

Government has gone all out to woo street vendors, rickshaw pullers, construction workers, ragpickers and agricultural workers with what is being touted as the world's biggest pension scheme

Pension Scheme for Bharat

TEN ISSUES FACING THE ECONOMY

10/10

Lack Of Funds

India ranks low on human development

	India	Norway
Rank	130	1
HDI value	0.674	0.953
Life expectancy	68.8	82.3
Expected yrs of schooling	12.3	17.9
Mean yrs of schooling	6.4	12.6
Per capita gross national income, PPP \$	6,353	68,012

Poverty still very high but forecast to decline sharply

World Bank Forecast, Poor (In Million)

2012	255.97
2015	175.7
2018	96.69
2021	45.66
2024	20.28
2027	8.92
2030	3.57

High spending on healthcare big reason for people slipping into poverty

	(In %)
India	65
China	32.4
Brazil	29.3
US	11.1
World Average	18.1

Source: World Bank, for 2015

Lack of funds and fiscal constraints have not allowed higher allocation

Central and state spending on social sector (As % of GDP)

	Total	Healthcare
FY13	1.3	6.6
FY14	1.2	6.6
FY15	1.2	6.2
FY16	1.1	5.8
FY17	1.5	6.5
FY18 (BE)	1.4	6.6

Women opting out of workforce

Labour force participation rate for women (In %)

FY12	25.4
FY13	22.6

FY14	25.8
FY16	23.7

Bigger participation in labour force needed to realise demographic dividend...

Labour force participation rate for all workers (In %)

FY12	52.9
FY13	50.9

FY14	52.5
FY16	50.3

IN FOCUS

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With an eye on general elections, the government is out to woo street vendors, rickshaw pullers, construction workers, ragpickers and agricultural workers with what is being touted as one of the world's biggest pension schemes.

Interim finance minister Piyush Goyal on Friday announced Pradhan Mantri Shram-Yogi Maandhan that offers a pension of ₹3,000 per month after the age of 60 years to unorganised sector workers with monthly income of up to ₹15,000.

Under the scheme, an unorganised sector worker joining pension yojana at the age of 29 years will have to contribute ₹100 per month till the age of 60 years while a worker joining at 18 years will have to contribute just ₹55 per month. This would be matched by an equal contribution by the government to the pension account. The government has earmarked ₹500 crore for the scheme. ET had reported about the pension scheme on Thursday.

"Half of India's GDP comes from the sweat and toil of 42 crore workers in the unorganised sector," Goyal said in his interim budget speech. "We must provide them comprehensive social security coverage for their old age."

He said at least 10 crore labourers and workers in the unorganised sector are expected to avail the benefit of the scheme within the next five years, "making it one of the largest pension schemes of the world".

The move has been welcomed by some trade unions and experts.

"It would further provide social security to a larger number of marginal wage earners in the country," said Ashok Varma, leader — social sector at PwC India. "Being contributory and designed in line with NPS (National Pension Scheme), this also makes economic sense."

Saji Narayanan, president of RSS-affiliated Bharatiya Mazdoor Sangh (BMS), said, "After a long time, the interim finance minister has acknowledged the contribution of workers to GDP... It is a welcome move."

However, Centre of India Trade Unions alleged that the interim budget is nothing but a "desperate bid" by the government to attract votes when defeat in the ensuing elections is staring at its face. "The budget has nothing to improve the sagging economy through public investment, employment generation and improving the purchasing power of the people," it said in a statement.

Some industry experts said the budget should have explicitly talked about jobs. "Where the budget scores low though is in addressing job creation, key to sustained growth of the economy," said Gayathri Vasudevan, cofounder of LabourNet Services India, a social enterprise focused on education, employment and entrepreneurship. "What we really need is a systemic solution and structural reforms to job creation," she said.

India's total workforce is close to 500 million, out of which over 90% are unorganised workers who are often deprived of not just minimum wages but also any kind of social security, be it pension or health insurance. Those earning above ₹15,000 are covered under the Employees' Provident Fund Organisation or the Employees' State Insurance Corporation and hence will be out of the ambit of the new pension scheme in the first phase.

