



INSIGHTSIAS
SIMPLIFYING
IAS EXAM PREPARATION

Insights into Yojana: March 2017

Topic: Union Budget 2017-18

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Union Budget 2017-18: Broader Analysis

Introduction

- Budget is an obligation of the Government of India under **article 112, 113, 114(3) and 110(a)** of the constitution.
- This year there are three major changes: **Rail budget is merged with the union budget**; presentation of **budget is preponed by a month**; and it has **done away with plan / non plan distinction** and its expenditures.
- As mentioned by Finance Minister, the agenda for this year's budget is **"TEC India" (i.e. Transformer, Energize and Clean India)**.

Main Highlights of the Budget:

Traditional Sectors:

- In continuation last year programmes like "Land Title Digitization", Rural Electrification and Rural Optical Fibre Cable Lining, this year land soil health cards, Fasal Bima Yojana, Long Term and Micro Irrigation Fund and eNAM (Electronic National Agriculture Market) are expected to reduce risk in Indian agriculture, if properly implemented.
- The Budget **enhances agriculture credit for 2017-18** to 10 lakh crores from 9 lakh crores in 2016-17. Additional support of Rs 20,000 crore is provided for long-term and micro irrigation fund.
- Government also proposed **model law on contract farming** especially for dairy fruits and vegetables.

Infrastructure:

- **Poor Infrastructure** has been a major issue for private investment as well as foreign investment in India.
- To address these infrastructure bottlenecks, budget has given **adequate focus on roads, electricity and digital infrastructure**.
- Government aims to achieve **100% village electrification by 1st may 2018**. And allocation of Rs 4,814 crores is given under the **Deendayal Upadhyaya Gram Jyoti Yojana**.
- For overall transport sector, the budget provides Rs 2.41 lakh crore, suggesting that major focus appears to be **reviving growth through expansion in transport sector**. As this sector has large **employment intensity** as well as strong forward linkage with others sectors, increase in expenditures should help achieve inclusive growth.

Budget and Macro Economics:

- One of the major policy decisions in the budget is about the fiscal / revenue deficit targets. To revive investments the budget has marginally deviated from its fiscal deficit target and pegged at 3.2% (against the target of 3%).
- On the direct taxes side, as Economic Survey pointed out, **only 7 out of 100 people are tax payers**. To widen the tax base, the budget has **reduced the tax rate to 5% in the lower slab**. While this measure might **bring in more people to the tax net**, it is also creating instability in the effective tax rates.

Banking Crisis and NPA issues:

- One of the main reasons for lack of private investments in India despite reduction in the policy interest rates is the **Twin balance sheet crisis** and especially in banking sector.
- The budget compared to last year allocation of rupees 25000 crore through recapitalization has allocated just rupees 10000 crore.
- There were many other measures taken since last year such as **Bankruptcy Code, Debt Recovery Tribunals, and amendments to SARFAESI Act, Bank Board Bureau, and the Indradhanush scheme**, which should help banks in the long term.

Demonetisation and Budget:

- The Economic Survey estimates that the adverse impact of demonetization on GDP is in the range of 0.25 to 1%. On the other hand despite slowdown in GDP growth, **tax revenues appear to have increased substantially after demonetisation due to better capturing of transactions** that were not accounted earlier.
- The budget proposed to tax any cash transaction greater than Rs 3 lakhs. Through this in the long run, economy could move to higher usage of non cash payment systems, improve tax compliance, which may result in fall of Black Money generation.

Budget and Digital Economy:

- **Cyber Security:** To safeguard the integrity and stability of the financial sector from growing number of Cyber attacks, the budget proposed a **Computer Emergency Response Team** for our financial sector (CERT-In).
- **Digital Infrastructure:** For improving digital infrastructure budget renews its focus on programmes such as **BharatNet, DigiGaon, modified special incentive package scheme (M-SIPS)** by increasing allocations.

Conclusion

- Overall in the context of **uncertainty is in both domestic and external economic environment**, the union budget tries to address a number of issues that could help in reviving growth in the country.
- To achieve the much needed structural transformation, there is a **need for policy reforms** on other aspects such as **land and labour**. The budget barely mentions these issues.

