned Officer, DC & Survey / Half Yearly
8	Percentage of animals vaccinated	7.5	1.5	Concerned Officer-DC / Monthly
9	Artificial Insemination coverage	5	1	Concerned Officer, DC & Survey/ Monthly
10	Number of Soil Health Cards distributed in II Cycle as compared to I cycle	2.5	0.5	Concerned Officer, DC / Monthly
	<b>Total</b>	100 per cent	20 per cent	

such a vast diversity of geography, culture and beliefs, the solution lies in customization on case-to-case basis within the overall whelm of policy prescription. Lastly, taking a cue from the successful programmes such as eradication of polio, transformation in these backward districts would not be possible without the involvement of people's participation. In other words, transformation is possible only through a mass movement.

Keeping in view the lessons learnt in the developmental journey, Government of India has recently launched the 'Transformation of Aspirational Districts' programme. On the occasion of the 75th anniversary of the Quit India Movement, the Prime Minister interacted with the District Collectors' through video conference on August 9, 2017 and stated that "when the socio-economic conditions improve in the 100 most

backward districts, it would give a big boost to over-all development of the country". The broad contours of the programme are Convergence - of Central and State Schemes, Collaboration - of Central, State level 'Prabhari' Officers and District Collectors, States - as Drivers, Adjustments - of Schemes, Real-time Data, Competition - among districts and driven by - Mass Movement.

Basic Infrastructure				
Sl. No.	Indicators	Weight in Basic Infrastructure Index	Weight in Overall Composite index	Source / Periodicity (All indicators to be validated through Survey)
1	Percentage of households with electricity connection	20	2	Concerned Officer-DC & Survey / Monthly
2	Percentage of households with internet connection	5	0.5	Concerned Officer-DC & Survey / Monthly
3	Percentage of habitations with access to all weather roads within 3 km	15	1.5	Concerned Officer-DC & Survey / Monthly
4	Percentage of households with Individual Household Latrines	15	1.5	Concerned Officer-DC & Survey / Monthly
5	Percentage of households with access to adequate quantity of potable water - 40 lpcd drinking water in rural and 135 lpcd in urban areas (within 100 meters of household or 10 meters elevation)	20	2	Concerned Officer-DC & Survey / Monthly
6	Coverage/ establishment of Common Service Centres at Gram Panchayat level	5	0.5	Concerned Officer-DC & Survey / Monthly
7	Number of pucca houses constructed for household who are shelter-less or having one room with kuchha wall and kuchha roof or having 2 room with kuchha wall and roof	20	2	Concerned Officer-DC & Survey / Monthly
	<b>Total</b>	100 per cent	10 per cent	

A total of 115 districts, with at least one district from 28 states, have been identified, out of which 30 were selected by NITI Aayog and another 50 districts by Central Ministries using a composite index of parameters taken from available published government data and vetted by the States. Remaining 35 districts were identified by the Ministry of Home Affairs as Left Wing Extremist districts. NITI Aayog will anchor the programme. While selecting a district, capacity of States was also kept in mind as the programme would be driven by the State Governments. The States would be supported by Government of India in making concerted efforts to improve performance of key parameters in these districts by 2022. NITI Aayog would coordinate such assistance and would create robust MIS for measuring performance in these districts.

One of the main elements of strategy for transformation of these districts is to identify selected Key

Performance Indicators (KPIs), monitor the progress made in these indicators and carry out annual ranking on the incremental progress made. The primary objective of the programme is to improve the quality of life by improving the social indicators and basic infrastructure in the identified districts and also raise the income standard of its citizens. Accordingly, five sectors have been identified – Health and Nutrition, Education, Agriculture and Water Resources, Basic Infrastructure and Financial Inclusion and Skill Formation. Given the wide variation in opportunities and challenges faced by a district, ideal set of district-specific KPIs have been chosen that captures efforts, commitments and progress made by all stakeholders in transforming the district.

These KPIs are a combination of inputs, outputs and outcomes across these five sectors and the data on real-time would be captured at the district level. KPIs in Health and

Nutrition include Maternal and Child Health; Infant Nutrition; Antenatal Care and Nutrition; Immunization; Physical Infrastructure and Human Resources for Health. Education KPIs consists of Net Enrolment Ratio; Physical Infrastructure; Learning Outcomes; Literacy rate and compliance with Right to Education (RTE). Agriculture KPIs include water positive investments and employment; Crop Insurance under Pradhan Mantri Fasal Bima Yojana (PMFBY); Critical Inputs on usage and supply. Basic Infrastructure covers Roads, Water, Toilets, Housing, Electricity and Internet Connectivity. In addition, two agencies namely Tata Trusts and Bill and Melinda Gates Foundation would be carrying out household surveys using stratified random sampling technique on quarterly basis.

One of the noteworthy innovations of the programme includes appointment of Central and State Government Officers at the level

<b>Financial Inclusion and Skill Formation</b>				
<b>Sl. No.</b>	<b>Indicators</b>	<b>Weight in Financial Inclusion Index</b>	<b>Weight in Overall Composite index</b>	<b>Source / Periodicity (All indicators to be validated through Survey)</b>
<b>Financial Inclusion</b>				
1	Total Disbursement of Mudra loan (in rupees) per 1 Lakh population	20	1	Department of Financial Services (DFS) / Monthly
2	Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): Number of Enrolments per 1 Lakh population	20	1	DFS / Monthly
3	Pradhan Mantri Suraksha Bima Yojana (PMSBY): Number of Enrolments per 1 Lakh population	20	1	DFS / Monthly
4	Atal Pension Yojana(APY): Number of Beneficiaries per 1 Lakh population	20	1	DFS / Monthly
5	Percentage of accounts seeded with Aadhaar as a percentage of total banking accounts	20	1	DFS / Monthly
	<b>Total</b>	<b>100 per cent</b>	<b>5 per cent</b>	
<b>Skill Formation</b>				
1	No of youth certified in short term and long term training <sup>#</sup> schemes / no of youth in district in age group 15-29*	25	1.25	Ministry of Skill Development and Entrepreneurship (MSDE) & Line Ministry / Monthly
2	No of certified youth employed <sup>#</sup> /No of youth trained under short term and long term training	15	0.75	MSDE& Line Ministry / Monthly
3	Number of Apprentices completing/Total number of trainees registered on the portal	25	1.25	Directorate General of Training (DGT) / Monthly
4	No of people certified under Recognition of Prior Learning <sup>#</sup> / Non formally skilled workforce **	25	1.25	MSDE & National Skill Development Corporation (NSDC) / Monthly
5	Number of Vulnerable/Marginalized youth certified trained under short term and long term training <sup>#</sup> a) Women - certified trained, b) SC - certified trained c) ST - certified trained d) OBC - certified trained e) Minorities - certified trained f) Differently abled - certified trained) / Total Number of youth certified trained	10	0.5	MSDE & NSDC / Monthly
	<b>Total</b>	<b>100 per cent</b>	<b>5 per cent</b>	
<p><sup>#</sup>Only data from PMKVY (2016-20) has been referred here  <sup>*</sup>The data of 'number of youth in district in age group 15-29' to be used from the same source by NITI Aayog for calculation as used for calculation of other parameters.  <sup>**</sup> The data for non formally skilled workforce has been estimated from NSSO 2011-12 EUS Survey and Census 2011</p>				

of Additional/Joint Secretary as the 'Prabhari' and Nodal Officers. These officers, with their wealth of experience, are not only best suited to guide the district administration, but also have the potential to act as the bridge between the district and the state and the central government. At the district level, the key official would be the District Magistrate/Collector. An Empowered Committee of Secretaries (ECS) will supervise the implementation of the programme and make necessary policy adjustments on the basis of experience gained in these districts by the district level team. Similarly, states will constitute a team comprising of Chief Secretary and Secretary, Planning/Finance to oversee the implementation and to make necessary policy adjustments at the state level.

The district level teams would prepare a base line report of the current status of different indicators and based on the resources available, would also prepare year wise targets so that by 2022, the district attains the desired level in each of the indicators. The central representative, would be visiting the district at least once in two months and also prepare a report for NITI Aayog. The latter in turn, after analyzing the report would place the findings for consideration to the Empowered Committee of secretaries. Out of the 115 districts, NITI Aayog will drive 30 districts, 35 districts by Ministry of Home Affairs and remaining 55 districts are distributed among Ministries of Health and Family Welfare; Women and Child Development; Panchayat

Raj; Agriculture and Farmers Welfare; Human Resources Development; Rural Development; Drinking Water and Sanitation; Housing and Urban Affairs; Water Resources; Power; Social Justice and Tribal Affairs.

The baseline data and the real-time monitoring is expected to begin from April 1, 2018 as also the competition among the states for improving well-being of people of these aspirational districts. While transforming backward districts is not a different idea, however, the government is implementing it differently. As it is popularly said – "winners don't do different things, they do it differently" will be proved for these aspirational districts. □

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## Farm Productivity to Income Inclusiveness

**J P Mishra**  
**Shivalika Gupta**



*The government walked the talk of doubling farmers' incomes through a financial sanction to the discourse of shifting away from farm production/productivity to income inclusiveness with a clear, actionable roadmap. There is a logical progression to how the programmatic framework to deal with agriculture-allied sector has evolved over previous 3 years from production to income security in agriculture to post harvest challenges to livelihood generation. Income security has been a recurring theme in all the three previous budgets*

**T**he Union Budget 2018-19 is an exemplary effort for Sabka Sath Sabka Vikas. The budget puts all its weight for improving the agrarian economy and has a suitable blend of inclusiveness, innovations and out of box initiatives. The emphasis laid on income rather than production alone has been an obvious choice as though, input intensive agriculture, so far, has transformed a food deficit nation into food surplus and net exporter, but the impressive gains of technology were harnessed largely in select geographies leaving large tracts that do not enjoy the luxury of adequate water at all quarters of the years, far behind. The declining size of farms, depleting resources and escalating costs of applied inputs and farm labourers has reduced the net return from farming. The call given by the Hon'ble Prime Minister to double the farmers' income by 2022 has been put in the right perspective through this budget. The strategy revolves around raising farmers' welfare and ending agrarian distress by using comprehensive 'production, process and market' approach through higher investments on market infrastructure, processing, value addition and agri-business, and diversification along with farmers' welfare initiatives.

India's long neglected agrarian prowess found its deserving mark in the Finance Minister's budget speech for the financial year 2018-19. The proposed financial statement presented on 1<sup>st</sup> February, 2018 is a bold outline for a multi-dimensional attack on farmer distress. It is comprehensively anchored around inclusiveness with a focus on innovations, income, investment and rural infrastructure. On a budgetary note, the increase in allocations to agriculture and allied sector for the financial year 2018-19 at about 15 percent looks slightly lower, but the inter se priorities has set the tone and the tenor in which the Government wants to deal with farmers' risks with 22 percent higher allocation to crop insurance under PM Fasal Bima Yojana than previous year. The higher allocation for organic farming value chain, high value commodities, critical inputs and services, and farm credit is the evidence that farmers and farming are the corner stone for the Government. The allocation for seed is demand driven which gets augmented every year at RE stage. The processing and value addition has been a weak area so far which has got tremendous focus in the budgetary allocation with Ministry of Food Processing Industries being

J P Mishra is Adviser (Agriculture) NITI Aayog, Government of India. He is an Agronomist and has worked over 23 years in Agricultural Research and Development. He has also worked with flagship programmes like National Food Security Mission and Rastriya Krishi Vikas Yojana of Ministry of Agriculture.

Shivalika Gupta is a Young Professional, NITI Aayog, Government of India, New Delhi

## Higher Budgetary Allocation (Table-1)

S No	Department/Ministry	2016-17	2017-18	2018-19	per cent change
1	M/O Agriculture	44,500	50,264	57,600	15 per cent
1.1	DACFW	36,912	41,105	46,700	14 per cent
1.2	DAHDF	1,858	2,167	3,100	43 per cent
1.3	DARE	5,729	6,992	7,800	12 per cent
2	M/O Food Processing Industries	713	715	1,400	96 per cent

allocated with almost 100 per cent increase over 2017-18 (Table 1).

The comparative statement of actual expenditure of 2016-17, revised estimates of 2017-18 and the budgetary allocation of 2018-19 obviously indicate a definite trend of priority setting of the Government. All the critical segments of Indian Farming have been focussed with higher budgetary allocation (Table 2) and the continuum has been brought under more inclusion with some of the path breaking statements of action envisaged in the Union Budget 2018-19. A clear set of initiatives marking a paradigm shift in the fundamental

way of approaching agricultural sector has been envisaged. While doing so, the Government has successfully identified the limiting factors impeding farmers' ability to realise their much deserved income.

### A Paradigm Shift: Broadened Scope & Operation

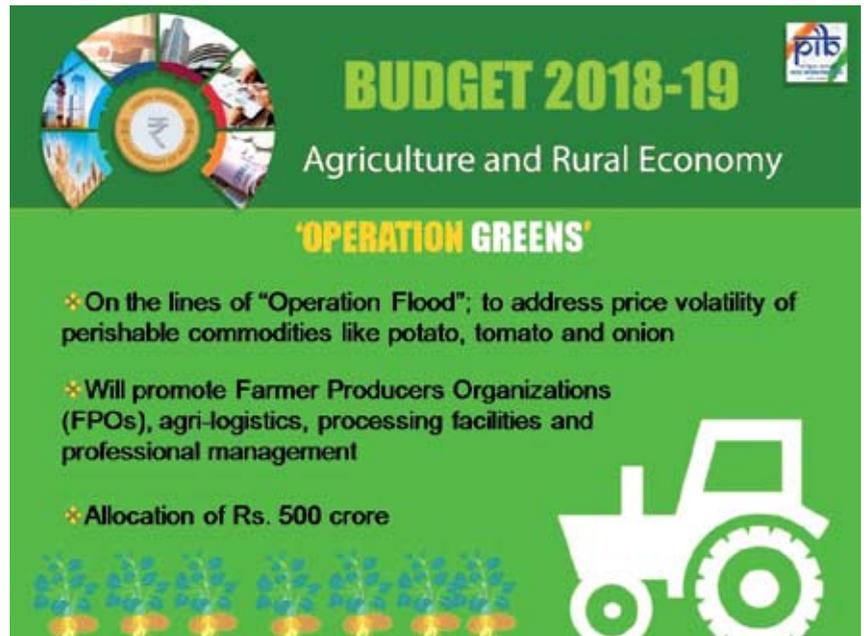
Vast disparities within the sector do exist. The Census 2011 data revealed that nearly 55 percent agriculturalists are agricultural labour. The SECC 2011 data estimates 56.4 percent of rural households to be landless. A minimum of 16.44 million workers depend on livestock rearing

and fisheries for livelihood. The policy derivatives emphasised in the Union Budget 2018-19 will have long lasting impact on the nation's agricultural landscape owing to their inclusive nature. The Budget explicitly recognises agriculture as an enterprise. The approach is empowering to the farmers given the historical treatment of farmers as passive recipients of benefits of the Government's schemes. To this effect, the judicious use of resources to ensure outreach to a wide spectrum of stakeholders within agriculture – ranging from small and marginal farmers, fishery farmers, animal husbandry – including food processing and rural connectivity not only recognises and mainstreams agriculturalists but also gives an out of box directional changes to include lessee cultivators, livestock rearers, small fish growers under the ambit of farm credit. Needless to mention the importance of this sole sector as it supports more than 50 percent of the country's workforce. The agriculture-allied sector is at the very foundation of rural prosperity, where 70 percent India still resides.

Table 2: Larger Focus on Critical Areas of Agri and Agri-business

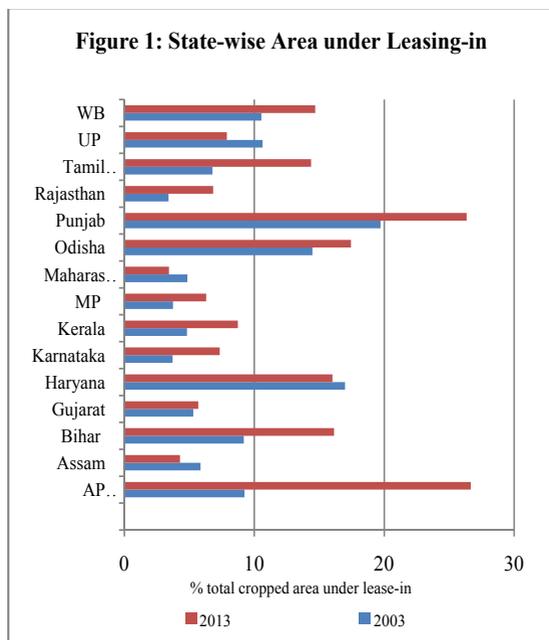
Priority Area	GOI Programmes	2016-17	2017-18	2018-19	per cent change
Risk Management	P M Fasal Bima Yojana	11,051.00	10,699.00	13,000.00	22 per cent
Organic Farming	Organic Value Chain Development for NER	48.20	100	160	60 per cent
High Value Commodities	Mission on Horti. Development	1,493.07	2,190.00	2536	16 per cent
Quality Inputs and ToT	Seed and Planting	167.85	480.00	332.00	-31 per cent
	Plant Protection	137.86	62.66	129.25	106 per cent
	Agri Extension	590.46	821.00	1,020.00	24 per cent
	Farm Mechanization	366.93	776.71	1,165.29	50 per cent
Water positive Investments	PMKSY-Har Khetko Pani	439.8	1888	2600	79 per cent
	PMKSY -Per Drop More Crop	1991.25	3000	4000	33 per cent
Low cost credit to farmers	Agri credit to farmers	900000	1000000	1100000	10 per cent
White Revolution	Livestock Mission, LHDC	1309.16	1632.97	2219.89	36 per cent
Blue Revolution	Integrated Dev of Fisheries	387.81	301.73	642.61	113 per cent
Processing & Value Addition	PM Kisan Sampada Yojana	-	-	1313.08	-

The government walked the talk of doubling farmers' incomes through a financial sanction to the discourse of shifting away from farm production/productivity to income inclusiveness with a clear, actionable roadmap. There is a logical progression to how the programmatic framework to deal with agriculture-allied sector has evolved over previous 3 years from production to income security in agriculture to post harvest challenges to livelihood generation. Income security has been a recurring theme in all the three previous budgets. PradhanMantriFasalBimaYojana, announced in the second year of the government's incumbency for securing a farmer's economic position, now covers 26.50 percent of farmer population. It became a game changer in the sense that coverage of non-loanee farmer increased by 6 times in Kharif 2017. Initiatives were launched on micro-irrigation, soil health and organic farming to ensure sustainability in agriculture. The discourse on soil health cards has moved ahead to explore benefitting uses of the tool, beyond merely ensuring outreach. Till now, 11.5 crores soil health cards have been dispatched by the government. 470 markets have been



linked to e-National Agriculture Market platform so far. Infrastructure building for the livestock sector also has been a recurring theme in the preceding budgets. The road network has been systematically planned to improve access to rural habitations, and hence agricultural markets. PM KisanSampadaYojana is the real approach to link the major production clusters with processing and post-harvest management for value addition.

so far, this credit was available to only those cultivators having land titles or some license for availing institutional credit as in the case of AP Licence for bank credit to lessee cultivators. This arrangement has left behind a significant part of population involved in farming on lease in land. The number of tenant cultivators in the country is difficult to estimate given that most cases go unreported. However, the estimates have indicated the number of lessee cultivators increasing over years and more than one-third amongst them are landless, while close to 56 percent are marginal landowners. The various NSSO surveys have indicated a significant increase in lessee cultivators over years. They cultivate over 25 per cent of total operational holdings in some States (Figure 1). The other interesting fact is that the land leased-in by pure tenants (the landless households tiling land by leasing in) increased by over 2.5 times since 1991 (from about 12.1 per cent in 1991 to 30 per cent by 2012-13). In some of the states this number has doubled during 2003 to 2013 (Figure 2). This significant increase in pure tenants signifies the role of landless households' contribution in achieving food security but without any incentives



### Inclusiveness: Focusing The Unfocused

A regular increase in volume of institutional credit in the budget for agriculture since 2004 saw a great fillip in the farm credit availability and flow, albeit with regional variations and inter se prioritization. The target of Rs. 11 lakh crore agricultural credit for the year 2018-19 will help give the much needed push for private investment in agriculture along with raising farm level productivity. However,

for credit, relief and government programmes. This has clearly set the action to include the large and actively contributing farming population under the institutional credit network. The Union Budget 2018-19 made a focused announcement to make access to credit inclusive. NITI Aayog is mandated to find novel approaches to mainstream these tenant farmers by strengthening their access to crop loans for augmenting their economic viability and social status; including improving their access to other farm, off-farm and non-farm employment opportunities along with farming on lease. Another landmark initiative in the Budget 2018-19 is towards viewing agriculture in its entirety by extending credit facilities to farmers engaged in fishery and animal husbandry on the same pattern as crop loans under Kisan Credit Card Scheme. It is noteworthy, that animal, dairying and fisheries contribute to almost 27 percent of agricultural GVA with a potential to directly impact status of small, marginal and landless farm households. The importance of the sector is also amply reflected in the 31 percent increase in allocation to Department of Animal Husbandry, Dairying and Fisheries. Much needed public investment for the infrastructure creation in animal husbandry and fisheries sector has also been catered to through 2 new corporates with a cumulative amount of Rs. 10000 crore. The National Health Protection Scheme providing coverage to 10 crore households will be the silver lining in the cloud to millions of rural households including farmers.