The labour ministry had earlier drafted a policy for universal social security for all.

KEY TAKEAWAYS

Steady MGNREGA

The government's biggest social welfare scheme that got dethroned by the income support to farmer will get ₹60,000 crore in FY20. This allocation for MGNREGA is in line with ₹61,000 crore revised estimate for FY19.

Subsidies Stable

The total subsidies, a measure of welfare, are seen stable at 1.6% of GDP in FY20, almost unchanged from the levels in the previous year. The food subsidies account for more than half of the total subsidies. The four big subsidies of food, fertilisers, petroleum and interest account for over 96% of the total subsidies.

Road to Village

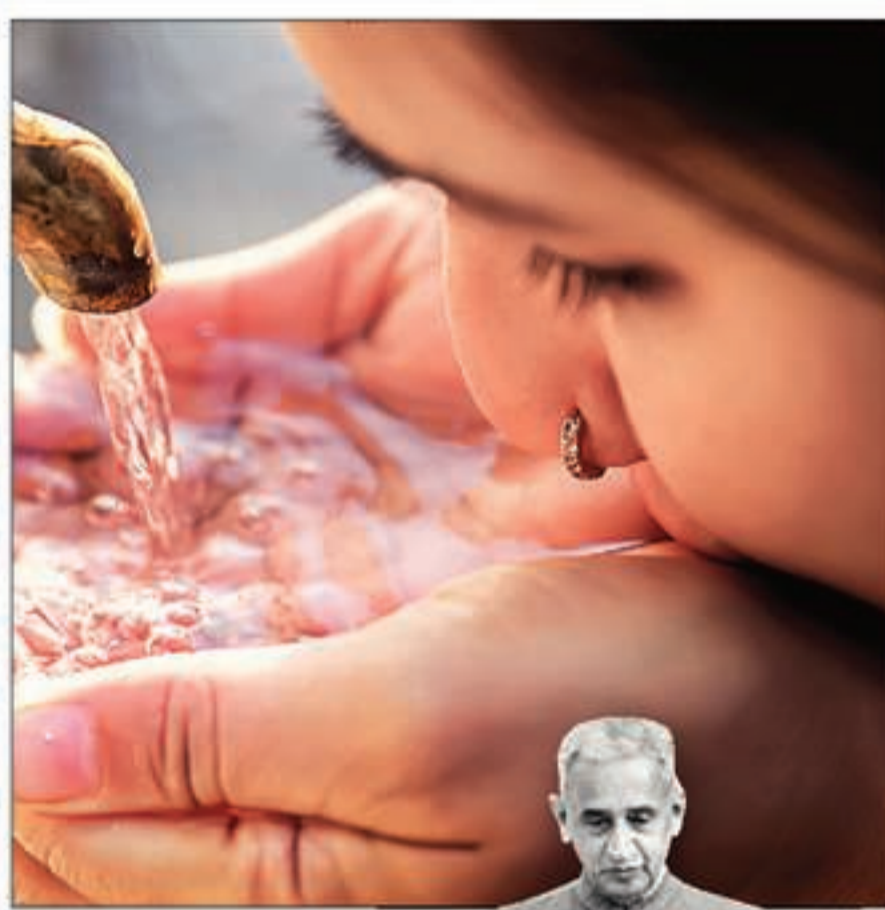
Income schemes for farmers has meant allocation to rural scheme has remained almost unchanged at ₹1.39 lakh crore in FY20 against ₹1.35 lakh cr in FY19. The Pradhan Mantri Gram Sadak Yojana has, however, got bump up by 22.5% to ₹19,000 crore from ₹15,500 crore.

Debt Decline

The Central Government Debt was pegged at 48.9% of GDP in FY19. The government expects it to decline to 47.3% of GDP in 2019-20. It is projected to fall sharply going ahead to 43.4% of GDP by FY22 at fiscal deficit levels of 3% of GDP.