Questions

1. Analyse the Budget provisions to achieve the agenda of this year's budget that is "TEC India" (i.e. Transformer, Energize and Clean India).
2. Critically comment on the steps taken to solve the problem of NPAs in the banking sector.
3. What steps has been taken in the budget to bring in more people to the tax net. Suggest ways to increase India's tax to GDP ratio.
4. Poor Infrastructure has been a major issue for private investment as well as foreign investment in India. Comment.

Universal Basic Income (UBI)

Introduction

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

UBI has three components:

- **Universality** - It is universal in nature.
- **Unconditional** - There are **no pre conditions attached** with the cash transferred to the beneficiary.
- **Agency** - Respecting the poor people's decision making ability and not having a paternalistic attitude towards them.

Arguments in favour of UBI

- **Social Justice**: No society can be just or stable if it does not give all members of the society at stake.
- **Poverty Reduction**: UBI may be the fastest way of **reducing poverty** provided a well functioning financial system is in place to disburse it.
- **Employment**: UBI is an acknowledgement of society's obligation **to guarantee a minimum living standard**. A person would be able to bargain in the labour market and would no longer be forced to accept any working conditions.
- **Agency**: And unconditional cash transfer **treats poor as agents, not subjects**.
- **Practically useful**: By taking the individual and not the household as the unit of beneficiary, UBI can enhance agency, especially of women within households.
- **Administrative efficiency**: When the trinity of Jan-Dhan, Aadhaar and Mobile (JAM) is fully adopted, the mode of delivery would be administratively more efficient.

Objections to the Universal Basic Income

- **UBI reduces the incentive to work**: This argument is vastly exaggerated. The UBI will be minimal at best. So they are unlikely to affect the incentives to work.
- **Should income be detached from employment?** Any society where any form of inheritance of property is allowed, already detaches income from employment.
- **Concern out of reciprocity**: UBI can be a way of **acknowledging non wage work related contributions to society**. E.g. Work done by women in home making is largely unacknowledged and unpaid.

Problems of existing poverty eradication programmes:

- **Misallocation of resources** across districts.
- **Exclusion** of Genuine beneficiaries.
- **Leakages** in the system.

How can a UBI overcome these issues?

- **UBI reduces out of system leakage** because transfers are directed straight to the beneficiaries' bank accounts.
- Being universal, **exclusion errors under the UBI should be lower** than existing targeted schemes.
- UBI will work as an **insurance against risk** and have psychological benefits for the poor.

Prerequisites for a successful UBI

- **Functional Jan-Dhan, Aadhaar and Mobile (JAM)**
- **Fiscal cost of implementing UBI:** A UBI that reduces poverty to 0.5% would cost between 4-5% of GDP, assuming that those in the top 25% income bracket do not participate, the existing middle-class subsidies and food, petroleum and fertilizer subsidies cost about 3% of GDP.
- **Economic survey concludes** that UBI is a powerful Idea whose time, even if not ripe for implementation, is ripe for serious discussion; and UBI may help in achieving the outcomes that Mahatma Gandhi so deeply cared about and fought for all his life.

Questions

1. Examine the arguments in favour and against introduction of universal basic income.
2. Strong arguments are made in favour of introducing universal basic income (UBI) in India. Analyse these arguments and suggest how UBI can be made feasible and effective in India.
3. Discuss the pros and cons and challenges of implementing universal basic income (UBI) in India
4. Is India ready to successfully implement UBI? What are the Prerequisites for a successful UBI?

Union Budget 2017-18: Fiscally Pragmatic

Introduction

- The **objective of any macroeconomic policy is steady growth**, which can be achieved through implementation of **fiscal policy and monetary policy**.
- The aim of fiscal policy is enhancing employment and ensuring sustainable growth while the monetary policy, through controlling inflation aims to create a conducive environment for the economy to flourish.

Non-Tax Complaint India

- India is largely a non tax complaint country. The total amount of tax collection by the Government is **less than 18 per cent of GDP** in recent years compared to **more than 30 per cent in most of the advanced countries**.
- However, given the economic situation of India, with 30 per cent population below poverty line and nearly 60 per cent population residing in rural areas and dependent on agricultural income (exempted from tax), the constraint on raising financial resources are apparent.
- Given the availability of data on purchases of luxury cars and foreign travels, tax administration needs to be more alert and efficient.
- In countries like Japan, incentives for tax compliance are provided. In contrast, in the USA, detrimental punishment for tax avoidance is severe.
- In many advanced countries where tax: GDP ratio is high, public health, education, transport and civil services are of very high quality.
- Despite numerous attempts by the government to unearth unaccounted money, India continues to be performing dismally on **corruption index**. Therefore, it would be necessary to be persistent in efforts to unearth unaccounted money.