### Market and Remunerative Price to All

#### Inclusive MSP

Minimum Support Price under price support mechanism, so far, has been limited to select crops and select geographies of the country. Another criticism of MSP has been that it often does not provide adequate incentive over cost of production. In a first of its

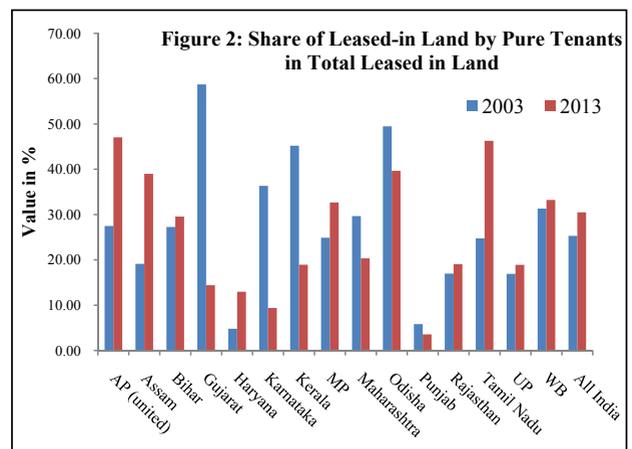


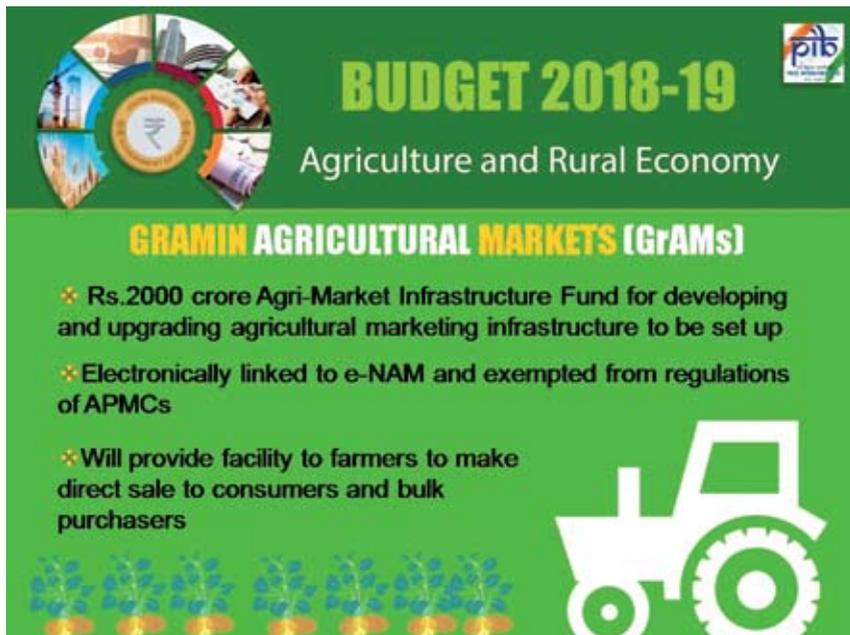
kind announcement, the Government has directed NITI Aayog to suggest alternate mechanisms for ensuring receipt of MSP equivalent returns to the farmer. Often the farmer is forced to sell at market prices below MSP with no option of realising a higher income. The Government has stepped forward to formulate initiatives to purchase produce at MSP or through some other mechanism to ensure that at least the amount declared as MSP reaches the farmer. The announcement is a welcome move given the think tank's recent appraisal of MP's *Bhaavantar Yojana* (Price Deficiency Payments) as one such alternate mechanism. That the MSP itself is now mandated to be pegged 'in-principle' at 50 percent higher than the production cost of the farmer is another step towards ensuring income inclusiveness. The NITI Aayog has been mandated to work on Artificial Intelligence in different sectors including agriculture. This will help in optimization of resources for better planning and

guiding the farmers to produce based on the future demands.

#### Market near the Farm Gate

One of the reasons for the vast gap between farm harvest price and MSP is limitations to market access. Nearly 85 percent of the total cultivators belong to small and marginal category; their access to markets is limited owing to low scale of production. The absence of linkage between the farmer and the wholesale markets has been long impeding the formation of an accessible, decentralised market structure. The Government has set aside Rs. 2000 crores for upgrading 22000 rural periodic markets into Gramin Agricultural Markets (GrAMS) to





8,000 species of medicinal herbs and medicinal plants are found in the country. Indian fragrance market is reported to have showcased a steady growth in the past, with The Economist's Intelligence Unit estimating the sales value of perfumes and fragrances in India as USD 3169 million. While Operation Greens will help provide a push to perishable horticulture produce, a sum of Rs. 200 crore has been set aside for supporting organized cultivation of MAPs for the benefit of MSMEs in the associated industry. Much work has been undertaken in the previous two years by NITI Aayog with other ministerial stakeholders in the domain of demand and supply forecasts in agriculture, a sanction for the same in the budget proposal is encouraging.

### Natural Resources and Sustainability

The price and productivity incentivization in Union Budget 2018-19 has been carefully intertwined with an equal focus on modern day sustainability factors. Farmer Producer Organisations are recognised as potent vehicles to usher in initiatives to promote organic farming with a proposed scale of 1000 ha each. The allocation to Organic Value Chain Development for North East Region has been increased by 60 per cent. The North Eastern Region is largely organic by default and offers unique scope for exporting organic produce under ASEAN and Act East policy of the Government. The water positive investments under PMKSY-HarKhetKoPani and PMKSY-Per drop More Crop has been increased by 38 and 33 percent, respectively for the year 2018-19. The ambit of the PM Krishi Sinchayi Yojana (PMKSY) scheme will be expanded to counter the deteriorating ground water condition by focussing energies on 96 deprived districts where less than 30 percent landholdings get assured irrigation. A special scheme with state level inter-governmental

serve as multipurpose platforms for assembly, aggregation and local retail. GrAMs will provide systemic linkage access points to realise the vision of a unified national market by bringing primary post production activities to farmers at village level. To complete the perspective, the Prime Minister Gram Sadak Yojana Phase 3 will pay special attention to connecting habitations with GrAMs through all-weather roads.

### Valuing the Value Chain System

An unabashed thrust on rural livelihoods—both on farm and non-farm—envisages cultivating a paraphernalia for remunerative village level agricultural value chain development, infrastructure creation and price realisation at farmers' level. An explicit focus on cluster based approach to developing agriculture in a dispersed manner can potentially form the basis of future public and private agribusiness initiatives. Further, aggregation through Farmer Producer Companies (FPCs) has a dominant role in bringing forth specialisation and scale to an otherwise fragmented sector, along with necessary managerial and technical backing. A 100 percent tax

deduction to FPCs with turnover of less than Rs. 100 crore will go a long way to make these units economically viable. FPOs also form the cornerstone of newly launched Operation Greens for managing supply of Onion, Potato and Tomato (OPT) throughout the year. A separate corpus of Rs. 500 crore will be utilised for Operation Greens to promote agri-logistics, processing facilities and professional management for OPT crops.

The allocation for food processing sector, as important as it is to contribute nearly 8.80 percent and 8.30 percent GVA in manufacturing and agriculture respectively, has been nearly doubled from Rs. 715 crore in 2017-18 to Rs. 1400 crore in 2018-19. Unexploited agriculture export capacity (USD 70 billion) of the country is indicated to be utilised through targeted export liberalisation measures and testing infrastructure creation in all of the 42 Mega Food Parks.

### High Value Commodities

High value commodities such as horticulture and Medicinal & Aromatic Plants (MAPs) have received special attention in the budget to augment the farm income. An estimated

cooperation to subsidise machinery for in-situ management of crop residue has also been declared in response to the deteriorating air quality in Delhi during winters. The announcement is in sync with this year's Economic Survey asserting contribution of smoke from burning fields post harvesting paddy in North India. Mechanisms to sell surplus solar power by farmers to electricity grids and distribution companies instinctively combine income generation and sustainability targets. Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) Scheme has been announced for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG. The Union Budget has also given a due thrust on convergence of programmes in 115 aspirational districts identified by NITI Aayog to transform them as a mission to usher in New India by 2022. The focus in these Aspirational districts would be transforming health, nutrition, education, agriculture, digital connectivity, skill development and basic infrastructure.

### Conclusion

The Union Budget has firmly recognised the belief that developing a favourable rural ecosystem is the imperative for agriculture to sustain as an industry. Sufficient continuity can be seen through inclusion of command area development projects under the previously announced Long Term Irrigation Fund with initial corpus of Rs 20000 crore. Easier access to electricity, LPG connections, sanitation, housing, and health announced through various initiatives through budget proposal cumulatively add to the vision of doubling farmers' incomes. The increase in allocation to National Rural Livelihood Mission by 28 percent compared to the previous year and launch of revamped

National Bamboo Mission with an outlay of Rs. 1290 crore would play a critical role in augmenting the farm and non-farm income and employment in rural India. The distribution of funds seems to indicate a reorientation of financial resources towards pre-determined, sharp and key actionable initiatives that can yield results in a short period. The previous year's budget cuts for research and development in crop sciences and animal sciences has seen a welcome reversal with these sub-heads witnessing 78 percent and 47 percent increase respectively for the year 2018-19. This has been much awaited and timely as future agricultural growth needs path breaking technologies that

require huge investment in research and institutional strengthening. The pattern of the allocation for the year 2018-19 reflects a sharpened focus of budget spending on specific pressure points to propel rural agricultural development in a holistic manner. It has been anchored around the 'Farmers' Welfare' with due focus on inclusion, innovation, employment, and sustainability. The inventiveness of this year's financial statement is in the careful use of limited funds for an appropriate mix of key initiatives. Grounding these initiatives at the earliest will usher in a new development full of prosperity and inclusiveness in the country. □

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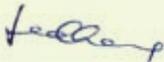
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YE-786/2017

## Highlights of Budget 2018-19

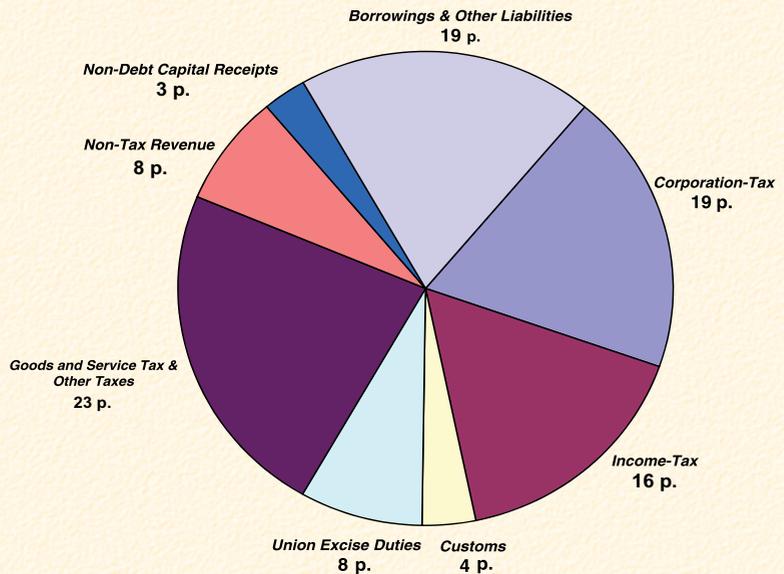
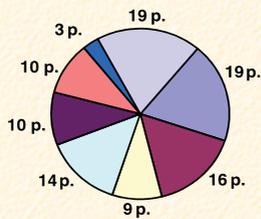
- MSP for all unannounced kharif crops will be one and half times of their production cost like majority of rabi crops: Institutional Farm Credit raised to 11 lakh crore in 2018-19 from 8.5 lakh crore in 2014-15.
- 22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets
- “Operation Greens” launched to address price fluctuations in tomato, onion and potato for benefit of farmers and consumers.
- Two new funds of Rs10,000 crore announced for Fisheries and Animal Husbandary sectors; Re-structured National Bamboo Mission gets Rs. 1290 crore.
- Loans to Women Self Help Groups will increase to Rs.75,000 crore in 2019 from 42,500 crore last year.
- Higher targets for Ujjwala, Saubhagya and Swachh Mission to cater to lower and middle class in providing free LPG connections, electricity and toilets.
- Outlay on health, education and social protection will be 1.38 lakh crore. Tribal students to get Ekalavya Residential School in each tribal block by 2022. Welfare fund for SCs gets a boost.
- World's largest Health Protection Scheme covering over 10 crore poor and vulnerable families launched with a family limit upto 5 lakh rupees for secondary and tertiary treatment.
- Fiscal Deficit pegged at 3.5 per cent, projected at 3.3 per cent for 2018-19.
- Rs. 5.97 lakh crore allocation for infrastructure; Ten prominent sites to be developed as Iconic tourist destinations.
- NITI Aayog to initiate a national programme on Artificial Intelligence(AI); Centres of excellence to be set up on robotics, AI, Internet of things etc.
- Disinvestment crossed target of Rs 72,500 crore to reach Rs 1,00,000 crore.
- Comprehensive Gold Policy on the anvil to develop yellow metal as an asset class.
- 100 percent deduction proposed to companies registered as Farmer Producer Companies with an annual turnover upto Rs. 100 crore on profit derived from such activities, for five years from 2018-19.
- Deduction of 30 percent on emoluments paid to new employees Under Section 80-JJAA to be relaxed to 150 days for footwear and leather industry, to create more employment.
- Proposal to extend reduced rate of 25 percent currently available for companies with turnover of less than 50 crore (in Financial Year 2015-16), to companies reporting turnover up to Rs. 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises.
- Standard Deduction of Rs. 40,000 in place of present exemption for transport allowance and reimbursement of miscellaneous medical expenses. 2.5 crore salaried employees and pensioners to benefit.
- Relief to Senior Citizens proposed-

Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50000; TDS not required to be deducted under section 194A. Benefit also available for interest from all fixed deposit schemes and recurring deposit scheme; Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D; Increase in deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB; Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March, 2020. Current investment limit proposed to be increased to Rs. 15 lakh from the existing limit of Rs. 7.5 lakh per senior citizen.
- Tax on Long Term Capital Gains exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31<sup>st</sup> January, 2018 will be grandfathered.
- Proposal to introduce tax on distributed income by equity oriented mutual funds at the rate of 10 percent.
- Proposal to increase cess on personal income tax and corporation tax to 4 percent from present 3 percent.
- Proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.

# Rupee Comes From

## ( Budget 2018-2019)

(बजट Budget 2017-18)

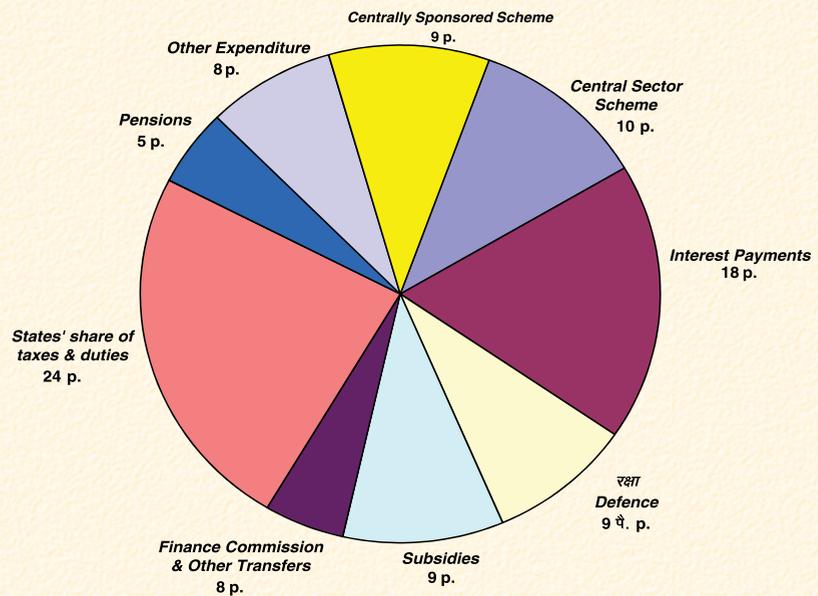
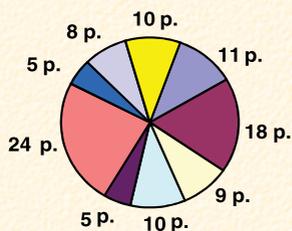


- Notes:-1. Total receipts are inclusive of States' share of taxes and duties.  
 2. ■ represents Service tax and other taxes in BE 2017-18.

