Creation of Livelihoods: Core of Policy Making

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In 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 1st 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 Minster 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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