Financial Sector:

- The government has announced **recapitalisation of banks**.
- The commercial banks could be asked to dispose off some of their assets to recover their losses.
- All public sector banks, irrespective of loss or profit making, provide a similar hike in salaries to their employees.
- So, drafting resources from innocent tax payers should be preceded by **tightening measures by the commercial banks** themselves.
- And, continuous infusion of capital in commercial banks can lead to problems of moral hazard.

Fiscal Policy – Should it be Annual?

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

Rail Budget:

- Now with **railway budget subsumed in general budget**, consumers can expect professionalism in working of railways, better quality of services, modern equipment and safety measures, and market determined dynamic and competitive fares.

Rationalisation of Budgetary Terms:

- An important reform is the **abolition of Plan and non-Plan distinction** in the Union budget.
- It is expected that a **direct link between spending and outcome could be established** which will be useful in assessing the efficiency of public expenditure.
- Thus, the **focus of budgeting will now shift to revenue and capital expenditure**, as had been originally envisaged in the Constitution.

Questions

1. What is the role of fiscal policy and monetary policy in achieving steady economic growth in the country?
2. India continues to be performing dismally on corruption index. What steps have to be taken to unearth black money and prevent corruption?
3. Major objective of the advancing of budget date is?
 - 1) No march run
 - 2) No vote on account
 - 3) Better policy planning
 - a) 1 and 2
 - b) 2 and 3
 - c) 1 and 3
 - d) 1, 2 and 3

Solution (d)

4. Which of the following is correct?
 - a. DigiGaon will provide telemedicine, education and skills through digital technology
 - b. BharatNet Project allocation has been increased by INR 10,000 crores.
 - c. All of the above
 - d. None of the above

Solution (c)

Assessing the changes in Structure and Processes

Merging Rail Budget with General Budget

- The decision, based on the **advice of the NITI Aayog**, put an end to the 92- year-old tradition of a separate Rail budget.
- It is argued that the merger of budgets would allow the Railways to **boost economic growth**, while some say it was important to implement the recommendations of the **Rakesh Mohan Committee for restructuring the Railways**.
- The Committee observed that Indian Railways (IR) was “going through a vicious circle of under investment, misallocation of scarce resources, increasing indebtedness, poor customer service and rapidly deteriorating economics”.
- The Committee opined that by **spinning off non-core activities, reform and modernisation of India’s Rail System was needed urgently**.

Ending Plan and Non-Plan Expenditure Classification

- The practice of classifying Expenditure Budget as Plan and Non-Plan was **introduced in the First Five Year Plan in 1951**.
- The bifurcation as Plan and Non-Plan had given rise to a misleading notion that Plan expenditure was developmental and Non-Plan was non-developmental.
- This had **led to an excessive focus on Plan expenditure**, with neglect of maintenance that was classified as Non-Plan; and caused an acute shortage of regular cadre staff across sectors in most states.
- It is hoped that by clubbing Plan and Non-Plan expenditure, **resource allocation would be easier**; this will also help **link outlays to outcomes in a better way**.
- An excessive focus on ‘Capital’ and ‘Revenue’ classification of expenditure could be problematic for important social sectors like education and health.
- The focus should not be lost; the Union Ministries should continue to make interventions for reducing regional disparity by identifying backward regions and channelizing additional public resources towards those.

Advancing of Budget Presentation by a Month

- The effect is that the **process of getting all legislative approval for the same can get completed before the beginning of the new fiscal**, thereby helping various Ministries to ensure that funds in central programmes and schemes start getting released to the States in the first quarter itself.

Consolidated Outcome Budget

- Presenting of a **consolidated Outcome Budget** covering all Ministries and Departments is **for the first time**.
- It is aimed at strengthening the focus on results from public expenditure especially in the development programmes and schemes.