# Rupee Goes To

## ( Budget 2018-2019)

( Budget 2017-18)



Note:- Total expenditure is inclusive of the States' share of taxes and duties.

## BUDGET FOR RURAL DEVELOPMENT

The Union Minister for Finance and Corporate Affairs, announced important measures to give a boost to livelihoods in rural areas of the country. “As my proposals outlined indicate, focus of the Government next year will be on providing maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure”, the Minister said.

In 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by various Ministries will be Rs.14.34 lakh crore, including extra-budgetary and non-budgetary resources of Rs.11.98 lakh crore. Apart from employment due to farming activities and self employment, this expenditure will create employment of 321 crore person days, 3.17 lakh kilometers of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and provide 1.75 crore new household electric connections besides boosting agricultural growth.



Further, the Government substantially increased the allocation of National Rural Livelihood Mission to Rs. 5750 crore in 2018-19. Loans to Self Help Groups (SHGs) of women increased to about Rs. 42,500 crore in 2016-17, growing 37 per cent over previous year. It is expected that loans to SHGs will increase to Rs.75,000 crore by March, 2019.

Strengthening the Ground water irrigation scheme under Prime Minister Krishi Sinchai Yojana - Har Khet ko Pani – the Government allocated Rs 2600 crore for this purpose. This is expected to provide assured irrigation in 96 deprived irrigation districts where less than 30 per cent of the land holdings get that presently.

### Launch of Gobar-Dhan Scheme announced to improve lives of villagers

In an effort to make the villages open defecation free and improving the lives of villagers, the Finance Minister announced the launch of Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN). He added that this will manage and convert cattle dung and solid waste in farms to compost, bio-gas and bio-CNG.

187 projects have been sanctioned under Namami Gange Programme for infrastructure development, reverse surface cleaning, rural sanitation and other interventions at a cost of Rs.16, 713 crore. 47 projects have been completed and remaining projects are at various stages of execution All 4465 Ganga Grams villages on the bank of river have been declared open defecation free.



To achieve the vision of an inclusive society, the Government has identified 115 aspirational districts taking various indices of development in consideration, aiming at improving the quality of life in these districts by investing in social services like health, education, nutrition, skill up gradation, financial inclusion and infrastructure like irrigation, rural electrification, potable drinking water and access to toilets at an accelerated pace and in a time bound manner. It is expected that these 115 districts are expected to become model of development.

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YE-780-/2017

# MSMEs: Engines of Consolidation

*Anil Bhardwaj*



*Overall, the direction of the Budget seems positive. The massive outlays for agriculture and infrastructure may create demand and thrust needed to prop-up the GDP growth. For job creation MSMEs are increasingly seen as the best bet. Hopefully the investments will flow in the ground and generate require results*

**T**he Union Budget for 2018-19 presented by the Finance Minister in the Parliament on February 1, 2018, aims to give thrust in four areas: Agriculture and Rural sector, Infrastructure, Healthcare and job creation through MSMEs.

The article focuses on its fourth leg: MSMEs. After presenting the Budget, the very next day while launching the CriSidex, the Finance Minister declared that the MSME will be the engine for consolidation of Indian economy. Some recognition at last!

There is no doubt that slowly a crisis like situation is developing in India as the Indian economy is failing to create enough jobs to absorb 10-12 million people coming to the job market every year. To be fair, governments have been talking of pushing share of manufacturing from 25 per cent which stubbornly refuses to move beyond 15-16 per cent of GDP. But without reforms, the risk-reward ratio has continued to slide for MSMEs.

The Union Budget 2018-19 seems to have signalled a change in the status quo.

Firstly, the announcement for allowing fixed term employment to all sectors- which was hitherto limited to textiles, to all sectors, can be a major game changing labour reform. It can create jobs too. There are many sectors

where trade is seasonal and cyclical. Employers would not either hire people or not report hiring because it was illegal to hire for short term. Though, scepticism whether the proposal would indeed go through prevails because of resistance by trade unions.

To further encourage businesses to hire, the Budget proposes to allow weighted deduction of 130 per cent of expenses on additional workforce. It also provides for bearing the cost of provident fund for new employees for three years.

Another strong signal that the Budget gives for support of manufacturing is of leveraging Customs duties by effecting increase (5 to 15 per cent) to encourage domestic value addition in over 40 labour intensive products. The categories benefitting enhanced protection from imports include:

- Processed Foods
- Perfumes And Toiletry
- Automobiles And Auto Parts
- Footwear
- Diamonds, Precious Stones And Jewellery
- Electronics And Hardware
- LCD/LED/OLED panels and other parts
- Furniture
- Watches And Clocks
- Toys, Tricycles, scooters, pedal

The author is the Secretary General of the Federation of Indian Micro and Small & Medium Enterprises (FISME), New Delhi.. He has served on a number of high profile committees at the Center formed for promotion of SMEs. He has been advisor to several SME development projects supported by multilateral and bilateral donor agencies such as World Bank, UNIDO, ILO, UNCTAD, DFID and GTZ.

## Incentives to MSMEs

Announcing that a provision of Rs. 3794 crore has been provided in the General Budget 2018-19 for the Medium, Small and Micro Enterprises (MSMEs), the Union Minister for Finance and Corporate Affairs, said that this has been done to provide credit support, capital and interest subsidy and innovations to this Sector. Presenting the General Budget 2018-19 he added that an outlay of Rs.7148 crore has been provided for the Textile Sector.

The Union Minister for Finance and Corporate Affairs, has proposed a reduced rate of 25 per cent to companies that have reported turnover up to Rs 250 crores in financial year 2016-17. This will benefit the entire class of Micro, Small and Medium Enterprises which accounts for almost 99 per cent of companies filing their tax returns. Accepting Rs 7,000 crores as the estimated revenue forgone due to this measure during the financial year 2018-19, the Finance Minister, said, "This is towards fulfilment of my promise to reduce corporate tax rate in a phased manner." He further added, "The lower corporate income tax rate for 99 per cent of the companies will leave them with higher investible surplus which in turn will create more jobs."

The Finance Minister recalled that in the Union Budget 2017, he had announced the reduction of corporate tax rate to 25 per cent for companies whose turnover was less than Rs.50 crores in financial year 2015-16. This had benefitted 96 per cent of the total companies filing tax returns. The Finance Minister also said that after this measure, out of about 7 lakh companies filing returns, about 7,000 companies which file returns of income and whose turnover is above Rs.250 crores will remain in 30 per cent slab.

cars, equipment for sports

- Cashew nuts in shell (raw cashew)
- Edible Vegetable Oils
- Refractory Items
- Miscellaneous (Candles, Sunglasses etc)



Further, the solar tempered glass for manufacture of solar cells/panels/modules and the raw materials, parts or accessories for making implants, have been exempted from customs.

What is important is the realization that the secular downward trend in Customs duties being followed since 1991, might need recalibration to encourage domestic manufacturing. This signals a more nuanced approach. Even after enhancement of duties, the duties remain well within WTO committed rates of 25 and 40 per cent.

The move has also attracted criticism as a few experts have dubbed it as regressive. Will it signal Indian industry to look for protection instead of becoming globally competitive? Moreover, rise in tariffs has often been lobby driven – e.g. on steel, aluminium etc which are basic materials.

Further, the lever of according enhanced protection to domestic industry may not be available for long. India is already negotiating Regional Comprehensive Economic Partnership (RCEP)- a free trade agreement between the ten member ASEAN countries and the six countries Australia, China, India, Japan, South Korea and New Zealand. This will eventually bring down Customs duties to zero at some point of time in future.

Thirdly, the announcement that public sector banks and corporates have come on board the Trade Electronic Receivable Discounting System (TReDS)- an online bill discounting platform and that it will be linked to GSTN network so that transactions

between the large buyers and MSME sellers become automatically verified easing working capital woes of MSMEs. More legislative measures, may however, be required to bring in the concept of deemed acceptance.

Fourthly, the Budget proposes provision of Rs. 3794 crore to the MSME sector for giving credit support, capital and interest subsidy and innovations. Though the MSME sector has, by and large, welcomed it, in the absence of details it is difficult to comment further.

The announcement of expanding the coverage of reduced Corporate Tax of 25 per cent to companies having turnover upto Rs. 250 crore- which was earlier limited to companies having turnover upto Rs. 50 crore, will benefit but a small MSME segment. The relief is restricted to 'companies' whereas over 93 per cent of MSMEs are not companies but partnership and proprietorship 'firms'.

Another good measure proposed in the Budget is that companies with somewhat lower ratings may also be eligible for accessing the Bond market. If only large corporates are able to access the bond market, more bank funds will be available for MSMEs.

Overall, the direction of the Budget seems positive. The massive outlays for agriculture and infrastructure may create demand and thrust needed to prop-up the GDP growth. For job creation MSMEs are increasingly seen as the best bet. Hopefully the investments will flow in the ground and generate require results. □

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## Creation of Livelihoods: Core of Policy Making

*Ranjeet Mehta*



*...the Budget has continued its dominant focus on growth towards a new and emerging India contributing strongly to the Indian Economy. This is clearly the budget which will help create millions of jobs and achieve the target of 8 per cent growth*

**I**n today's world, a small decision taken by the government can have manifold ramifications. Choices have to be carefully evaluated for secondary, tertiary and more downstream effects. The Budget makes many choices, which if carried through, may result in a tectonic shift in India's economic policy.

Budget 2018-19 which was presented on 1<sup>st</sup> Feb 2018 by the Finance Minister, holds special significance being the first Budget post the implementation of GST in July 2017. After a long journey of economic reforms, amid subdued economic growth, challenging fiscal situation and farm distress, the Budget endeavours to continue its focus on poverty, rural economy, healthcare, education, infrastructure and digitalisation towards a modern, strong and confident India. The year witnessed remarkable policy and structural reforms. The announcement of recapitalisation of public sector banks and proactive steps towards resolution of non-performing loans are few of the key initiatives which endeavour to address weaknesses in India's banking and credit profile. In the backdrop of various reforms and progress, the international credit rating giant Moody's upgraded India's credit ratings to BAA 2 from BAA 3 after a gap of around 13 years.

The Finance Minister with his budget speech indicated the government's promise of delivering an honest, clean and transparent government, coupled with restoring growth of Indian economy. The measures announced in the budget only validates the same. The government is expecting economic growth to surge above 8 percent as it announced a 2018-19 budget that aimed at boosting rural infrastructure and doubling farmer's income by 2022. The main focus of the budget is to support farmers and development of rural areas, though fine print focuses on boosting growth, jobs and private investment. Broadening the tax base, farmers' income, impetus to MSMEs and formalisation of the economy clearly reflects the government's stated priorities and long-term agenda.

Big push to infrastructure, beginning of universal healthcare AYUSHMAN, housing for all, revolutionising education and support for ancillary sectors such as fisheries, food processing and textiles augers well for the economy. The Finance Minister in his budget has once again reiterated that the creation of job opportunities has been at the core of policy-making. Expenditure of Rs 14.24 lakh crore on livelihood and infrastructure in rural areas, considering the agrarian distress in the country is a significant move towards this direction. Similarly, the

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total credit growth to agriculture is set at Rs. 11 lakh crore.

The launch of the flagship national insurance scheme for 100 million families and upto 500 million beneficiaries up to Rs 5 lakh a year to create the world's largest public health insurance scheme augers well for secondary and tertiary care in India. In a major boost to MSMEs, the Finance Minister extended the reduced corporate tax rate of 25 percent for companies with turnover of upto Rs 250 crore. This covers 99 percent of companies filing tax returns. This will not only benefit small and mid-cap companies, but will help in their capacity expansion.

The need for reviving the corporate bond market has been felt for long and multiple attempts for the same have been made. The government is now considering mandating large corporates, to meet about 25 percent of their financing needs from the bond market. This measure from issuance perspective would generate greater supply of bonds in the market. A greater demand stimulus is provided for by permitting trade in lower rating bonds allowing investors better choice of debt paper and improving liquidity in the Indian Corporate Debt market.

There are provisions to develop the IFSC at Gift City, where tax exemptions have been provided for transfer of derivatives and certain securities by non-residents from capital gains tax. This is a welcome step towards the hope to have overseas trading activity and price discovery move back to India and make it competitive against Singapore, Hong Kong, Dubai etc. The GIFT City unified regulator would provide a single window for all regulatory concerns and help expedite decisions on multiple policies.

While the government has been achieving new highs in its disinvestment targets, the creation of infrastructure investment thrusts for monetization of state enterprises is a positive development. The government has approved listing of 14 Central Public Sector Enterprises, including

two insurance companies, on the stock exchanges. Initiating the process of strategic disinvestment in 24 CPSEs including the much delayed strategic privatization of Air India would scale their governance.

### **Job Creation: Key Developments**

The Finance Minister has said that creating and facilitating employment generation has been at the core of the government's policymaking and indicated that it will keep focusing on labour-intensive sectors including textiles, leather, micro and small and medium enterprises (MSMEs) to aid job growth.

India is home to over 18 million unemployed people. A recent World Bank report further claimed that over 30 per cent of India's population aged between 15 and 29 years are not in education, employment or training (NEETs). All this makes jobs a major issue for the country's development. While the overall unemployment rate in India is around 3.5 per cent, the bigger worry is the unemployment rate in the 15-24 age group—or those believed to be first-time workers—which jumped to 10.5 per cent in 2017 from 10 per cent in 2014, according to a recent International Labour Organization report. Besides, one million people are added to the country's workforce every month while the job creation is not keeping pace with this demand. About 2,164,575 employees across 30,475 establishments have been registered under the *Pradhan Mantri Rojgar Protsahan Yojana* (PMRPY) since its launch in 2016.

1. The construction sector is one of the largest seasonal employment providers in India next only to agriculture, creating more than 45 million jobs either directly or indirectly. Budget 2018-19, for infrastructure, recognises the agrarian distress and need for job creation. It seeks to address both these realities. On agrarian distress, it proposes a slew of rural projects encompassing link roads, grameen markets, agro-processing centres, food parks, micro irrigation, Wi-Fi hotspots,

toilets, affordable housing, health and wellness centres, upgrading district hospitals, district-level skill centres, and fishing and animal husbandry infra funds. Clearly, no other Budget has done as deep a dive on identifying and providing for such a diversity of rural projects. Finance Minister informed that in 2018-19, for creation of livelihoods and infrastructure in rural areas, the total amount to be spent by various ministries will be Rs 14.34 lakh crore, including extra-budgetary and non-budgetary resources of Rs 11.98 lakh crore. This is indeed a humongous figure. Apart from employment due to farming activities and self-employment, this expenditure will

### **Benefits for Footwear and Leather Industry**

The Union Minister for Finance and Corporate Affairs, has proposed to extend the benefits under Section 80-JJAA of the Income-tax Act to footwear and leather industry. The Union Finance Minister said, "Currently, a deduction of 30 per cent is allowed in addition to normal deduction of 100 per cent in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under section 80-JJAA of the Income-tax Act." He however, noted that the minimum period of employment is relaxed to 150 days in the case of apparel industry. Extending this relaxation of minimum period of 150 days to footwear and leather industry also, the Finance Minister hoped this would encourage creation of new employment in this sector.

He further proposed to rationalise deduction of 30 per cent by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

- create employment of 321 crore person days, as per the Finance Minister.
2. Fixed-term contract hiring has been extended beyond apparels to all sectors to create quick jobs. This enables employers to hire workers for specific projects on contract basis, and terminate their services when projects are completed. The plan to introduce fixed-term employment across sectors will also boost creation of jobs even though there could be some element of seasonality into it, depending upon the need of the sectors such as plantation and mining.
  3. There is boost to the infrastructure industry, which is a major job creator. In order to create employment and aid growth, government's estimated budgetary and extra budgetary expenditure on infrastructure for 2018-19 is being increased to Rs 5.97 lakh crore against estimated expenditure of Rs 4.94 lakh crore in 2017-18.
  4. Corporate tax rate has been lowered to 25 per cent for companies with a reported turnover of up to Rs 250 crore. In last year's budget, this tax rate was for companies with a turnover of under Rs 50 crore. According to the Finance Minister, the development this year will benefit 99 per cent of companies filing returns, leaving them with a higher investible surplus, which in turn will create more jobs.
  5. The Budget has proposed to amend the Employees' Provident Fund Act to reduce women employees' contribution to 8 per cent for the first three years of their employment while the employer's contribution will continue at 12 per cent. This will encourage more women to join the corporate workforce.
  6. The Finance Minister also announced that the government will set up skill centres in every district of the country under Pradhan Mantri Kaushal Kendra Programme.
  7. The new Ayushman Bharat scheme, aimed at addressing health

- holistically, will also generate lakhs of jobs, particularly for women.
8. The outlay for the *Pradhan Mantri Rojgar Protsahan Yojana* has been pegged at Rs 1,652 crore in 2018-19 against Rs 500 crore in the revised estimate of 2017-18. The leather industry is

a labour-intensive sector and has good growth potential. Already, thousands of unemployed youth have been trained and employed in the leather industry under the government schemes. The PMRPY will give further impetus to generate more employment opportunities in the leather

### **New Initiatives to increase Employment Opportunity**

Strongly emphasising that creation of job opportunities and facilitating generation of employment has been at the core of policy-making of the Government over the last three years, the Finance Minister mentioned that an independent study conducted recently has shown creation of 70 lakh formal jobs this year. He said that the Government will contribute 12 per cent of the wages of the new employees in the Employee Provident Fund (EPF) for all the sectors for next three years. The Finance Minister also referred to the extension of the facility of fixed term employment to all sectors. He underlined that the Government will soon announce measures for effectively addressing non-performing assets and stressed accounts of MSMEs.

In an effort to reduce tax burden on MSMEs and to create large-scale employment, the Finance Minister also announced measures to extend the benefit of reduced rate of 25 per cent to companies who have reported turnover up to Rs.250 crore in the Financial Year 2016-17. "This will benefit the entire class of micro, small and medium enterprises which accounts for almost 99 per cent of companies filing their tax returns," the Finance Minister said. He expressed confidence that the lower Corporate Income Tax rate for 99 per cent will leave companies with higher investible surplus, leading to creation of more jobs. The Finance Minister laid emphasis on the effort to provide incentives to employment of more women in the formal sector. He added that this will lead to higher take-home salary. "Amendments have been proposed to reduce women employees' contribution to 8 per cent for first three years of their employment against existing rate of 12 per cent or 10 per cent with no change in employers' contribution in the Employees Provident Fund and Miscellaneous Provisions Act, 1952," he said

The Finance Minister announced that the Government is setting up a model aspirational skill centre in every district of the country under Pradhan Mantri Kaushal Kendra Programme. He said that he proposed to onboard Public Sector Banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link it to GSTN. "Online loan sanctioning facility for MSMEs will be revamped for quick decision making by the banks," he said.