₹9,53,733 Cr

Total capital spending of the central government, which includes ₹3.4 lakh crore in budgetary support while the balance comes from public enterprises and railways



'Fake Promises for Hanging on to Power'



AKHILESH YADAV
Former Chief Minister, Uttar Pradesh

Today, India needed a budget that grew jobs, helped farmers, and empowered and uplifted the poor and marginalised. What we got was one that hid facts, faked statistics, used poor maths, and made bad promises that make for good press. It is clear that the interim budget is targeted at winning over particular groups of voters in the run up to the elections.

It is important to stress that economic stability is fundamentally impossible without social stability, which has taken a beating in the past five years. Lynchings, vigilantism and planned targeting of people based on their caste or religious identity have led to widespread insecurity, even as short-sighted politicians try to manipulate people and take advantage of their dreams by speaking about the past rather than building for the future.

In the meanwhile, unemployment is at a 45-year high, farmer suicides are so widespread that the government is frightened of releasing the statistical data, and defence spending continues to be designed to enrich the famous few. In fact, the paltry increase in defence spending, which is being shown as the highest budget-allocation, is hogwash — there will be barely cover inflation, let alone address expansion, or adequately provide for internal security.

There is no support for local industry and, while making a big song and dance about FDI, the government has conveniently left out the fact that FDI growth has declined so rapidly in the last few years that the growth in FDI might be negative this year.

Little attention has been paid to our export sector, which has registered a decline, and 'Make in India' has proved that it is nothing more than a catchy phrase.

An entire generation who should be poised to become the job creators of the future are still job seekers. Any growth that has happened has only happened despite the government. This jobless growth is because of the strong will and tenacity of the private sector, the small traders and entrepreneurs.

In any case, the budget has no provisions for the landless, the tenant farmer and the migrant labourer. Smallholders are the glue that hold rural communities together and they know that this is just a sop. They know that their neighbours — who could be tenant farmers or those who have lost land because of crippling debt — get nothing. They know that by not investing in farm infrastructure, especially making water easily available, the likelihood of them losing their farms to debt only gets higher. They know that the BJP only has one agenda and that is to hang on to power through any means available to them. The voodoo economics of the BJP is a fraud on the Indian people.

BRIEF CASE



Jobs Question

Without going into numbers, the interim budget tried to address all concern about jobs. High growth rise in domestic air passenger traffic, indigenous development of semi-high speed railways, digital economy, and solar sector were all seen generating jobs. The IBC, while helping in recovery of NPAs, was preserving underlying businesses and jobs.



Ashok Hinduja
Chairman, Hinduja Group (India)

"It is a people's budget with the long-term vision for making India an engine of growth for world economy. The proposals would fulfill the expectations of common people, salaried class and farmers to a large extent. The distressed farmers will stand to benefit by several measures announced."



Venu Srinivasan
Chairman, TVS Motor

"Tax exemption up to ₹5 Lakh per annum income for individual taxpayers is a historical step, which will provide more disposable income at hand for the working class. The decision will have an impact and there we expect more buyers of two-wheeler vehicles and in turn help the industry's growth."



Ram Vilas Paswan,
leader, Lok Janshakti Party

"This is 'surgical strike 2' from Prime Minister Modi. We will win over 400 seats and the NDA government will be formed again. Narendra Modi will again become the Prime Minister of India. This budget has brought a huge relief for farmers of the country."

Ayushman Bharat Gets ₹6,400 Crore

HEALTH MISSION Allocation may fall ₹1,000 cr short of demand for health scheme

Prabha Raghavan & Divya Rajagopal

The government has allocated ₹6,400 crore for the Pradhan Mantri Jan Arogya Yojana (PMJAY) for 2019-20. Known popularly as Ayushman Bharat, the health scheme received a ₹4,000-crore boost from the last fiscal. An additional ₹156 crore is expected to come from the budgetary allocation for the Rashtriya Swasthya Bima Yojana (RSBY) as PMJAY is expected to replace it, a senior government official told ET on condition of anonymity.