Other Steps to Strengthen Budgeting

- Improving **public expenditure management** and **Strengthening of District Planning Committees** that are constitutionally mandated to prepare development plans will be crucial.
- Accessing disaggregated information about government expenditure in social sector programmes continues to be a challenge at the district level.
- Publishing such information in a timely and accessible manner and making it available in public domain can **strengthen public monitoring of fund utilisation** in development schemes and lead to improved results from public spending.

Questions

1. Analyse the impact and benefits of Merging Rail Budget with General Budget.

2. The practice of classifying Expenditure Budget as Plan and Non-Plan had led to an excessive focus on Plan expenditure. Would clubbing Plan and Non-Plan expenditure benefit the economy? Critically analyse.

3. Which of the following changes regarding the Budgeting process in India has been made in Union Budget 2017?

1) Union budget was traditionally presented in the last week of February and passed by May. However, Union Budget 2017 was tabled on February 1.

2) From Union Budget 2017 onwards, Railways will be part of the general budget.

3) Union Budget will also merge Capital and Revenue budgets.

Choose the correct statement(s):

- a. Only 1
- b. 1 and 2
- c. 2 and 3
- d. 1, 2 and 3

Solution (b)

4. Which of the following statement best describes the Agenda of Union Budget 2017?

- a. Transform, Energise and Clean India.
- b. 'Transform India' to have a significant impact on the economy and the lives of people.
- c. Growth and Sustainable development in India.
- d. None of the above.

Solution (a)

SWOT Analysis of the Indian Economy

Introduction

- The **Economic Survey 2016-17** analyses **problems, challenges, possible solutions** and prospects with arguments supported by extensive research and empirical evidence.
- The Survey focuses on analyzing the basic **strengths, weaknesses, opportunities and threats** – popularly known as the **SWOT analysis of the Indian economy**.

Strengths

- Under the gloomy global economic environment and wide spread slowdown, **Indian economy** still presents a **bright spot with overall impressive performance**.
- **External debt is within safe limits** and India has been receiving one of the **largest inflows of foreign direct investment (FDI)**.
- The large **gap existing between WPI and CPI has been bridged** now and the relative prices in the economy have considerably stabilized.
- In terms of commitment to climate change, **India has outperformed most other countries in imposing tax on petroleum and diesel**.
- **JAM** –Jan-dhan yojana, Adhaar cards and Mobile phones has **reached the target groups and remote areas** directly and effectively.
- Considering all the strengths, the Indian economy has the potential to grow at 8 to 10 per cent in real terms over the medium to long run.

Weaknesses

- A major weakness of the economy is **broad societal ideology**, mindset and opinions about redistribution of income and wealth, capacity building and market regulations, and the role of private sector.
- Delivery of **health and education** does not provide any good replicable model across states. **Efficient delivery of these services remains a major weakness**.
- **Private investment is low** and exports are not growing at high rates.
- The corporate sector and commercial banks are caught with **stressed balance sheets**. Firms are unable to spend on fresh investments and the banks are unable to lend more.
- The **fiscal deficits** in the state government budgets have been rising of late. Implementation of the **UDAY scheme** is one important reason.
- **Non-tax revenues** of the Central government have **not achieved the target** because receipts from the spectrum, disinvestments and dividends have fallen short of the expectation.
- **Investment and savings rates** have been **declining** in the country over recent years.
- **Income and consumption inequalities** across states are increasing in India.

Opportunities

- Efficient implementation of **Insolvency and Bankruptcy Code, 2016** holds the key.
- **Strengthen legal basis for Aadhar** cards and **allow inter-operability** to encourage digitalization payments for efficient functioning of government schemes to achieve inclusion and equity.
- Focus on **Competitive and cooperative federalism** presents a great potential to attract skills,

investment and technology.

- Rising dollar on account of developments in the US economy could compel the Chinese economy to reduce its exports. This would have positive spillover effects on India and the rest of the world.
- **Higher growth prospects in advance countries** like US and Germany can lead to **revival of exports** from developing countries including India.
- With the **unfavourable stance of US on regional trade agreements**, the relevance and effectiveness of the World Trade Organization (WTO) and **multilateralism is likely to increase, benefitting India.**
- The **demographic dividend** would be enjoyed by the country over a much longer duration than most other countries.