The Finance Minister referred to the review of the refinancing policy and eligibility criteria set by MUDRA for better refinancing of Non-Banking Finance Companies NBFCs. In this regard, he proposed setting a target of Rs.3 lakh crore for lending under MUDRA for 2018-19, as the targets had been exceeded in all previous years.

The Finance Minister also referred to a Group in the Finance Ministry that is examining the policy and institutional development measures needed for creating right environment for Fintech companies to grow. He also stated that additional measures will be taken to strengthen the environment for Venture Capital Funds and for their growth and successful operation of alternative investment funds in the country.

and footwear industry. The government had approved a comprehensive textile sector package of Rs.6,000 crore in 2016 to boost the apparel and made-up segments. An outlay of Rs.7,148 crore has been provided for the textile sector in 2018-19.

9. MSME sector is a major engine of growth and employment for India. Therefore, to create more jobs, Rs 3,794 crore have been allocated to the MSME sector as credit support, capital, and interest subsidy and “promotion of innovations”.
10. The budget also announced a reduction in the contribution that new women workers make to the employees provident fund, from 12 per cent to 8 per cent, to promote women’s participation in the labour force as well as increase their take-home pay. Women’s labour force participation rate in India is below 25 per cent as against 40 per cent globally. Experts and industry veterans point out that improving their participation will help boost the economy.
11. The Finance Minister also talked about “productive jobs in the farm sector”. He said, “Our emphasis is also on generating productive and gainful on-farm and non-farm employment for the farmers and landless families,”. The budget also talked of self-employment and entrepreneurship as a means to create more jobs. It said the MUDRA Yojana launched in April, 2015 has led to sanction of Rs 4.6 trillion in credit from more than 103 million MUDRA loans. More than three quarters of the loan accounts are held by women and over half by people from underprivileged segments. Rs 3 trillion has been assigned for lending under MUDRA for 2018-19 after having successfully exceeded the targets in all previous years. Such loans will help job creation in the hands of small entrepreneurs.

12. Clear direction is put forth for the agricultural sector in the Budget 2018-19. Agriculture needs to be treated holistically, as an enterprise and not merely in relation to cultivation alone. Agricultural policies cannot be solely production centric and must promote the entire agricultural value system – the entire supply chain, from pre-production, post-production and marketing needs to find focus with policy makers and in programmes of the government. To balance out and correct the weak areas in agriculture, special focus is given to agri-logistics, processing and market infrastructure in this budget. All these aspects will give a boost to employment, scientific post-harvest management, cold-chain and other post-harvest infrastructure development. Some of the significant steps are as follows:-

- Farmer Producer Organisations (FPO) with less than Rs. 100 crore turnover exempted from income tax for the first five years - to encourage post-harvest value addition. Cluster based cultivation and development to achieve economy of scale in the horticultural supply chain through FPOs/VPOs.
- Operation Greens on the lines of operation Flood with a focus on Agri-logistics, processing has been allocated Rs. 500 crore. It will create employment in the rural sector. Agri-Market Infrastructure fund of Rs. 2000 crore to set up GrAMs (Rural Level Markets and Aggregation Hubs), to upgrade markets.
- Minimum Support Price for kharif crops to be at 1.5 times the cost of production.
- Launch of a restructured Bamboo mission “Green-Gold” with Rs 1290 crore to promote the sector holistically.
- Irrigation development (PMSY) allocation increased to Rs 2,600 crore. Focus on 96 districts where less than 30 per cent land holding is with assured irrigation.

- For fisheries and aquaculture Infrastructure and Animal Husbandry Infrastructure Development Fund with a total corpus of Rs 10,000 crore is allocated.
- Allocation to Ministry of Food Processing Industries has been doubled to Rs.1,400 crore to promote agro-processing financial institutions for this purpose.

To conclude, the Budget has expectedly focused on employment generation, rural agricultural and the MSME sector with a series of policy announcements designed to improve farmers’ income, provide extensive health coverage, facilitate credit flow to the MSMEs and significantly increase targets for disbursements under the MUDRA Yojana. Similarly, there has been an increase in the outlay on the infrastructure sectors. The Finance Minister said that the New India which we aspire to create now will emerge from-quoting Swami Vivekanand who had also envisioned decades ago in his Memoirs of European Travel, "You merge yourselves in the void and disappear, and let new India arise in your place. Let her arise - out of the peasants’ cottage, grasping the plough; out of the huts of the fisherman. Let her spring from the grocer’s shop, from beside the oven of the fritter sellers. Let her emanate from the factory, from marts, and from markets. Let her emerge from groves and forests, from hills and mountains.”.

Overall, the Finance Minister has rolled out an excellent budget with a thrust to core areas such as agriculture, healthcare, education, infrastructure and rural development. Continued focus on fiscal prudence, boosting the manufacturing sector, augmenting MSMEs, improving healthcare and skill development are the key takeaways from this budget. In a nutshell, the Budget has continued its dominant focus on growth towards a new and emerging India contributing strongly to the Indian Economy. This is clearly the budget which will help create millions of jobs and achieve the target of 8 per cent growth. □

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YE-787/2017

## DO YOU KNOW?

### GOLD MONETISATION SCHEME

The Finance Minister in the Union Budget 2018-19 speech said that the government would formulate a comprehensive Gold Policy to develop the precious metal as an asset class. Gold Monetisation Scheme would also be revamped to enable people to open a hassle-free Gold Deposit Account. The government will also establish a consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold exchange is an international approach to managing gold more professionally and transparently. This surely will help the industry become more mature and digitally advanced, apart from removing intermediaries in the gold trade. Sourcing the metal by a trader in rural India will be easy and viable. This rural sector covers over 65 per cent of the Indian gold consumption. The middlemen encouraged a lot of unaccounted cash transactions, which can now be a thing of the past.

The Gold Monetisation Scheme was introduced by the Central Government in the Union Budget 2015-16. The objective was to simultaneously safeguard the gold held in Indian households as well as put it to productive use. The larger objective was to cut down the country's gold imports by decreasing domestic demand. India, incidentally, is the second-largest consumer of gold after China.

The Gold Monetisation Scheme facilitates the depositors of gold to earn interest on their metal accounts. Once the gold is deposited in metal account, it will start earning interest on the same.

Following are the salient features of Gold Monetisation Scheme-

#### **Easy storage of gold:**

The Scheme offers security to gold by not only storing it but also returning it to the owner in the form of money or physical gold when the plan attains maturity. Traditionally, Indians keep their precious metal in storage lockers in banks and pay an annual fee to the bank for their locker services. This gold is taken out only for the purpose of wearing it in weddings or family functions or to sell it off.

**Utility for Idle gold:** Old or unutilised gold are dumped inside the locker in a house or in a bank. Thus gold is lying idle and is not productive at all. Even after selling it off, it provides spot money. The Gold Monetisation Scheme will not only earn interest money, but also offers the option of encashing the gold at maturity which gives advantage of the appreciating value of gold.

**Deposit Flexibility:** Gold in any form like ornaments, jewellery, coins or gold bars can be deposited under the Gold Monetisation Scheme. Deposits of gold encrusted with gemstones is not allowed.

**Flexibility in Quantity:** The minimum deposit that can be made in a gold monetisation scheme is 30 grams of any purity. There is no maximum limit.

**Convenient tenures:** There are 3 term deposit plans available under the Gold Monetisation Scheme, which includes short term tenure of 1 to 3 years. Only a nominal penalty is imposed if deposit is withdrawn before the end of the tenure.

**Attractive interest rates:** For a product that usually remains idle in homes and lockers, the precious metal will earn between 0.5 per cent to 2.5 per cent interest depending on the period of deposit. Short-term deposit rates are decided by the banks concerned, while the medium and long-term deposit interest rates are decided by the Central Government.



**Variety in Interest Calculation:** The short-term bank deposit under the Gold Monetisation Scheme does not calculate interest in the form of money. It gives you interest in the form of gold in grams. So if the interest is 1 per cent per annum, you get 1 gram on 100 grams. However, the medium and long-term government deposit schemes calculate the interest in the form of rupees with reference to the value of gold at the time of deposit.

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YE-785/2017

# Placing Health Care at the Centre Stage

*K Srinath Reddy*



***The Union Budget of 2018 places health in the centre-stage of public discourse. However, the success of the ambitious initiatives that have been proposed depends on a sizeable and progressive increase in financial resources allocated to health in both central and state budgets from now on and a concerted effort to build wide-ranging capacity in the health system***

**I**n the past decade, media reports of pre-budget expectations and post-budget reactions of public health advocates on union budgets could have been scripted using the same words year after year. Hopes would be initially expressed that the allocation for health would rise substantially, followed by reactions of regret and remonstrations that the budget failed to do so. The last time the budget brought some cheer to the health sector was when the National Rural Health Mission (NRHM) was announced, followed soon by the Rashtriya Swasthya Bima Yojana (RSBY) under the Labour Ministry. Otherwise, health remained on the margins in budget presentations. The budget of 2018 proved to be different, as it created a flurry of excitement among health professionals, media and the public with a package of major initiatives. That also sparked debates on whether and how health care will benefit overall from these ambitious proposals.

Two of these initiatives were packaged together under the evocative label of Ayushman Bharat programme. A scheme to promote Comprehensive Primary Health Care (CPHC) was heralded by the proposal to transform 1,50,000 health sub-centres into

Health and Wellness Centres (HWCs). The other twin in the programme is the National Health Protection Scheme (NHPS) which assures 10 crore poor and vulnerable families of financial coverage, up to ₹5,00,000 per annum, for hospitalisation costs of secondary or tertiary care.

CPHC builds upon the platform established by the NRHM, in aiming to strengthen primary health service delivery. While NRHM was focused on maternal and child health services, the National Health Policy (NHP) of 2017 calls for the National Health Mission (NHM) to become the vehicle for comprehensive, continuous primary care. This requires expansion of services to cover hitherto unattended areas like non-communicable diseases (NCDs) and mental health disorders. Ultimately, NHM has to become the unifying platform for primary health services related to maternal and child health, communicable and non-communicable diseases apart from advancing health promotion efforts in the community.

Continuity of care requires that long term care of chronic diseases is enabled through efficient follow-up at primary care level which also has reliable bi-directional referral and return linkages with advanced care at

The author is President, Public Health Foundation of India (PHFI). He edited the National Medical Journal of India for 10 years and is on the editorial board of several international and national journals. He has more than 400 scientific publications in international and Indian peer reviewed-journals. He has won several awards like WHO Director General's Award for Outstanding Global Leadership in Tobacco Control, Padma Bhushan, and Queen Elizabeth Medal.



secondary and tertiary levels. Though primary care has had elements of continuous care underlying antenatal follow-up visits and monitored treatment of tuberculosis and HIV-AIDS, services had been mostly configured for acute, episodic care. With the growing need to provide long term care for chronic conditions like hypertension, and mental health disorders, primary care has to be reconfigured to assure continuity of care. Health promotion, through community level health education as well as individual counselling at the healthcare facility level, is an important activity that has been largely neglected in primary care so far. Just as healthy diets and regular physical activity must be advocated in communities, missed opportunities for assisting tobacco cessation must be minimised in primary healthcare facilities.

The proposal to transform sub-centres into HWCs gives shape to comprehensive primary care and enables continuity. It also brings basic health services closer to the homes of people in rural areas. Apart from facility based care, community outreach would also strengthen health promotion and disease prevention. Augmented by induction of non-physician healthcare providers such as nurse practitioners, in addition to the existing staff, the HWC will provide essential drugs and basic diagnostics free of cost. Various vertical disease control programmes will find

convergence at this delivery point. With appropriate use of information technology, HWCs can generate real time data for disaggregated estimates and monitoring of various health indicators. Judicious use of telemedicine and mobile phone technologies can help improve the delivery of healthcare at HWC, through engagement of distant doctors.

While the activation of HWCs is welcome, efforts to strengthen primary health services must extend also to primary and community health centres. The budgetary allocation to the National Health Mission does not reflect that commitment. It has come down by 2.1 per cent from the revised estimate of the preceding year. It is also disappointing to see that the Urban Health Mission component of NHM has been virtually ignored in the budget. Urban primary healthcare has been far too long neglected in both design and delivery. With increasing rural to urban migration, and the growth of urban slums and low income communities, primary health services in cities and towns acquires great urgency. HWCs will be needed for urban populations too. The sum of ₹1200 crores allotted for HWCs will need to be increased as the effort is scaled up.

The major challenge for developing fully functional HWCs is the shortage of human resources. While PHCs have suffered from non-availability of doctors, HWCs will be staffed by non-physician healthcare providers only.

### Ayushman Bharat for a New India -2022

The Government announced two major initiatives in health sector, as part of Ayushman Bharat programme. The initiatives are as follows:-

**Health and Wellness Centre:-** The National Health Policy, 2017 has envisioned Health and Wellness Centres as the foundation of India's health system. Under this, 1.5 lakh centres will bring health care system closer to the homes of people. These centres will provide comprehensive health care, including for non-communicable diseases and maternal and child health services. These centres will also provide free essential drugs and diagnostic services. The Budget has allocated Rs.1200 crore for this flagship programme. Contribution of private sector through CSR and philanthropic institutions in adopting these centres is also envisaged.

**National Health Protection Scheme:-** The second flagship programme under Ayushman Bharat is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family, per year for secondary and tertiary care hospitalization. This will be the world's largest government funded health care programme. Adequate funds will be provided for smooth implementation of this programme.

The Finance Minister said that in order to further enhance accessibility of quality medical education and health care, 24 new Government Medical Colleges and Hospitals will be set up, by up-grading existing district hospitals in the country. This would ensure that there is at least one Medical College for every 3 Parliamentary Constituencies and at least one Government Medical College in each State of the country.

However, there is need to create mid-level healthcare providers like nurse practitioners and community health assistants who have gone through a three year degree programme which is tailored to primary health care needs. The proposal to deploy AYUSH graduates (trained in traditional systems of medicine), with bridge course orientation to allopathic medicine, is controversial. Ideally, AYUSH practitioners should be placed in HWCs to provide expertise in the traditional systems of healing and health promotion wherein they have been trained. Apart from two Auxiliary Nurse Midwives, a male multi-purpose worker also would be needed. A laboratory technician cum drug dispenser would also be needed. Creating the human resource pool needed for HWCs will require a major effort but will also result in job creation for many young people. Most importantly, it will build the defenses of health and portals of healthcare close to the community.

NHPS builds on the experience and lessons of RSBY. While the poor gained increased access to secondary health care through RSBY, the coverage was limited to ₹30,000 annually per family. It had to compete in some states with state-funded health insurance schemes which offered annual coverage between ₹ 1-3 lakhs per family. More importantly, it failed to provide financial protection against out of pocket health expenditure, catastrophic expenditure or healthcare induced impoverishment. The ability to engage both public and private providers and creation of strong information technology platforms have been gains from the RSBY experience. The disconnect from primary care has minimised the impact of these central and state health insurance schemes on population health indicators.

NHPS offers ₹ 5,00,000 cover per annum for 10 crore poor and vulnerable families, to support hospitalised care. This substantial raise from RSBY will probably reduce the levels of catastrophic health expenditure but will not impact out of pocket expenditure, since outpatient care is not covered. HWCs and other primary care



strengthening efforts should provide relief in that area. Efficient primary care services will also be required to reduce the need for secondary and tertiary care services and act as a prudent gatekeeper for referral to advanced care. In the absence of effective primary health services, the uncontrolled demand for NHPS will drain the health budget and, in turn, reduce the funds available for primary care and public sector hospital strengthening.

Though only ₹2000 crores have been allotted this year, as the scheme will only be launched in October 2018, the funding requirement would rise at least five to six fold when NHPS becomes fully operational. State governments are expected to contribute 40 per cent of the cost and will be encouraged to merge state funded health insurance schemes with NHPS. Apart from expanding the resource pool and widening the 'risk pool' of population to be covered, such merger will also ensure portability of coverage to persons who move across state borders. However, this calls for consensus across different political parties in governance across the country.

Strategic purchasing is the process by which NHPS proposes to judiciously purchase services from empanelled public and private hospitals. This requires a careful choice of the diseases, tests and treatments to be covered, development and

adoption of evidence based standard clinical management guidelines, setting and monitoring of cost and quality standards and measurement of health outcomes. Fraud detection and grievance redressal mechanisms too need to be developed. Public awareness of the benefits offered under NHPS ('insurance literacy') must be promoted, to increase enrolment and guide appropriate utilisation. If all of these safeguards are not in place, there will be danger of induced demand (unnecessary tests and treatments) escalating costs.

The administration of NHPS will be through a trust or an insurance company. The choice of the intermediary will be left to the state governments. The trust, established by the government, has greater accountability and less overheads. An insurance company comes with prior expertise in strategic purchasing and payments but has more expensive overheads and is likely to demand higher premiums as the utilisation rates go up. In either case, it is the government that pays the premiums. While this differs from an individually purchased insurance scheme, the principle of 'risk pooling' is common. In a large risk pool, the healthy cross-subsidise the sick in any given year, keeping the premiums down. Though NHPS is a targeted programme for the poor and vulnerable families, financed from tax revenues of the government, there is an opportunity for the non-

poor also to buy in to this scheme by paying the premiums set for NHPS.

The need for producing more basic doctors and specialists has been recognised, as is the necessity of strengthening district hospitals. The budget proposes to start 24 new medical colleges, attached to upgraded district hospitals. A medical college for every three parliamentary constituencies has been envisaged. This too calls for higher levels of public financing, as private sector investment has mostly been limited to a few states. The overall increase in the health budget, however, is only 2.8 per cent over the revised estimates for the previous year's allocation. Allocation for establishment of new medical colleges has been reduced by 12.5 per cent. Unless the budgets from now on show a substantial year on year increase, the NHP target for public financing, of 2.5 per cent of GDP by 2025, is unlikely to be attained.

The budget addresses some of the social and environmental determinants of health. ₹600 crores has been allocated to provide financial support to patients of tuberculosis to improve their nutrition, through a monthly stipend of ₹500. This will help to boost their immunity and improve treatment results. Sanitation component of Swachh Bharat mission will be scaled up through construction of more toilets, to reduce the health hazards of open defecation. Air pollution, the second most important cause of ill health in India according to a recent estimate, will be addressed through interventions aimed at both ambient and indoor air pollution. Delhi's neighbouring states would be provided financial support for promoting in-situ disposal of crop waste by non-burning methods. The Ujjwala scheme will be expanded to provide cooking gas connections to more poor women, to help them and their young children escape the kitchen's curse of air pollution from combustion of solid biomass fuels. Risks of respiratory diseases, cardiovascular disorders, cancers, childhood asthma and respiratory infections and even diabetes will be reduced through control of air pollution.