At the same time, the allocation seems

to fall around ₹1,000 crore short of the Centre's demand for the ambitious health protection scheme, said persons directly aware of the development.

PMJAY promises an annual health cover of ₹5 lakh each to over 100 million families in India. This is expected to benefit 500 million of the country's poorest individuals.

"Already close to 10 lakh (1 million) patients have benefited for medical treatment, which would have cost

them ₹3,000 crore, through free treatment made available under the scheme," interim finance minister Piyush Goyal said on Friday.

Senior officials told ET the Centre was expecting around ₹7,400 crore to implement the scheme in the next financial year. Given the earlier government estimates of the premium required to cover each household, the current allocation is not sufficient to serve even 50 million beneficiary families, according to Indranil Mukhopadhyay, associate professor at Jindal Global University's School of Government and Public Policy.



INTERIM BUDGET '52-53

CD Deshmukh

Independent India's first budget, presented by RK Shanmukham Chetty, is sometimes referred to as an interim budget by some commentators. The (1947-48) budget for undivided India was passed in March '47 but it ceased to be operative after August 15. Although the new government could have done without it, a budget for the remaining months was presented. After India's first polls in Dec '51-Feb '52, CD Deshmukh presented an interim budget for 1952-53. He noted that while foodgrain deficit was alarming, the price situation was under control.

A Populist Budget, But No Incentives for Startups Disappointing



KIRAN MAZUMDAR SHAW, CMD, Biocon

As expected, the government has preferred to be populist in its budget announcements, choosing to focus on farmers, informal sector workers and the middle class.

BOOST TO FARM ECONOMY
Given the widespread farm distress, it was expected that the budget will have something substantial to offer to the agricultural sector.

While the measures announced — such as an assured income scheme, timely credit for cultivation and higher allocation for rural development — are welcome, the budget did not have anything in it to push agri technologies that enable transparent price discovery and help farmers increase crop yields.

PUSH TO DIGITAL ECONOMY
The budget had some positive announcements to help accelerate India's transition to a robust digital economy. Over the next five years, it aims to create 1 lakh Digital Villages. It proposed that the tax department would process all I-T returns within 24 hours and issue refunds simultaneously. Going forward, all verification and assessment of income tax returns selected for scrutiny would be done electronically without any personal interface between taxpayers and tax officers. This is a progres-

sive step as it will ensure privacy and objectivity, and make the department more assessee friendly.

SOCIAL NET FOR INFORMAL SECTOR
The proposal for pension to workers in India's vast informal sector — ₹3,000 per month from the age of 60 — is welcome as it will provide a social security net for near-

ly 10 crore Indians.

TAX BOOST FOR MIDDLE CLASS
The budget sought to woo the middle class by offering a full income tax rebate for up to ₹5 lakh and hiking the standard deduction to ₹50,000 from ₹40,000. Higher disposable income thanks to these measures is expected to boost urban demand, which augurs

well for overall economic revival.

NO NEW INCENTIVES FOR STARTUPS
While the budget did not have any new incentives to strengthen the startup ecosystem, the announcement of a national programme on artificial intelligence is a welcome move. It was disappointing to see that the sector did not receive any relief,

such as a 10-year tax holiday for angel investors. While there were no specific measures to boost employment generation, it announced that the allocation for the national rural employment guarantee scheme would go up to ₹60,000 crore.

HEALTHCARE, SCIENCE & TECH IGNORED
It was disappointing to see the absence of any additional allocation for healthcare or incentives for science and technology. It also failed to announce GST exemption on cancer drugs — an urgent need given the huge disease burden that India faces.

FISCAL DISCIPLINE MAINTAINED
The government did well to balance the populist tone of the budget by signalling its commitment to stick to fiscal discipline. Overall, it was a budget that tried to address various stakeholder groups in the run up to the elections, without unveiling any big idea.