Threats

- International rating agencies have unrevised ratings of countries over the last seven years; where as India's performance has significantly improved.
- **Competitive populism** in the federal democracy can **damage fiscal discipline** and governance standards.
- **Pay revisions and UDAY bonds** are significant concerns for states to maintain their **fiscal discipline targets.**
- International political order towards **isolation and protectionism** and **anti-globalization** in advanced economies could effectively close a potent option of achieving 15-20 per cent export growth for India.
- As a consequence of developments in US economy, global interest rates and inflation rates in advanced countries are on the way to strengthen. This can have adverse impact on **India's capital inflow** and outflow and hence on its investment climate.
- The **world exports to-GDP ratio** has been declining for the last 6 years. Under such a gloomy environment, raising the share of India's exports in the world exports is likely to be very challenging.
- India's competitiveness in the world market is seriously threatened by emerging countries such as Vietnam, Bangladesh and Philippines.

Questions

1. Write a note on the SWOT analysis of the Indian economy.
2. How have Pay revisions and UDAY bonds affected state's fiscal discipline targets.
3. With the unfavourable stance of US on regional trade agreements, the relevance and effectiveness of the World Trade Organization (WTO) and multilateralism is likely to increase. How does India benefit from this?
4. Consider the following statements:
 1. Signs of retreat from globalisation of goods, services and people, as pressures from protectionism are building up
 2. The US Federal Reserve's intention to increase policy rates in 2017, may lead to lower capital inflows and higher outflows from the emerging economies
 3. Increasing competition from China in global trade may affect the export competitiveness of Indian companies

Union Budget 2017-18 has highlighted which among the above factor/s as challenges in year 2017-18?

- a. 1 only
- b. 1 and 2
- c. 2 and 3
- d. 1, 2 and 3

Solution (b)

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

Overall Assessment

- The targets need to be very ambitiously achieved to take infrastructure sector into the take-off stage.
- This will boost the economy and creates the huge opportunity for **the jobs for the youth** and create the environment for the **foreign investor** and give new life to the **rural India**.
- There are various **major challenges** that take a lot of time and make the project cost and time overrun viz. project preparation and approval, land acquisition, environmental clearance, legal and regulatory issues, inter-ministerial co-ordination, availability of skilled manpower & instant appointments, safety and financing issues etc.
- It is important that the projects should be monitored on a daily basis and status also should be uploaded on the daily basis on the respective websites otherwise the sector may again land to the stage of pre-condition to take-off stage.

Neo-Development Model: Marching Towards Greater Glory

Introduction

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

Better Value for Agri Products

- The **electronic trading platform e-NAM** launched in 2016 is rightly touted as a “big game changer”.
- e-NAM will actually be an answer to **price volatility** farmers often face.
- The issue that needs to be tackled is to **end the middlemen role** and bring transparency in pricing.
- e-NAM helps leverage the physical infrastructure of *mandis* through an online trading portal, enabling buyers situated even outside the state to participate in trading at the local level.
- Integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of postharvest losses.
- The real benefit to farmers would be available only when the soil samples are tested quickly and nutrient level of the soil is known”.
- The government is setting up new mini labs in **Krishi Vigyan Kendras (KVKs)** and ensure 100 per cent coverage of all 648 *Kendras*.
- **Infrastructure development** in rural areas and agrarian fields will also mean impounding of rainwater in ponds and using it for critical irrigation, particularly in low rainfall areas.

- Many states have enacted legislation to ensure **water harvesting** both in urban and rural areas to supplement irrigation water supplies.

Spend more in rural areas

- The government has underlined that it will undertake **Mission Antyodaya** to bring 1 crore households out of poverty and make 50,000 gram panchayats poverty free by 2019.
- The timing has been linked to the 150th birth anniversary of Mahatma Gandhi – and also the vital fact that villages were part of '**Gandhi Darshan**' – the Gandhian vision to change the face of India.
- '**Mahila Shakti Kendras**' that are to be set up at village level will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

Conclusion

- The uplift of rural infrastructure and helping Indian farmers is one of the most important factors for the overall growth of the Indian economy.
- Ensure creation of gainful employment in villages and small towns to generate a resource base at the household level, improve agriculture and allied sectors and, ultimately, usher in rural happiness and prosperity.