The Union Budget of 2018 places health in the centre-stage of public discourse. However, the success of the ambitious initiatives that have been proposed depends on a sizeable and progressive increase in financial resources allocated to health in both central and state budgets from now on and a concerted effort to build wide-ranging capacity in the health system. NHP calls on states to increase their health budgets to exceed 8 per cent of their total budgets by 2020. It is imperative that they do so, even as the central government keeps its promise of raising its share of public financing for health. Investment in a multi-layered, multi-skilled workforce, capable of providing high quality services at all levels of care, is essential. These must be coupled with strong regulatory and monitoring systems. Only when all of these progress in a concerted and timely manner, India will advance with surety and success on the path to universal health coverage. The bugle has been blown but the march begins now!

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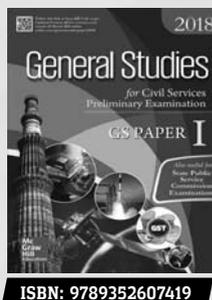
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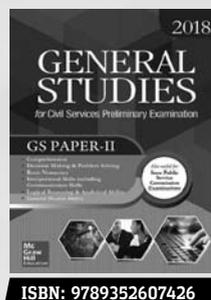
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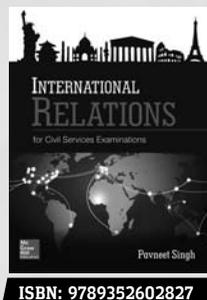
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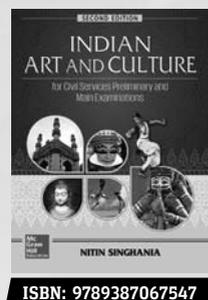
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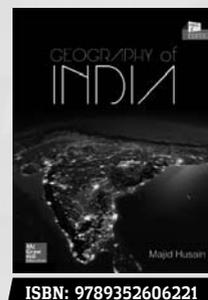
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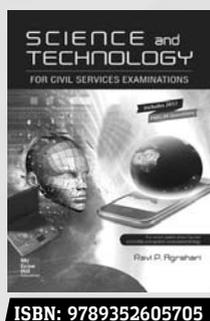
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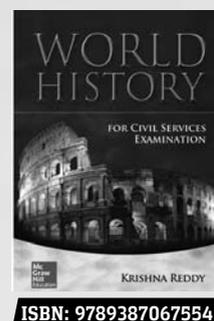
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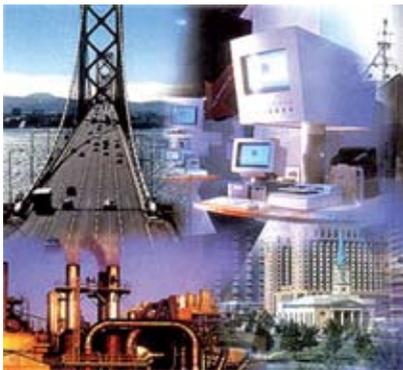
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# Infrastructure Creation: Integrating the Nation

*G Raghuram*



*The Finance Minister at the start of his budget speech indicated that India needed investments over Rs 50 trillion in infrastructure to “increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services”.*

*He declared that the government was committed to this and would ensure the required investment. The challenge is not so much in the allocation of funds as in strategizing appropriately and ensuring timely implementation*

**T**he 2018-19 Union Budget recognizes a total allocation of Rs 5.97 trillion in infrastructure. This compares with an expected expenditure of Rs 4.94 trillion in 2017-18. The infrastructure allocations have not only been increasing in absolute terms, but also as a share of total budgetary allocation. The allocations have been going up in all the sub-sectors of infrastructure including railways, roads, aviation, etc.

The single largest entity spend is for the Indian Railways. The thrust in the current budget has been on capacity creation, including track doubling, third and fourth line works; 5,000 km of gauge conversion; redeveloping 600 railway stations; and introduction of modern train-sets. The proposed gauge conversion would make the country broad gauge based unigauge system. The budget also has a special focus on suburban railways including Mumbai and Bengaluru. The spend on Mumbai would be part of Phase 3A of the Rs 0.55 trillion Mumbai Urban Transport Project (MUTP).

The Union Budget includes a total outlay of Rs 1.21 trillion on road infrastructure. The spend is part of the approved Rs 5.35 trillion Bharatmala Project, which includes development of economic corridors, efficiency improvements on key

national corridors; and border, coastal and port connectivity roads.

Both the Railways and the National Highways Authority of India (NHAI) are expected to source funds beyond just internal surpluses and budgetary support. The Railways, apart from the traditional sourcing through bonds, are expected to bring in funds through public-private partnerships (PPPs), especially in railway station redevelopment and rolling stock manufacturing. The NHAI would use schemes like toll, operate and transfer (TOT) and raising equity from the market using road assets that have crossed the transfer phase of the earlier build, operate and transfer (BOT).

In the maritime sector, the focus is on spends as part of the Sagarmala Project. In aviation, the focus is on improving airport capacity, developing new airports and increasing connectivity to unserved airports and helipads.

Other domains of infrastructure spend include the 99 smart cities and rural infrastructure through development of rural roads, houses, electricity, sanitation, irrigation and water supply.

## Bandwidth for Spending

One of the important challenges with the increased allocations is our ability to spend it effectively. For

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example, even though the allocation for railways from Gross Budgetary Support (GBS) in 2017-18 was Rs 0.55 trillion, the expected actual spend has been revised downward to Rs 0.42 trillion. Consequently, the GBS provision for 2018-19 has been kept at Rs 0.55 trillion, without any increase and almost identical to the previous year's provision.

The inability to spend is a function of insufficient governmental bandwidth in putting out well-written project documents and quick processing of permissions; lack of legal and judicial bandwidth; and the significant non-performing infrastructure assets that put limits on debt financing. Stalled permissions and/or legal issues have held up many projects mid way. A concerted effort to protect and unlock such assets is important. The Ministry of Road Transport and Highways (MORTH) must be commended for attempting to resolve legal issues in many projects, though there are many others still stuck.

It is rather unfortunate that though the budget gets such heightened annual attention, there is no mechanism of reviewing the budgetary performance, not just financially, but in actual outcomes achieved with an analysis of the causes. The annual economic survey is at best a document that looks at performance in an aggregate manner, albeit in different sub sectors. Budgets tend to focus on political rhetoric, often repeating the same activities. For example, the railway station development and the new airports development have been repeated in many successive budgets. While earlier budgets had schemes like Setu Bharatam (to remove level crossings on National Highways), Special Unit for Transportation Research and Analytics (SUTRA) and Special Railway Establishment for Strategic Technology and Holistic Advancement (SRESHTA), it is difficult to find the state of progress of these activities vis-a-vis their original intent.



### Projectising as a Means of Directing the Spend

On the credit side though, the allocations in different sectors over the past few years have tended to be guided by long-term multi-activity project conceptualization like the PradhanMantri Gram SadakYojana (PMGSY), Sagarmala, High Speed Rail (HSR) and Bharatmala projects. The HSR and Bharatmala projects were announced in September and October 2017 respectively. (Of course, the Bharatmala is, in many ways, a modified version of the earlier National Highways Development Project.) Such conceptualization provides more stability and direction, rather than being buffeted by varying annual demands.

In spite of projectising, there are domains where we falter. For example, the BharatNet project (the earlier National Optical Fibre Network), which is to provide broadband connectivity to every Gram Panchayat, has had implementation issues, causing significant delays in timelines. Part of the problem was due to the implementation being 'handed over' to public sector undertakings, which did not have this as a priority.

In the context of rural infrastructure, the PMGSY has been one of the most

successful infrastructure projects. The second decadal phase of this project has been advanced to be completed by 2019 (instead of 2021), so that the third phase can be put in place. Apart from deeper penetration, the rural road network is focusing on improved maintenance and two-sided connectivity to facilitate not just physical connectivity, but also services. In the context of rural electricity, the focus is shifting from village-level connectivity to household-level connectivity. In terms of sanitation, though the focus is on building toilets, full effectiveness can be achieved only by changing the behavior to increase usage. This needs 'marketing' like efforts.

### Inter-sectoral Issues

However, a related challenge is one of examining inter-sectoral implications. For example, it is not clear whether building and connecting more airports is the way to go, given the improving road connectivity. More airports will reduce the catchment per airport, reducing frequency of service and thus putting the overall viability in question. For example, Hubballi and Belagavi are less than 100 kilometers apart with excellent road connectivity, but still wish to have modern airports with just a couple of flights a day each.

## Budget for the Railways

In keeping with the Government's focus on strengthening the Railways network in the country the General Budget 2018-19 has enhanced the allocation for the Ministry. Railways' Capex for the year 2018-19 has been pegged at Rs.1,48,528 crore. A large part of this will be devoted to capacity creation. 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would augment capacity and transform almost the entire network into Broad Gauge 4000 kilometers of railway network are to be commissioned for electrification during 2017-18.

12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19, and the work on Eastern and Western dedicated Freight Corridors is on going. A major programme has been initiated to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.

The Finance Minister assured that adequate funds will be available under Rashtriya Rail Sanraksha Kosh. Over 3600 kms of track renewal is targeted during 2018-19. There will be increasing use of technology like "Fog Safe" and "Train Protection and Warning System". 4267 unmanned level crossings in the broad gauge network will be eliminated in the next two years.

Modern train-sets with the state-of-the-art amenities and features are being designed at Integrated Coach Factory, Perambur. The first such train-set will be commissioned during 2018-19. Redevelopment of 600 major railway stations is being taken up by Indian Railway Station Development Co. Ltd. All stations with more than 25000 footfalls will have escalators. All railway stations and trains will be progressively provided with wi-fi. CCTVs will be provided at all stations and on trains to enhance security of passengers.

The Finance Minister has informed that 90 kilometers of double line tracks are being added to Mumbai's transport system at a cost of over Rs.11,000 crore. 150 kilometers of additional suburban network is being planned at a cost of over Rs.40,000 crore, including elevated corridors on some sections. In Bengaluru, a suburban network of approximately 160 kilometers at an estimated cost of Rs.17,000 crore is being planned to cater to the growth of the metropolis.

Foundation for the Mumbai-Ahmedabad bullet train project, India's first high speed rail project was laid on September 14, 2017. An Institute is coming up at Vadodara to train manpower required for high speed rail projects.

It would take under two hours to reach either airport from their catchment. As a comparison, there are many parts in Bengaluru where reaching the airport would take more than two hours. An overall approach to air connectivity by integrating roads, and keeping a focus on access time rather than distance would be the way to go. For example, in hilly areas, airports closer to one another may still be okay.

Another inter-sectoral domain is that of intermodal connectivity between the metro and the railways. Bengaluru and Delhi are examples where such connectivity has as of now been compromised, leading to poor service quality for customer transfer, and resulting in reduced demand. It does make one reflect on the need for basic smartness, rather than what is implied by 'smart' cities.

There are inter-sectoral issues between energy and transportation. The government has demonstrated significant awareness of this matter. Electric traction in railways is being promoted, with significant allocations. Similarly, the government has announced that the policy would be to convert all road vehicles to electric vehicles by 2030. In the road instance, the industry is not fully in agreement with the government, both in terms of the announced timeline and the focus on electric vehicles over hybrids.

## Conclusion

The Finance Minister at the start of his budget speech indicated that India needed investments over Rs 50 trillion in infrastructure to "increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services". He declared that the government was committed to this and would ensure the required investment.

The challenge is not so much in the allocation of funds as in strategizing appropriately and ensuring timely implementation. □

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**BUDGET 2018-19**  
Railways

- ❖ All time high allocation; Capex for 2018-19 pegged at Rs. 1,48,528 crore
- ❖ 600 major railway stations to be redeveloped
- ❖ All stations with more than 25,000 footfalls to have escalators
- ❖ Wi-Fi and CCTVs to be provided progressively on all trains and stations
- ❖ Modern train-sets with state-of-the-art amenities to be commissioned

## Budget for Infrastructure Development

The Government has enhanced allocation for the Infrastructure Sector in the Union Budget 2018-19, recognizing its role as the growth driver of the economy. The budgetary and extra budgetary expenditure for the Sector has been increased from Rs.4.94 lakh crore in 2017-18 to Rs.5.97 lakh crore in 2018-19. An all time high allocation of Rs 1,34,572 crore has been made for the transport sector while the efforts to develop disaster resilient infrastructure is being given a push with an allocation of Rs. 60 crore in 2018-19.

In the Urban Infrastructure Sector, the Government proposes to develop ten prominent tourist sites as Iconic Tourism destinations through holistic infrastructure and skill development. In addition, tourist amenities will be upgraded at 100 Adarsh monuments of the Archaeological Survey of India (ASI). The Finance Minister informed that 99 cities have been selected with an outlay of Rs. 2.04 lakh crore under the Smart Cities Mission. Projects worth Rs. 2350 crore have been completed and works of Rs. 20,852 crore are under progress. The National Heritage City Development and Augmentation Yojana (HRIDAY) has been taken-up to revitalize heritage cities.

Under AMRUT programme, State level plans of Rs. 77,640 crore for 500 cities have been approved. Water supply contracts for 494 projects worth Rs. 19,428 crore and sewerage work contract for 272 projects costing Rs. 12,429 crore has been awarded. 482 cities have started Credit rating and 144 cities have got investment grade rating.

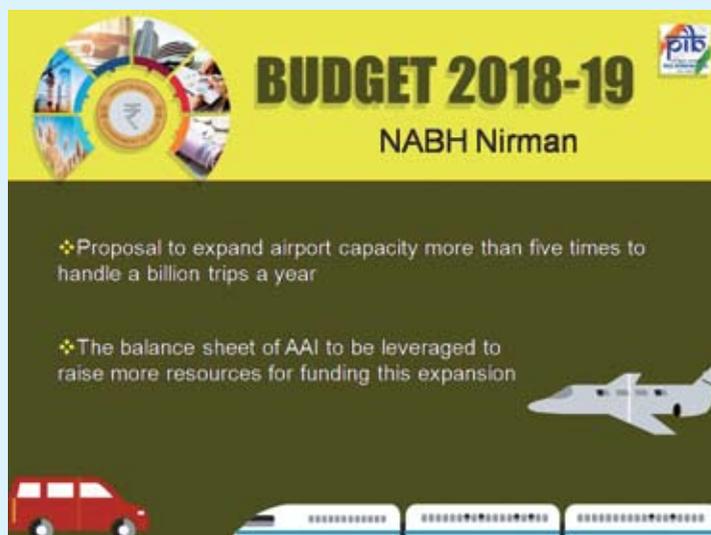
The Finance Minister announced that his Ministry will leverage the India Infrastructure Finance Corporation Limited (IIFCL) to help finance infrastructure projects including investment in education and health infrastructure.

In the Road sector, the recently approved Bharatmala Pariyojana aims to develop about 35,000 km of highways at a cost of Rs. 5,35,000 crore in Phase I. The National Highways Authority of India (NHA) will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds for raising funds. In order to enhance connectivity in border areas, the Finance Minister announced that the Government will take up construction of a tunnel under Sela Pass. He also announced that for promoting tourism and emergency medical care, the Government will make the necessary frame work for encouraging investment in sea plane activities.

In the Civil Aviation Sector, the Budget 2018-19 announced a new initiative NABH Nirman to expand airport capacity by more than five times to handle a billion trips in a year. The expansion will be funded by leveraging the balance sheet of Airports Authority of India. Domestic air passenger traffic has grown at 18 per cent per annum and the regional connectivity scheme UDAN, will connect 56 unserved airports and 31 unserved helipads across the country. Operations have already started at 16 airports.

In the sector of Digital Infrastructure the General Budget 2018-19 announced a doubling of allocation on Digital India Programme to Rs.3073crore in 2018-19. Department of Science and Technology will launch a Mission on Cyber Physical Systems to support establishment of centers of excellence for research in training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis and quantum communication. Rs. 10000 crore have been provided in Budget 2018-19 for creation and augmentation of telecom infrastructure. The Government proposes to set up 5 lakh wifi hot spots which will provide broadband access to 5 crore rural citizens. The Finance Minister informed that the Phase I of Bharatnet Project has already enabled broadband access to over 20 crore rural Indians.

NITI Aayog will initiate a national programme to direct efforts in the area of artificial intelligence. To harness the benefit of emerging new technologies, the Department of Telecom will support establishment of an indigenous 5G Test Bed at IIT, Chennai.



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## From Blackboard to Digital Board

*Kiran Bhatta*



*The emphasis was on quality – now the buzz word in education – and the instruments that are being considered for the purpose. These came in the form of two main announcements: one that technology will be the driver of the efforts as symbolized in the move from blackboard to digital board; and two, that the government will take a holistic view of education seeing it as a continuum from primary to secondary*

Every year there is much anticipation around the announcement of the budget with both apprehension and expectation of what it might signal. Since major policy announcements are rarely, if ever, made in budgets signals are what people wait for. This being the last budget before the next general elections it was expected that the government would adopt a populist strategy signaling sops to sections of the population or sectors in the economy that were in need of revival and assistance. It was unsurprising, therefore, that agriculture and the rural sector emerged as the focus of this year's budget.

What was surprising though, given past precedents, was that education also figured prominently in the FM's speech. It was surprising as education barely figured in his speech last year and also because education has failed to make the "populist" list in election after election across party lines. It was heartening, therefore, to hear it get the priority it did, along with strengthening of the rural economy, creation of infrastructure and support to senior citizens. In fact, it signaled more clearly than in previous years the direction that education policy is likely to take.

The emphasis was on quality – now the buzz word in education – and the instruments that are being considered for the purpose. These came in the form of two main announcements: one that technology will be the driver of the efforts as symbolized in the move from blackboard to digital board; and two, that the government will take a holistic view of education seeing it as a continuum from primary to secondary. Both these policy indications have in fact been in the news just prior to the Budget – in the last CABE Committee meeting Operation Digital Board was announced, and a concept note has been floated by the Ministry of Human Resource Development (MHRD) regarding the merger of Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) (along with teacher education programmes). In addition the plan to develop a district-wise strategy for improving quality, based on the National Achievement Survey [NAS] results, and enhancing teacher education and training were cited as areas where improvement in quality was expected to come from. Other notable mentions were the setting up of residential schools in tribal areas on the lines of the Navodaya Vidyalayas and investing in innovation and research by taking the funding up to

The author is a Senior Fellow at the Centre for Policy Research [CPR] currently working on issues of institutional functioning in elementary education. She has been a member of several National Committees such as the Bordia Committee that drafted the guidelines for merging Sarva Shiksha Abhiyan [SSA] with RTE; the Committee for finalizing SSA norms under RTE; and chair of the special group set up for drafting guidelines for school social audits. She has published extensively in academic journals as well as in the national media.



in infrastructure. Thus far the rural electrification mission has not covered schools either, and unless it does so, it seems unlikely that Operation Digital Board will see much of a take off. The school education budget document certainly makes no mention of how this Operation will be funded. In fact even the budget for digital India e-learning has come down from Rs. 518 crores to Rs. 456 crores, this year!

one lakh crores over the next four years.

No doubt, each of these announcements is worthy of welcome. Technology must be harnessed in the interest of the education sector, wherever possible; taking a comprehensive approach towards education would result in synergies across levels, while also streamlining bureaucracies and budgets; investment in teachers and their training, if well designed, would have a direct impact on quality in the classroom; district level achievement tests can form the baseline from where regular tracking of learning levels can be planned; investment in research and innovation is an important element in a strategy to maintain quality and finally, the need to extend quality education to tribal areas has long been recognized as necessary. Unfortunately the rhetoric, and the good intentions behind these announcements, has not been matched with commensurate financial

allocations. There was no indication even in the budget document of how these ideas will be financed.

While the total budget of the National Education Mission is up from Rs. 28, 255 crores last year to Rs. 31,212 crores-an increase of Rs.3000 crores-it does not seem adequate for the ambitious plans declared in the budget speech. For instance, digitalizing education in the classroom through Operation Digital Board would require a massive upgrade of basic infrastructure before it can be enabled, as currently only 62 per cent of all schools have an electricity connection, only 24 per cent have functional computers and only 9 per cent have an electricity connection and a functional computer (DISE, 2015-16). This does not include the fact that there are millions of children still out of school (6 million according to MHRD and 20 million according to NSS) implying that getting them to school would mean further investment

Similarly, while teacher training has been emphasized, the budget for the Madan Mohan Malviya National Mission for Teachers and Training has remained stagnant at 120 crores allocated last year. There is, however, an increase in budgetary support for strengthening teacher training institutes of Rs. 70 crores but that appears to have come at the cost of appointment of language teachers to the tune of 40 crores (item 20 on p188). This does not bode well for the huge shortage of teachers in general, but especially in tribal areas, where language teachers are particularly needed. While it cannot be denied that appropriate teacher training is a crucial element of quality, it must not come at the cost of teacher appointments especially in a scenario where massive shortages are already contributing to the quality crisis. With 11.5 per cent of primary, and 7.5 per cent of all schools being single teacher schools, and the average number of teachers in a government elementary school still at only 4.3 – far below the full complement of one teacher per grade, this element of basic provisioning is a cause for concern. It raises an important question about what we mean by quality. Can quality be improved without sufficient teachers? Will Operation Digital Board come with teacher-less classrooms?

As far as the special schools on the lines of Navodaya Vidyalayas the Minister talked about for the tribal regions, are concerned, their allocations do not show up in the education budget though they appear as an increase in the budget for Eklavya Schools in the tribal affairs budget.

**BUDGET 2018-19**  
Education

**REVITALISING INFRASTRUCTURE AND SYSTEMS IN EDUCATION (RISE)**

•Launch of a major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs. 1,00,000 crore

•Higher Education Financing Agency (HEFA) would be suitably structured for funding this initiative.

This flies in the face of the assertion that the government plans to take a holistic approach towards education. In fact, the distribution of responsibility between MHRD or state education departments and the Ministries or Departments of Social Justice and Tribal Welfare has been criticized for precisely this reason - adopting a dual system of administration. The Tribal Affairs Department not only lacks the expertise for education, it is the Education Department that is the sole authority for all education plans and administration. This dichotomy greatly impairs the Tribal Affairs Department from carrying forward the work of education. The notion of merging education schemes as suggested in the speech and the document circulated, must also extend to all schools, especially those run for vulnerable sections of the population in order that they too reap the benefits of this approach. The pariah treatment that the Ashram schools run by Tribal Affairs Departments have received must not continue or be extended to the Eklavya schools being envisaged now. It is time that the idea of taking a comprehensive approach includes bringing all schools under the same administration and jurisdiction of the MHRD and state education departments.

Unfortunately, the holistic approach is not reflected in the budget document in any form. For instance, allocations for SSA and RMSA as well as teacher education continue to be separate. For SSA they have increased marginally from 23,500 crores last year to Rs. 26,128 crores this year and for RMSA from Rs. 3915 crores (RE) to Rs. 4213 crores. Will these be clubbed by the states and used holistically? How will they be allocated across the different programme components? What changes in the structure of SSA or RMSA will this approach entail? These are all questions that remain unanswered as of now. Hence, the overall impact on quality can also not be ascertained. A lot will depend on the design of the merged plan.



The announcement of an expenditure of Rs. one lakh crores over the next 4 years for research and innovation must be welcomed, even as it seems ambitious, especially as it is not yet reflected in the allocations made for this year. What has been given for this year is a mere Rs. 350 crores Rs. 45 crore increase from the Rs. 319 crores last year. This implies that in the next 3 years the budget will need to be expanded hugely if this promise is to be upheld.

Other elements of quality referred to in the budget speech, such as the National Achievement Survey forming the basis for improving learning outcomes do not have obvious budgetary implications and thus, their absence in the financial statements need not raise eyebrows. However, adopting a district level strategy for improving learning levels will nevertheless, require investment in systems that can monitor and track learning in a comprehensive fashion including systems for responding appropriately where required. It would therefore be interesting to see how the district and the sub-district level administration gears up for this challenge. There are also likely to be some financial implications for this exercise. Perhaps the next year's budget can reflect them.

The important message from

this year's Budget, therefore, is the priority given to education in the speech. As far as signals go that says a lot. However, one is hard pressed to find this priority reflected in the actual financial allocations made for this year. The averments have not been matched by a commensurate allocation of resources or even indication of where the resources will come from. It begs an important question: is the government then planning to rely on non-budgetary or private resources as the way forward? This has massive implications for the future of public education and thus must be discussed more comprehensively in the public domain.

The thrust on technology as the driver of quality improvements in education is also a shift that needs further unpacking in the light not just of the shortfalls in enabling infrastructure, but also in terms of the implications for teaching practices. Has technology become a convenient way of side stepping deeper institutional problems that plague the sector? Is the government looking for quick fix solutions and shying away addressing the larger issues of implementation failure that have long been acknowledged as the cause of poor quality and falling learning levels? □

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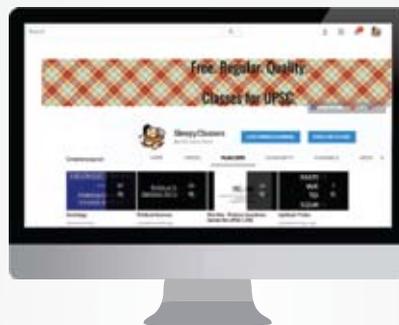
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YE-779/2017

## Relief for the Elderly

*Sumati Kulkarni*



*Schemes for children and youth, no doubt, should receive high priority as they are the future of the country and without investment in this human capital, the country will not be able to reap the demographic dividend- a golden opportunity resulting from India's younger age structure. At the same time in any planning, adequate provision has to be made for another sizable (about 9 per cent of population) and rapidly increasing vulnerable group i.e. India's elderly (60+).*

**I**t is well-known that annual union budget is a very difficult exercise which attempts to strike a judicious balance between lofty intentions to improve the lot of vulnerable sections and stark realities. Competing claims of different sections of the population, political compulsions, resource constraints, effect of direct taxes on investment and fear of inflationary pressure resulting from overspending are some of the major challenging considerations in this respect. Schemes for children and youth, no doubt, should receive high priority as they are the future of the country and without investment in this human capital, the country will not be able to reap the demographic dividend- a golden opportunity resulting from India's younger age structure. At the same time in any planning, adequate provision has to be made for another sizable (about 9 per cent of population) and rapidly increasing vulnerable group i.e. India's elderly (60+). As compared to 70.6 million in 2001 and 104 million in 2011, they are expected to cross 173 million in 2026. A sizable percentage of the elderly in India belong to vulnerable

class by different critical economic/ social criteria (45 per cent from BPL/ Antyodaya households, 23 per cent not owning any assets, 43 per cent with no income, 50 per cent financially fully dependent, 27 per cent SC/ST and one third from households with monthly per capita expenditure less than Rs.1000/-) (UNFPA 2012)<sup>1</sup>. It is essential to examine which provisions of the Union Budget 2018-19 are relevant for the elderly and how far they are likely to benefit by the budget provisions.

### **Benefits for Taxpayer Senior Citizens**

There is no change in income tax slabs or income tax rates but Senior Citizens are likely to benefit from the following provisions

- In the present budget, the exemption limit for interest income is raised to Rs. 50,000/- from the existing limit of Rs. 10,000/- under section 80TTA and the exemption is not only for the interest income from bank deposits in saving accounts and savings in Post Office Schemes but also for interest income from fixed deposits and recurring deposits in banks.

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Hence, for most of the elderly tax is not likely to be deducted at source. As per BKPAI survey, 21 per cent rural elderly and 28 per cent urban elderly have savings in banks and post office, very few having shares, bonds etc.

- Limit for the Deduction on Medical Insurance Premium is raised to Rs. 50,000/- from the existing Rs. 30,000/- under section 80D.
- The budget also provides some relief for senior citizens suffering from critical illnesses as the exemption limit for medical expenditure for specific critical illnesses is raised to Rs. one lakh from the existing Rs. 60,000 for senior citizens and Rs. 80,000/- for the 80+ aged citizens.
- The budget has re-introduced standard deduction of Rs. 40,000/- from the salaried income (in place of the present deduction of travel allowance and medical allowance for salaried people) Since in the income tax return, pension income falls in the category 'income from salaries', hopefully, the pensioner senior citizens are also expected to benefit by this provision

Due to these provisions, some senior citizens in the lowest slab will not be required to pay income tax at all, while others are expected to enjoy increased savings.

These provisions are also likely to act as incentives for taking larger medical insurance cover and also incentive for keeping more fixed deposits in banks.

### **Pradhan Mantri Vayavandana Yojana**

This scheme was started in May 2017 only for one year but in this budget it is extended upto May 2020. Besides, the Investment limit for this scheme is doubled from the existing 7.5 lakhs to 15 lakhs, Under this scheme, operated by LIC for persons above age 60, on survival of the



Pensioner during the policy term of 10 years, pension in arrears (at the end of each period as per mode chosen) shall be payable. On death of the Pensioner during the policy term of 10 years, the Purchase Price shall be refunded to the beneficiary. On survival of the pensioner to the end of the policy term of 10 years, Purchase price along with final pension instalment shall be payable.

Though the amount received at maturity from investment in this scheme is taxed, this is an attractive option for senior citizens as it gives assured returns at 8 per cent for 10 years.

### **Overall Impact -Limited**

These provisions, though important for certain sections of the elderly, overall impact is going to be confined to a very small percentage of elderly. Majority of rural elderly come from agricultural households and will not have benefits of income tax provisions. BKPAI survey shows that only 10 per cent rural elderly and 16 per cent urban elderly receive employer's pension. Nearly 42 per cent rural elderly and 47 per cent urban elderly have no income at all. Only 12.5 of rural elderly and 17 per cent of urban elderly have annual

income of Rs. 50,000/ and above. The above provisions will be relevant only for those few who are at the top of this income category.

### **National Health Protection Scheme**

In fact, what is really relevant for majority of the elderly is Aayushman Yojana - the huge state funded National Health Protection Scheme. It is a general scheme for all BPL families and not specific for the elderly but if successful, it is likely to have significant impact on the elderly. Apart from economic dependency, the vulnerability of the elderly is due to their physical dependency resulting from poor health and partial or complete disability. As per BKPAI survey, more than 50 per cent elderly reported themselves as not having good health. Nearly one fifth reported having poor health. About 13 per cent reported having acute morbidity. About 8 per cent need assistance for at least one activity of daily living. Nearly 60 per cent reported having partial or full vision disability, and about one fourth reported having full or partial memory disability and walking disability.

It is heartening to note that the budget has announced the above

scheme to take care of hospitalisation expenses upto a limit of Rs. 5 lakh annual cover per family for 10 crore families, thus covering about 50 crore poor Indians. This scheme will replace the present Rashtriya Swasthya Bima Yojana (RSBY), under which Rs. 1000/- crores are provided to cover 18 crore people from 3.6 BPL families for treatment of diseases. The budget has allocated Rs. 2000 crores for the new scheme and it is likely to increase upto Rs. 12,000 crores by the end of the year. This funding will come from the additional one per cent cess (4 per cent education and health cess in place of earlier 3 per cent education cess). The states are expected to share 40 per cent share of the expenditure on this scheme by providing additional Rs. 8000 crores to make the total provision of Rs. 2000 crores.

### Constraints and Limitations

The reactions about this world's largest health scheme range from 'a perfectly doable scheme' to 'World's Largest Mess'. The major points of criticism are-

- Inadequate Funding – The allocation for RSBY rose to Rs. 2000 crores in the financial year 2019 from Rs. 470 crores. Based on the experience of RSBY, it is estimated that the new scheme with the huge coverage is expected to cost Rs. 30,000 crores.
- It is doubtful whether the States with their limited resources will be able to provide the expected 40 per cent share.
- There is not enough clarity regarding the implementation mechanism but it appears that states will be given an option to implement it through insurance agencies or by funding the autonomous bodies. Doubts have been expressed as to whether the annual instalment of Rs. 1082/- per registered family will be sufficient to provide the services.



Insurance companies are not likely to find it attractive enough at the envisaged funding level.

- National Sample Survey data shows that the experience of RSBY has been very dismal. Hardly 1.2 per cent rural and 6.2 per cent urban families benefitted by it and the scheme did not help to reduce the out of pocket expenditure incurred by families.
- The new scheme provides only hospitalisation expenses but more than two thirds of the treatment expenses incurred by families are other than hospital expenses.
- As for the elderly, BKPFI survey shows that only 10 per cent of the elderly were hospitalised during one year preceding the survey.
- Often the elderly are hospitalised only at the last stage. The new scheme can act as incentive for timely hospitalisation of the elderly.
- The scheme covers only hospitalisation expenses but majority of the elderly suffer from age related diseases like Arthritis and diseases like hypertension, diabetes, various types of fevers for which timely diagnosis, proper medication and frequent monitoring is required. Strengthening of the health infrastructure especially

in remote areas is crucial in this respect. Shortage of medical manpower in such areas is also a big constraint. Provision, in this budget, for wellness centres and new medical colleges as well as for nutritional diet for TB patients is certainly a very important step which can indirectly help the elderly. Ultimately the whole issue boils down to increasing the government expenditure on health and the effective public – private partnership.

In spite of these constraints, the attempt made in this budget to bring social sectors, especially the health sector at the centre stage is unprecedented in independent India. This approach will certainly go a long way towards improving the quality of life for the elderly in India.

### Endnote

<sup>1</sup>Under the UNFPA project on 'Building a Knowledge Base on Population Ageing in India (BKPFI)' – a survey of 9852 elderly from 8329 sample households was carried out in seven states viz. Himachal Pradesh, Kerala, Maharashtra, Odisha, Punjab, Tamil Nadu and West Bengal in 2011. □

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# Women Empowerment and the Budget 2018-19

*Shahin Razi*



*While reservation in panchayats or Parliament is important, the real challenge is to ensure that women are involved in the decision making process at home, and in the society. The challenge will be to develop their capacity so that they can perform their roles properly*

**T**he budget 2018-19 is historic and revolutionary. The Finance Minister has presented a non-populist Budget providing significant incentives for new jobs, cutting corporate tax to 25 per cent for companies with sales upto Rs. 25 crore, creating labour flexibility by allowing contract labours in all sectors, enhancing agriculture, women empowerment and launching what could become the world's largest hospital treatment scheme serving 100 million poor households.

The budget is for Bharat – the poor, the farmers, women and the marginalized. The government is now moving “ease of doing business” to “ease of living” for the poor and the marginalized. It is pro-reforms and progressive, which reflects the confidence of a strong resurgent India.

India has been working towards empowering her women ever since independence, and especially since the 1990s. The government and non-government sectors have both been pushing ahead with programmes aimed at imparting education to women, giving them better health care, providing them with means of livelihood and opportunities to participate in the decision making process at home and

in the society. Special attention is being paid to improve the lot of the girl child giving her better chances of survival and opportunities for living a life of fulfillment.

The 73<sup>rd</sup> Amendment to our constitution in 1993 was a major milestone in this direction. The amendment made provision for reservation of seats for scheduled castes and tribes proportionate to their population in the panchayat area. The impact of reserving one third of seats for women in the Panchayati Raj Institutions (PRI) has been fruitful, and has empowered women both politically and socially. At present, there are approximately 200,000 panchayat representatives in India, out of which around 75,000 are women making it the largest number of elected women in the world.

The Government is considering introducing Womens' Reservation Bill which seeks to reserve one third of all seats for women in the Lok Sabha and State Legislative Assemblies.

While reservation in panchayats or Parliament is important, the real challenge is to ensure that women are involved in the decision making process at home, and in the society. The challenge will be to develop their

The author is an economist and an academician. Besides long teaching experience at graduate and Post Graduate level, she is actively engaged in research work. She has also addressed a large number of conferences and seminars, both at the national and international levels. A prolific writer, she has published research articles and written books. Engaged in social work she loves to work for the underprivileged sections of society.

capacity so that they can perform their roles properly.

But more than half-a-century after independence, shackles remain tightly bound around women's feet. It begins at birth as the evidence of female foeticide and gender bias in the richer states of Punjab, Delhi and Haryana shows, sparing neither the villager nor the urban sophisticate. From such inauspicious beginning comes the sorry story of sexual assaults, dowry harassment and deaths, biased healthcare, low literacy, discrimination at the workplace and subjugation at home – the dismal list is endless and difficult to escape.

Therefore, Budget 2018-19 has launched various schemes to empower Indian Women:

- The Prime Minister's Ujjwala Scheme, under which free LPG connection were given to 50 million people will now be targeted at 80 million poor women.
- The budget's pro-women focus is seen in the announcement of a special mission to provide LPG connection in the name of women members of poor households.
- The government aims to resolve two critical issues through this initiative. First, address the health concern of women, especially those in rural areas who use traditional biomass fuel such as wood, dung or agricultural residues for their daily cooking and second, reduce the existing high levels of indoor pollution.
- This measure will empower women and protect their health. It will reduce drudgery and the time spent on cooking. It will also provide employment for rural youth in the supply chain of cooking gas.
- Various studies by government and advocacy groups have revealed that household air pollution is actually responsible for around five lakh deaths in India every year.