Questions

1. To improve rural economy, it's imperative to rise agricultural productivity and create non-farm employment. This should be complemented by provisioning of public services such as health, roads, and housing. Elaborate the importance of these goals and critically examine how recent budget strives to achieve them.

2. The union budget 2017-18 has pitched for more reforms in agriculture marketing and increased funds for insurance and irrigation schemes. Critically comment on these reforms.

3. Critically analyse how the recent union budget seeks to address low income problem of farmers and farm workers.

4. The Union Budget 2017 is committed to double the income of the farmers in 5 years. Consider the following reforms projected taking farmers as the distinctive theme:

- 1) New mini labs in Krishi Vigyan Kendras (KVKs) to be established in the country for soil sample testing.
- 2) A model law on Land Acquisition to be prepared and circulated among the States for adoption.
- 3) Dairy Processing and Infrastructure Development Fund to be set up in NABARD.

Choose the correct statement(s):

- Only 1
- 1 and 2
- 1 and 3
- 1, 2 and 3

Solution (c)

A Budget for the Youth

Introduction

- For society to solve its problems without the full participation of young people is imbecile.
- Rural India has three important concerns today –
 - All access is limited,
 - Resources are very few,
 - Deep seated ideas are difficult to shake or mould.
- In such situations, **what matters most – is education**. It refines sensitivities and perceptions that contribute to independence of mind and spirit – deeply entrenching the values of socialism, secularism and democracy.

Shortfalls in Education sector and the Way Forward

- Education develops manpower for different levels of the economy; and is the substrate on which research and development flourish, being the ultimate guarantee of national self reliance.
- There are always few roadblocks that could hamper progress. One such concern is the issue of **underdeveloped infrastructure**.
- **Villages with limited access to resources** like good teachers, poverty, child labour, early school dropouts and illiteracy, are some of the most basic issues. To counter this, **adoption of new technology is the only solution**.
- Creating Wi-Fi belts in villages, using television, radio and computers as teaching aids could be a step towards success.
- **Missing basic infrastructure in many government schools**, a system of **rote learning** prevalent in even the best private schools has **destroyed any innovation** that can come from children.
- In universities there is disaggregation of quality standards and the lack of adequate funds.
- The focus of the university shifted from that of learning and knowledge dissemination, to one that was predominantly administrative.
- Internal structures like the Management Council / Syndicate, the Academic Council, have all fallen to the vagaries of various political groups, leaving hardly any time for academics.
- **Autonomy for institutions is a way out** to restore academic ambience and trust on a University Campus, isolating the academic pursuits from the administrative.
- **Content available across the best of the Universities can be streamed both in online and offline mode**.
- The Government has developed **SWAYAM platform**, by leveraging IT to enable anyone to virtually attend courses in addition to liberally subscribing to lifelong learning.
- We need a sustainable ecosystem that would assist the younger generation of India and industry in developing skills of international standards.
- **Vocational Education and Training (VET)** is an important element of the nation's education initiative.
- The budget proposes to set up 100 **India International Skills Centres** across the country and to launch **SANKALP - Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme**, and provide market relevant training to nearly 3.5 crore youth.
- **Skills for Industrial Value Enhancement (STRIVE)** needs to be seamlessly integrated with the MSME sector for maximum benefits.

Conclusion

- We need more schemes to **integrate Skills and Education** in our Schools and Colleges, providing for multipoint entry and exit from the formal education system to the **Vocational education system** and job markets.
- Setting up **National Skills University** to integrate all skills based initiatives of the Government to optimise return on investments would be an important initiative.
- A matter of concern is that Education spending as a measure of GDP going down since 2012 when the youth population has been going up.

Questions

1. Critically evaluate the Shortfalls in Education sector and the Way Forward.
2. Analyse the role of youth population in nation building.
3. It is agreed that E-learning could be the key to addressing the education challenges in the country today. How can digital technology be used to improve learning skills and quality of education? Discuss.
4. "We need more than just technical skills in the globalised world we live in. We need skills that help us relate to those who are not like us. We need soft skills, more exposure to global languages as well as critical thinking." In the light of the statements, discuss the need for encouraging inclusion and study of liberal arts in the Indian higher education system
5. According to the Union Budget 2017, the SWAYAM platform was launched with at least 350 online courses. The SWAYAM platform has being indigenously developed under which ministry?
 - a. Ministry of Human Resource Development
 - b. Ministry of Home Affairs
 - c. Ministry of Electronics and Information Technology
 - d. None of the above.