- This will ensure universal coverage of cooking gas in a country where traditionally, gas cylinders were considered an upper middle class luxury. The Finance Minister said that though gradually, the luxury is spreading to the middle class, the poor still do not have access to cooking gas. However, the BPL families are now being provided with a cooking gas connection.
- So far, this was being done with Corporate Social Responsibility (CSR) funds of state fuel retailers. While providing the new connections to BPL households, priority would be given to states where coverage is poor.
- Under the PM's Saubhagya Yojana for providing electricity to all households, the government is spending 160 billion rupees.
- 19.75 crore rupees have been sanctioned for women safety e.g. for Nirbhaya Fund.
- Rs. 75,000 crore rupees will be provided as loans to Women Self Help Groups till March, 2019.
- For organic farming, Women Self Help Groups will be given loan and encouragement for their ventures.
- A new Gold Policy is in the anvil whereby women can deposit their gold in the bank and earn interest in the range of 2.25 per cent to 2.5 per cent.
- For women employees their contribution to EPF has been cut from 12 per cent to 8 per cent for first three years. There will be no change in employer's contribution.
- Six months maternity leave with full salary will be given to women employees. The Department of Personnel and Training has instructed all ministries and departments to implement a 2015 order of the Delhi High Court for granting maternity leave to women employees who choose to have a child by commissioning a surrogacy. Such leave would include the pre-natal and post-natal period.
- Rs.24 crores have been sanctioned for National Women's Commission.
- 20 million new toilets will be constructed under the aegis of the Swachh Bharat Mission. This will have a positive impact on women's dignity, girl's education and overall health of the family,
- Rs. 280 crores have been provided for 'Beti Bachao Beti Padhao' programmes. 'Beti Bachao Beti Padhao' is another social campaign of the Government of India that aims to generate awareness and improve the efficiency of welfare services intended for girls. The scheme



has been launched with an initial funding of Rs. 100 crores. Women upliftment is nearly impossible if issues like illiteracy, inequality, sexual harassment and female infanticide are not combated in the right manner.

Beti Bachao Beti Padhao is a collaborative initiative being run by Ministry of Women and Child Development, Ministry of Human Resource Development and Ministry of Health and Family Welfare and it covers all Indian States and Union Territories. This flagship scheme was launched in the year 2015. The scheme has three primary objectives:

- Prevent female infanticide.
- Devise new schemes and work cohesively to ensure that every girl child is secured and protected.
- Ensure every child gets quality education.
- Sukanya Samridhi Yojana is a small deposit scheme for the girl child launched as part of the 'Beti Bachao, Beti Padhao' campaign by the Government of India. It is meant exclusively for a girl child. The scheme is meant to meet the education and marriage expenses of a girl child. The scheme offers 9.1 per cent tax free rate of interest which is compounded annually. A

legal guardian/natural guardian can open an account in the name of the girl child. The account can be closed after completion of 21 years. Normal premature closure will be allowed after completion of 18 years provided that girl is married.

In order to awaken the people, it is the women who have to awaken. Once she is on the move, the family moves, the village moves, the nation moves. Thus, women empowerment programmes initiated by Prime Minister, an important step towards empowering girls through education.

Budget 2018 is a transformational road map for India's progress. This is one of budgets that brings social sector at centre stage. The Finance Minister has focused on addressing some of the pressing challenges faced by India's economy – improving access to quality health care and education, women empowerment, enhancing agriculture and creating jobs.

Budget 2018-19 aims to ensure rapid economic development. And there is no tool for development more effective than the empowerment of women and addressing gender equality. 

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### More than 1.26 Crore accounts opened across the country under Sukanya Samridhi Account Scheme

The Union Minister for Finance and Corporate Affairs stated that the Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) has benefitted 5.22 crore families with a life insurance cover of Rs.2 lakh on payment of a premium of only Rs.330/- per annum. Likewise, under Pradhan Mantri Suraksha Bima Yojana, 13 crore 25 lakh persons have been insured with personal accident cover of Rs.2 lakh on payment of a premium of only Rs.12 per annum. The Minister further added that the Government will work to cover all poor households, including SC/ST households, under these in a mission mode. The Government will expand the coverage under Prime Minister Jan Dhan Yojana by bringing all sixty crore basic accounts within its fold and undertake measures to provide services of micro insurance and unorganized sector pension schemes through these accounts.

Under "Beti Bachao Beti Padhao", Sukanya Samridhi Account Scheme launched in January 2015 has been a great success. Until November, 2017 more than 1.26 crore accounts have been opened across the country in the name of girl-child securing an amount of Rs.19,183 crore, the Minister added.



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## Deciphering the Ease of Doing Business Initiatives

*Danish A Hashim  
Varsha Kumari*



***The Union Budget 2018-19, while carrying forward the momentum of EoDB reforms, has proposed several initiatives which would have direct bearing on the investment climate and would aid employment generation in the country. The EoDB related initiatives in the Budget will help in reducing time and money cost for corporate sector. The Finance Minister has gone beyond the corporate sector to announce measures for improving the ease of doing business at larger level. MSMEs, agriculture, rural economy, infrastructure and technology have been the focus areas among the EoDB initiatives***

**A** critical area with high expectations from the Union Budget 2018-19 included the Ease of Doing Business (EoDB), which has received unprecedented importance from the central government in the last few years. The underlying objective behind the government's agenda to improve EoDB is to unshackle the investment and employment potential of the country. The Centre has undertaken a series of reforms to remove impediments in various stages of the business cycle, from starting to exiting. Some positive developments on the EoDB front include company incorporation within a day, simplification of indirect compliances by introduction of GST and faster insolvency resolution owing to the implementation of Insolvency and Bankruptcy Code (IBC).

The Centre has also promoted a spirit of competitive federalism among the states by pushing the state governments to introduce business reforms rigorously in a range of areas such as labour, land, inspections and dispute resolution, among others. These initiatives have started yielding positive results for the industry. The recently released Doing Business Report of the World Bank showed a jump in India's ranking by 30 spots in 2018 (out of 190 countries) from a level

of 130 last year. The Prime Minister envisions India to join the league of top 50 countries in the next two years. The recently announced Budget was expected to undertake a few strong steps to move further in this direction. There were hopes and expectations that the Union Budget would provide a decisive policy direction and the way forward on the unfinished agenda of EoDB reforms.

In line with expectations, the Budget has announced a series of EoDB initiatives. The Budget's key areas of announcements on EoDB cover many aspects, with special focus on MSMEs, boosting employment and promoting investment. Some of the key initiatives for corporate sector on EoDB are mentioned in the next section.

### **Key EoDB initiatives for Corporate Sector**

**Larger financing for MSMEs:** The government has allocated Rs 3 lakh crores to the MSME sector to provide for credit support, capital and interest subsidy to address the problem of credit shortage faced by MSMEs. What is noteworthy is that this increased allocation has been backed by measures which would improve the ease of getting credit. Accordingly, the Budget has proposed innovative methods to quicken the process for MSMEs to

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access bank credit such as generating a financial information database of MSME businesses to address the issue of lack of credit history of these firms and use of Fintech to ensure easier accessibility of working capital for MSME sector.

*Simplifying sanctioning of loans to MSMEs:* The government has proposed revamping the Trade Receivable Discounting System (TReDS) of sanctioning loans to SMEs by linking it with the GST Network (GSTN). This will help MSMEs with better management of working capital and faster discounting of the bills. Further, since the banks will have access to information on cashflows of MSMEs, they will pro-actively provide loans as there will be no risk of fake bills.

*Taxation relief:* Reduction in corporate tax to 25 per cent for companies with annual turnover up to Rs. 250 crores (earlier Rs. 50 crores) is a landmark initiative, expected to benefit 99 per cent of the companies in the country. This will leave MSMEs with a higher investible surplus, eventually contributing to growth and employment.

*Relief in NPAs treatment of MSMEs:* The Budget announced government's intent to effectively address NPA and stressed accounts of MSMEs. In line with this initiative, the RBI has issued a notification allowing MSMEs borrowers to delay their loan payments up to 180 days, which is twice the mandated period, without being categorized as NPA. This measure will address the cash flow issues of MSMEs and meeting repayment obligations with banks and NBFCs.

*Unique ID:* Presently, companies need to maintain several registrations including company incorporation, registering property, and obtaining electricity, among others, which is a costly affair when measured in terms of both money and time. The government has proposed a scheme for unique identification for enterprises in line with the Aadhaar for citizens. This would replace the need for

maintaining multiple registrations with different government authorities and just requires one-time registration for all approvals / permits.

*National Logistics Portal:* The logistics department under the Department of Commerce is developing an online National Logistics Portal. This will address the long pending

issue of gaps among the stakeholders such as logistics service providers, buyers, customs, DGFT, railways, ports, airports, hinterland waterways, coastal shipping etc. The portal, if implemented successfully, will bring the relevant stakeholders on a single online platform and could reduce the logistics costs up to around 10 per cent.

## **Union Budget – Measures for Ease of Doing Business**

The Government has been continuously working towards improving the ease of doing business across the country. The Union Minister for Finance and Corporate Affairs, while presenting the General Budget 2018-19 in Parliament said that the Prime Minister, has always stressed the importance of good governance with the vision of “Minimum Government and Maximum Governance”. This vision has inspired Government agencies to carry out hundreds of reforms in policies, rules and procedures. This transformation is reflected in improvement of India's ranking by 42 places in last three years in the World Bank's 'Ease of Doing Business' with India breaking into top 100 for the first time.

To carry the business reforms for ease of doing business deeper and in every State of India, the Government of India has identified 372 specific business reform actions. All States have taken up these reforms and simplifications in a mission mode constructively competing with each other. Evaluation of performance under this Programme will now be based on user feedback.

The Department of Commerce will be developing a National Logistics Portal as a single window online market place to link all stakeholders.

The Government is also transforming method of disposal of its business by introduction of e-office and other e-governance initiatives in central Ministries and Departments. A web-based Government Integrated Financial Management Information System (GIFMIS), is being administered by Controller General of Accounts, for budgeting, accounting, expenditure and cash management of the Government.

A Central Public Procurement Portal provides a single point access for all information on procurement. Around 3.5 lakh contractors and vendors are registered on this platform. In November, 2017 alone, electronic bids for over one lakh tenders valued at around two lakh forty thousand crore were invited through this portal.

The Government E-Marketplace (GeM) facilitates procurement at the right price, in right quality and quantity in a transparent and efficient manner. The platform has seventy eight thousand buyers, fifty thousand sellers, three lakh seventy five thousand products and twelve services. Besides facilitating transaction of the value of Rs.3000 crore in about two lakh transactions, it could achieve savings of more than 25 per cent over the base price.

For easier access, links to all Detailed Demand for Grants will be provided at india.gov.in. The Government will also consider feasibility of providing disclosed fiscal information in a machine readable form.

*Fixed-term employment for all sectors:* The provision of Fixed Term Employment – hiring employees for a specific period - earlier applicable to only Textile Industries, is proposed to be extended to all sectors. This initiative, besides encouraging additional employment, will provide a major boost to EoDB by enabling companies to hire freely even for short terms. The provision will specially benefit the sectors including leather, footwear and accessories, where demand for labour usually varies through the year. Given that these sectors also happen to be employment intensive, the new initiative may provide a push to employment generation. The Budget also provides for employers directly hiring the fixed term workers without necessarily having to go through mediation, which will result in cost savings for the companies.

*Uniformity in Stamp Duty:* The Central government will coordinate with all the state governments to take reform measures on stamp duty. Currently, the Stamp Duty ranges from 4 per cent to 7 per cent across states. The uniformity in stamp rate at pan-India level would help in reducing distortion in land / property prices.

*Technology-based governance:* To expedite the dispute resolution in the country, the government is aiming for universal computerization of all District and Sub-ordinate courts. This will facilitate the effective implementation of National Judicial Data Grid, which provides an online platform for information related to judicial proceedings as well as decisions from computerized courts and subordinate courts across India. Further, the focus on e-courts with facility of e-filing and e-payments will strengthen the Contract Enforcement mechanism, wherein India currently ranks poorly at 164.

*Electronic Toll Payment:* The government is taking measures to replace the system of physical cash payment of toll with electronic payment system and Fastags. Implementation of “pay as you use” initiative in this direction, currently being run on a pilot basis, will provide significant relief to

the transporters of commercial goods in savings of money and time costs.

*Boost to Defense Production:* With the introduction of private investment in defense production, the government is taking measures to develop two defense industrial production corridors in the country. This will help in import substitution of defense products on the one hand and employment generation on the other. The Defense Production Policy 2018 is also proposed to promote domestic production by public and private sectors, including MSMEs.

*Revised Outward Direct Investment Policy (ODI):* The budget announced reviewal of the existing guidelines and processes to introduce a more coherent and integrated Outward Direct Investment Policy. The government is also working on a list of hybrid instruments which the Indian Companies, especially start-ups and venture capital firms, will be able to use for raising Foreign Direct Investment.

*Industry feedback :* To deepen the impact of business reforms introduced as part of the Business Reforms Action Plan (BRAP) by the Department of Industrial Policy and Promotion (DIPP), the government has introduced an exercise of incorporating industry feedback in evaluating rankings of states / UTs in implementation of reforms. Earlier, the assessment was based only on the feedback collected from the state governments and UTs, which could not capture the effectiveness of reforms at the ground level for the industry.

Apart from these measures to facilitate EoDB for the corporate sector, the Finance Minister has gone a step further to improve ease of doing business operations in areas beyond the corporate sector. For instance, in the agriculture sector, the government has announced several EoDB initiatives which includes upgradation of rural haats to Gramin Agricultural Markets (GrAMs) and its linking with e-NAM to facilitate direct transactions between farmers and consumers / bulk purchasers, setting up Long Term Irrigation Fund (LTIF), introduction of Fisheries

and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF), among others. Similarly, in the infrastructure sector, the government has proposed to widen the network of National Highways and Railways and extend the broadband access to rural citizens.

## Conclusion

The Union Budget 2018-19, while carrying forward the momentum of EoDB reforms, has proposed several initiatives which would have direct bearing on the investment climate and would aid employment generation in the country. The EoDB related initiatives in the Budget will help in reducing time and money cost for corporate sector. The Finance Minister has gone beyond the corporate sector to announce measures for improving the ease of doing business at larger level. MSMEs, agriculture, rural economy, infrastructure and technology have been the focus areas among the EoDB initiatives.

While these measures will greatly help in improving the investment climate in the country, policy directions in areas such as labour laws, land acquisition, and expansion in Third Party approvals would have further helped in improving the business environment. States could have also been encouraged to undertake e-governance initiatives, including the integration with the Shram Suvidha Portal of the Centre, implementation of GIS, digitization and amalgamation of land records at various levels and bringing municipal corporations online, among others. There was also an opportunity to provide policy directions to states / UTs, which have been running abysmally low on DIPP’s EoDB ranking owing primarily to lack of resources and / or interest to carry out business reforms. However, as it is said that the better things are yet to come, EoDB reforms such as these will hopefully be carried at the earliest even beyond the Budget 2018-19. □

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# Transparent Tax Administration

**Ramesh Kr Yadav**  
**Rohit Deo Jha**



*The budget 2018 has taken forward the agenda of eradication of black economy and ushering in a transparent and accountable tax administration by another notch. The efforts made by the government with regard to creation of a transparent and fair system have yielded a discernible change in the ranking of India in 'Ease of Doing Business' index published by the World Bank. India jumped 30 places to breach the top 100 league. While positive change has been recorded across all 10 sub-indices, it is important to note the maximum change achieved in 'Paying Taxes' category, where India jumped from 172 to 119*

**T**he crusade against black money and corruption continues to be amongst the top priorities of the Government. The journey which started with the setting-up of Special Investigation Team (SIT) on black money under the chairmanship of Justice M B Shah continues unabated.

Black money not only creates a fiscal dent in the coffers of the exchequer but it also corrupts the moral fabric of the society. Black money breeds corruption which is no less than a cancer to the society. Together they erode citizen's faith in democracy, diminishes the instinct for creativity and innovation, thereby wasting the talent of the entire nation.

The budget 2018 has taken forward the agenda of eradication of black economy and ushering in a transparent and accountable tax administration by another notch. The efforts made by the government with regard to creation of a transparent and fair system have yielded a discernible change in the ranking of India in 'Ease of Doing Business' index published by the World Bank. India jumped 30 places to breach the top 100 league. While positive change has been recorded across all 10 sub-indices, it is important to note the maximum change achieved in 'Paying Taxes' category, where India jumped from 172 to 119.

## Green Shoots:

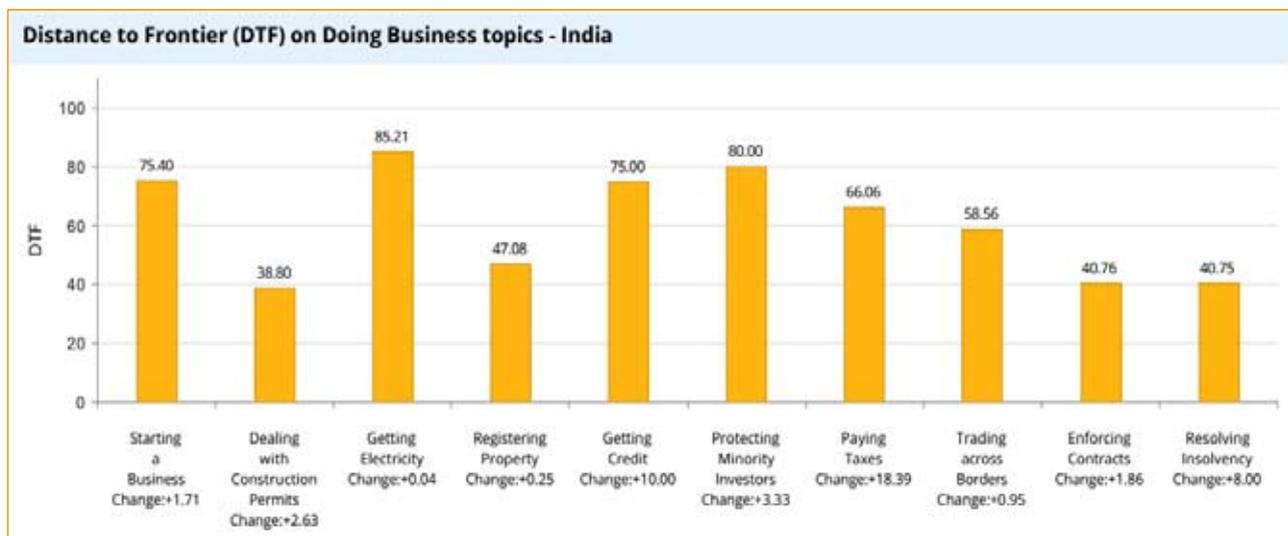
The green shoots of historical decisions like demonetization, implementation of GST etc have begun sprouting. The Economic Survey 2017-18 notes that there has been a 50 percent increase in unique indirect taxpayers under the GST compared with the pre-GST system and on the direct tax front there has been an addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016.

Demonetization helped in adding 85.51 lakhs new taxpayers as against 66.26 lakhs in the immediately preceding year. Today, effective tax payer base has increased to 8.27 crores. The actions undertaken by the ITD has led to impressive increase in the average tax buoyancy in the personal income tax. The buoyancy in personal income tax of seven years preceding these two years averages to 1.1. However, the buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is 1.95 and 2.11 respectively.

Under Operation Clean Money (OCM), launched by the Central Board of Direct Taxes after demonetization, high risk persons were identified using advanced data analytics, including integration of data sources, relationship clustering and fund tracking for detailed investigations. The Operation stands on

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Rohit Deo Jha, IRS'13, presently working as Asstt. Director of Income Tax (Inv.), Delhi.

The distance to frontier (DTF) measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies



(Source: Doing Business 2018- The World Bank)

the three pillars of ‘honest taxpayers’, ‘citizen contribution’ and ‘continuous feedback on positive outcomes’. It, inter alia, enabled the ITD to e-verify the target deposits of cash with a low compliance burden on the tax payers.

A Finance Ministry Communiqué highlighted the quantum jump in enforcement actions based on demonetisation data i.e. 158 per cent increase in number of searches (from 447 to 1152 groups), 106 per cent increase in seizures (from Rs. 712 crore to Rs. 1469 crore), 183 per cent increase in surveys (from 4422 to 12520) and 44 per cent increase in undisclosed income detected during survey action (from Rs. 9654 crore to Rs. 13920 crore).

### Action under Benami Transactions (Prohibition) Amended Act, 2016

The Prohibition of Benami Properties Transactions Act, 1988 as amended by the Benami Transactions (Prohibition) Amendment Act, 2016 provides for provisional attachment and subsequent confiscation of benami properties besides rigorous imprisonment up to 7 years. The amended Act has widened the definition of what constituted a benami transaction. The ITD has set-up 24 dedicated Benami Prohibition Units (BPUs) all over the country. Due to intensive efforts undertaken by the

department, properties worth more than Rs. 3,500 crore have been provisionally attached in more than 900 cases.

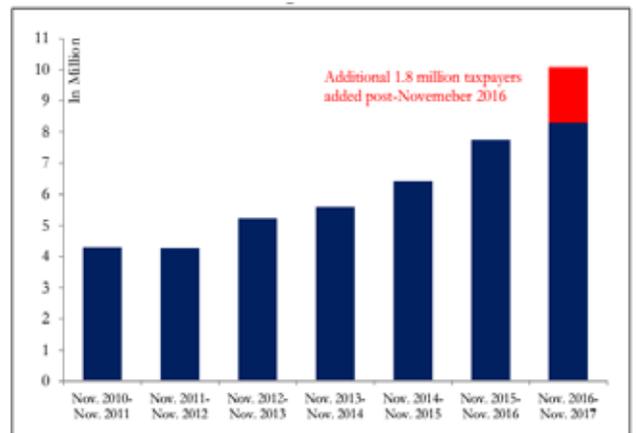
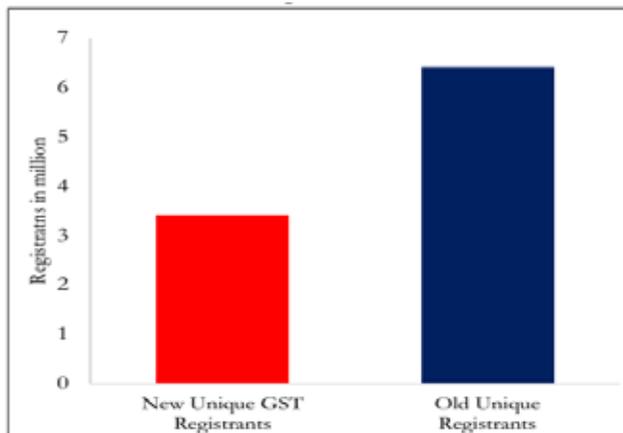
### Black Money in Foreign Bank Accounts:

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, with stringent penal provisions including rigorous imprisonment of 3-10 years, has been enacted to effectively deal with black money stashed away abroad. Tax evasion has been made a predicate offence under Prevention of Money Laundering Act, 2002 (PMLA). Government has constituted a Multi-Agency Group (MAG) under the chairmanship of Chairman, CBDT for expeditious and coordinated investigation of Panama and Paradise paper leak cases. During last about three years, thousands of crores of rupees kept illegally in offshore banks by Indians, has been brought under tax ambit, despite several constraints. India has tax treaties with 148 countries inter alia for Exchange of Information on tax matters besides Mutual Legal Assistance Treaties in criminal matters with 39 countries. The net-work of such treaties is continuously being widened and strengthened.

### Action against Shell Companies:

Prevention of misuse of non-individual legal entities especially companies has been a major concern of the Income Tax Department. Shell companies have mushroomed over a period of time by abusing the simplified corporate procedures. Hundreds of companies are registered at a single address. Typically, they have low capital, single or no employee and directors who are individuals of no means. Further, one individual is director in more than dozens of companies. Over the years such shell companies have established a system of producing fake bills, providing bogus share capital, bogus loan and for that matter they are used for faking any financial transaction. It is extremely hard to detect all shell companies due to their sheer number and when detected, it has been an arduous task to establish their nefarious and illegal activities under the existing evidentiary standards.

The Prime Minister’s Office has constituted a Special Task Force (STF) under the Joint Chairmanship of Revenue Secretary and Secretary, Corporate Affairs, to oversee the drive against such companies with the help of various enforcement agencies. Co-ordinated action against these



(Source: Economic Survey 2017-18)

companies is being undertaken by different law enforcing agencies.

A slew of measures has been taken to crack down on domestic and foreign shell companies. These include, *inter alia*, enactment of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, amendment of the Benami Transactions (Prohibition) Act, 1988, amendment of the Income-tax Act, 1961 to introduce the concept of ‘Place of Effective Management’ (POEM) and amending Companies Act to incorporate the definition of ‘beneficial ownership’. Further, to increase regulatory oversight, e-KYC of initial subscribers to a company is captured through “SPICE” (Simplified Proforma for Incorporating Company electronically). SPICE platform is used for allotment of PAN to the companies. Aadhaar seeding has been made compulsory for all the Directors of the Companies.

Ministry of Corporate Affairs (MCA) have undertaken a massive drive against shell companies. In 2017 around 2.24 lakh companies have been struck-off. Further, action against another 1.20 lakhs companies has been initiated. Restrictions have been imposed on operation of their bank accounts and transfer of moveable and immovable properties. Around 3.09 lakh directors on the board of these companies have been affected by this action. Inquiries have revealed that

around 3,000 individuals are directors in more than 20 companies each, which is beyond the limit prescribed under the law. While actions against such persons are being taken, the professionals found guilty of fraud etc are also being brought to book.

National Financial Reporting Authority (NFRA) is being set-up to examine financial statements of the companies, prescribe ‘Accounting Standards’ and take disciplinary action against errant professionals. An MoU has been signed between CBDT and MCA for regular and automatic data exchange. It will further ensure seamless PAN-CIN (Corporate Identity Number) and PAN-DIN (Director Identity Number) linkage for regulatory purposes.

Further, Government has introduced a Bill to amend the PMLA, 2002 through Finance Act, 2018 to include corporate frauds under Section 447 of Companies Act as scheduled offence under PMLA so that Registrar of Companies, in suitable cases, would be able to report such cases for action by Enforcement Directorate under the PMLA.

### Project Insight

Government has embarked upon a massive technology induction program to prevent revenue frauds and augment revenues through data mining and business analytics for a non-intrusive information-driven tax regime. The

project INSIGHT of CBDT is one of the biggest data mining and business analytics projects in the country and is likely to go-live fully in 2018-19. The project aims to identify non-filers, prevent refund frauds, eliminate revenue loss due to false claims of deductions and promote voluntary compliance. INSIGHT has already identified more than 60 lakhs non-filers, leading to collection of more than Rs. 26,425 crores in taxes.

### Budget 2018-19

This year's proposals related to the direct taxes will have transformative effect on the Government's agenda of clean economy. Budget proposals include, *inter alia*, rationalization of ‘Long-term Capital Gain’ (LTCG), checking the abuse of trust structure and mandatory filing of ITR by companies.

### Tax Compliance

Special emphasis has been laid on tax compliance in the budget. The Finance Bill amends the provisions related to prosecution proceedings against a company for non-filing of the return. Existing provisions required tax payable of minimum Rs 3000 for prosecuting a person for such an offence. Now, irrespective of the fact that whether any tax is payable or not by a company, it will have to mandatorily file the return or face prosecution. This provision will promote compliance by the companies. It would be an effective

deterrence against mushrooming of shell companies.

### **Rationalization of LTCG**

In the history of Income tax department, the tax exemption from LTCG has been one of the most abused provision. Thousands of crores of rupees have been claimed as bogus LTCG through investment in illiquid penny stocks in order to evade income tax on black money. Individuals have routed their unaccounted money in the garb of non-genuine LTCG in collusion with certain operators, who have managed transactions of sale and purchase of such penny stocks in the Stock Exchange.

Further, the Finance Minister in his budget speech noted that the tax exemption from LTCG has created a regime which is inherently biased against manufacturing and has encouraged diversion of investment to financial assets. He stated that the total amount of exempted capital gains from listed shares and units is around Rs. 3,67,000 crores as per returns filed for F.Y.16-17. Major part of this gain has accrued to corporates and LLPs. This has also led to significant erosion in the tax base resulting in revenue loss. The problem has been further compounded by abusive use of tax arbitrage opportunities created by these exemptions

Over last few years, Income Tax Department has been at loggerheads with individuals who had benefited from these sham transactions. Former Minister of State for Finance Sh Santosh Gangwar said in the Parliament that the IT department has referred more than 140 unique scrips which were “apparently found having been manipulated” to SEBI. He further added that based on information received from the IT department and also through its own surveillance systems, SEBI had passed orders under section 11(B) of the SEBI Act, 1992, in case of 13 such companies and debarred 1,336 entities.

These shares were generally allotted through private placements. In order

to curb this menace of non-genuine LTCG, through the budget 2017-18 the government restricted the exemption from LTCG to those cases only where Security Transaction Tax (STT) had been paid at the time of acquisition, subject to certain exemptions. In order to rationalize the taxation regime on LTCG, the Finance Minister, in this year’s budget, has proposed to tax LTCG exceeding Rs. 1 lakh at the rate of 10 per cent without allowing the benefit of any indexation. However, all gains upto 31<sup>st</sup> January, 2018 will be grandfathered.

### **Faceless E-assessment:**

Any sustainable transformation of governance structure towards a transparent and accountable architecture is not possible without properly regulating the scope of discretion. Besides being effective and efficient, the tool of e-governance comes very handy in creating a transparent and accountable system. ITD has been the pioneer in the field of use of e-governance tools for delivery of services. Schemes like e-TDS, e-filing of Income Tax Returns, Refund Banker, e-Payment of Taxes, Centralized Processing Centre and e-Assessment have not only reduced the cost of compliance for the assessee but have also helped department in ushering in an assessee-friendly, transparent and fair tax administration.

The Finance Minister while addressing the meeting of the Consultative Committee attached to the Ministry of Finance has stated that 97 per cent of the ITRs were filed electronically last year, out of which 92 per cent returns were processed within 60 days and 90 per cent refunds were also issued within 60 days. This shows the success of e-tools deployed by the IT department.

The government had introduced e-assessment in 2016 on a pilot basis and extended it to 102 cities in 2017 with the aim to, inter alia, cut down the interface between the I-T department and the taxpayers. In this budget the Finance Minister has proposed to

roll out the E-assessment across the country. Going further on the agenda of minimizing the interaction between tax payers and tax administration, the Finance Minister has proposed to amend the Income-tax Act, 1961 to notify a new scheme for assessment where the assessment will be done in electronic mode which will almost eliminate person to person contact thereby leading to greater efficiency and transparency.

The fine print of the proposed faceless assessment procedure has not been unveiled yet. However, the Finance Bill gives glimpses of this pathbreaking initiative. Technology will be the major enabler for this project which is aimed at eliminating/minimising the interface between the Assessing Officer and the assessee in the course of proceedings and optimising the utilisation of the resources through economies of scale and functional specialisation. Many foreign tax administrations like United Kingdom have largely a faceless interface with the taxpayer. Scrutiny enquiries are conducted by different teams at remote locations without interacting with the assessee. Faceless taxpayer interface will not only increase taxpayers’ confidence in the tax administration but it would also eliminate their grievances against scrutiny process.

### **Curbing the Misuse of Trust Structure**

The Comptroller and Auditor General (CAG) of India conducted the performance audit of assessment of private health care sector in 2012-13 to 2015-16 during the period July 2016 to November 2016 and highlighted the alleged misuse of tax exemptions by trusts. Under the existing taxation regime, the income of trusts and other charitable institutions is exempt if the income earned by these organisations are used towards their stated objective.

Last year, the budget brought down the threshold on cash donation

that can be received by charitable organisations to Rs 2,000/- from Rs 10,000/-. However, there is no restriction on trusts and similar entities with regard to cash expenditure. This provision is misused to siphon off money in the form of the cash expenditure from trusts. It is difficult to establish audit trail of cash expenditure. In order to control the cash economy and check the misuse of funds by trusts, this year budget has proposed that payments exceeding Rs 10,000/- in cash shall be disallowed and the same shall be subject to tax. Further, in order to improve the TDS compliance by these entities, the budget has proposed that in case of non-deduction of TDS, 30 per cent of the amount shall be disallowed and the same shall be taxed.

Many of the NGOs don't have PAN. Further their office bearers also don't have PAN. Thus, the audit of

their income and expenditure remain outside the purview of the ITD. In order to bring these entities under the tax net, it has been proposed in the budget that every entity, not being an individual, which enters into any financial transaction of an amount aggregating to Rs.2.50 Lakh or more in a financial year, shall be required to apply for a PAN. It is also proposed that directors, partners, principal officers, office bearer or any person competent to act on behalf of such entities shall also apply for a PAN.

#### Miles to Go

On the call of the Prime Minister, in the month of November last year, a six-member task force under the convensorship of a CBDT member and with Chief Economic Advisor as permanent invitee has been constituted to review the Income-Tax Act 1961,

and to draft a new Direct Tax Law in consonance with economic needs of the country, the direct tax system prevalent in various countries, and the international best practices. The multi expertise committee is mandated to submit their report within 6 months.

The blitz against the black money needs to transform itself into a sustained battle to be continued over the years through whole of the Government approach aimed at creating an ecosystem for 'swachh dhan' enabling all of us to celebrate "imandari ka utsav". Increasing use of information technology and allocating higher resources (than today) on human resources development are the keys to a sustainable success of the tax department in the crusade against black money. □

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## Economic Survey: Sector-Wise Performance

The Services sector, with a share of 55.2 per cent in India's Gross Value Added (GVA), continued to be the key driver of India's economic growth contributing almost 72.5 per cent of GVA growth in 2017-18, as stated in the Economic Survey 2017-18. While the growth of Service Sector as a whole is expected to be at 8.3 per cent in 2017-18, the growth in Services exports was 16.2 per cent in H1 of 2017-18. Major Services' Sector-wise performance and some recent Government policies to boost the growth of the sector are as follows:

**Tourism** India's Tourism sector has been performing well with Foreign Tourist Arrivals (FTAs) growing by 9.7 per cent to 8.8 million and Foreign Exchange Earnings (FEEs) at 8.8 per cent to US\$ 22.9 billion in 2016. FTAs during 2017 were 10.2 million, with a growth of 15.6 per cent, while FEEs from tourism were US\$ 27.7 billion, with a growth of 20.8 per cent over 2016.

Domestic tourist visits grew by 12.7 per cent to 1,614 million in 2016 from 1,432 million in 2015. Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh and Karnataka were the Top 5 Destination States in 2016.

**IT-BPM** India's Information Technology – Business Process Management (IT-BPM) industry grew by 8.1 per cent in 2016-17 to US\$ 139.9 billion (excluding e-commerce and hardware) from US\$129.4 billion in 2015-16, as per NASSCOM data. IT-BPM exports grew by 7.6 per cent to US\$ 116.1 billion from US\$ 107.8 billion during the same period. E-commerce market is estimated at US\$ 33 billion, with a 19.1 per cent growth in 2016-17.

**Real Estate** The Indian Real Estate sector has begun to show signs of improvement with the total FDI of US\$ 257 million in H1 2017, which is more than double the total FDI in 2016 full year.

Some of the recent reforms and policies taken by the Government of India related to Real Estate

**R&D** The professional Scientific and Technical activities which include R&D services grew by 17.5 per cent and 41.1 per cent in 2014-15 and 2015-16 respectively. India-based R&D services companies, which account for almost 22 per cent of the global market, grew at 12.7 per cent.

However, India's gross expenditure on R&D has been at around 1 per cent of GDP. India ranks 60<sup>th</sup> out of 127 on the Global Innovation Index (GII) 2017, improving from 66<sup>th</sup> rank in 2016.

**Space** In the case of Satellite Launching, as on March 2017, PSLV successfully launched 254 satellites.

Foreign exchange earnings of India from export of satellite launch services increased noticeably in 2015-16 and 2016-17 to Rs 394 crore and Rs 275 crore from Rs. 149 crore in 2014-15.

India's share in global satellite launch services revenue has also increased to 1.1 per cent in 2015- 16 from 0.3 per cent in 2014-15. Antrix foresees greater utilization of PSLV, GSLV and GSLVMk- III launch services by the international community for launching their Low Earth Orbit (LEO) satellites.

## Schemes for Girl Child are All Steps in Right Direction- Economic Survey

The Pink-color Economic Survey 2017-18 tabled in Parliament on January 29, 2018 by the Union Minister for Finance lays special emphasis on Gender and Son meta-preference, while providing an assessment of India's performance on gender outcomes relative to other economies.

The Survey takes into account that Gender equality is an inherently multi-dimensional issue. Accordingly, assessments have been made based on three specific dimensions of gender, ie Agency (relates to women's ability to make decisions on reproduction, spending on themselves, spending on their households and their own mobility and health), Attitudes (relate to attitudes about violence against women/wives, and the ideal number of daughters preferred relative to the ideal number of sons) and Outcomes (relate to 'son preference' measured by sex ratio of last child, female employment, choice of contraception, education level, age at marriage, age at first birth and physical or sexual violence experienced by women) which aim to reflect the status, role and empowerment of women in the society.

The Economic Survey 2017-18 notes the challenge of gender is long-standing, probably going back millennia, so all stakeholders are collectively responsible for its resolution.

The Survey thus recommends that India must confront the societal preference, even met a preference for a son, which appears inoculated to development. The skewed sex ratio in favour of males led to the identification of "missing" women. But there may be a meta-preference manifesting itself in fertility stopping rules contingent on the sex of the last child, which notionally creates "unwanted" girls, estimated at about 21 million, adds the Survey. Consigning these odious categories to history soon should be society's objective, opines the Survey. The survey acknowledges that government's Beti Bachao, Beti Padhao and Sukanya Samridhi Yojana schemes and mandatory maternity leave rules are all steps in the right direction.

The Survey states that just as India has committed to moving up the ranks in Ease of Doing Business indicators, a similar commitment should be endeavored on the gender front.