Solution (a)

6. Union Budget 2017-18 focused on 10 distinct themes. Which among the following was NOT one of those themes?
 - a. Cleanliness
 - b. Digital Economy
 - c. Youth
 - d. Infrastructure

Solution (a)

Improving Productivity and Employment Growth

- India, or any developing country needs to **revive its industrial sector** because services alone cannot provide enough outlets for productive absorption of the unskilled and semi-skilled work force and agriculture, comprises a great deal of underemployment.
- The total factor productivity growth in the industrial sector can be raised significantly through **technological advancement**.
- The Union Budget has made the highest allocation to MNREGA so that employment opportunities are created.
- The budget emphasises that increased **digital transactions** will enable small and micro enterprises to access formal credit.
- The factors have been identified as the determinants of productivity growth in the industrial sector: **trade openness, agglomeration economies, infrastructure & ICT and innovation**.
- **Public infrastructure** is considered to be a crucial factor in enhancing productivity.
- Poor employability of the labour force is seen as a major constraint to investment and employment growth and over time, this skill mismatch has grown, particularly in relation to the manufacturing sector.
- The concept of **India International Skills Centres (IISC)** to be established across the country will offer advanced training and courses in foreign languages. This will help those who seek job opportunities outside the country.
- It will **facilitate labour mobility** across countries, reducing the excess supplies in the domestic economy, and the country's foreign exchange earnings through remittances will rise sizably.
- There has been a strong criticism against the ITIs relating to the quality of training imparted to the participants.
- **Regional inequalities** have grown over time, instead of convergence; divergence is seen to have taken place in terms of economic growth across the states.
- One of the effective ways of curbing regional inequality is to foster infrastructure in areas which are lagging behind.
- The pace of industrialisation in the northeast has been negligible.

Way Forward

- In the face of the growing urban population and migration, **employment oriented projects** with an 'urban bias' should be promoted.
- The government should propose **tax incentives for the labour-intensive industries** including leather, gems and jewellery as part of the "Make in India" initiative to boost manufacturing, create jobs and revive exports.
- The **China-style mega industrial cities** across the country equipped with production units, public utilities, residential areas, schools and hospitals must be setup.
- **Modernise the labour intensive goods industries**, to enable the units to manufacture quality products which will generate export demand, and both growth and employment generation becomes significant.

Questions

1. Examine the provisions in Union Budget 2017 to revive investments in the country.
2. Regional inequalities have grown over time, instead of convergence. What steps should government take to bridge the gap in regional inequalities?

Weaker Sections: Welfare and Development

Introduction

- Social groups like Schedule Castes (SCs), Schedule Tribes (STs), women, children, minorities and the people with disabilities need special focus and attention.

Problems faced by Weaker Sections

- **Lack of education** is the major reason of backwardness of SCs and STs. It has been observed that the dropout rate of SCs students is higher than national average.
- One of the reasons for this is the **poor economic condition of the families**. The students in many cases drop out from the school either due to parents being not able to support their study or to support the family by way of an additional working hand to supplement the family income.
- Distance of the home from the school is another important reason for children from weaker section dropping out of the schools, especially girl children.

Government Programmes

- There are schemes to facilitate higher education among the SCs like **National fellowship for SC** students.
- **Protection of Civil Rights** of the SCs who are vulnerable to various forms of atrocities by the higher castes is also a priority area of the Government.
- **Pradhan Mantri Awas Yojana (PMAY)-Rural** for affordable housing.
- **Free LPG connections to poor Households through Pradhan Mantri Ujjwala Yojana (PMUY)**.
- Inculcating entrepreneurship skills among Schedule Castes and Schedule Tribes is of **Stand-Up India**.
- Launching of next phase of **Skill strengthening for Industrial value Enhancement (STRIVE)** in 2017-18 to improve the quality and market relevant vocational training in ITIs.
- **Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP)** will also be launched in 2017-18 to provide market relevant training to 3.5 crore youth.
- **Dairy Processing and Infrastructure Development Fund** would be set up in NABARD to promote dairy development in the country by creating adequate processing and infrastructure facilities.

Budget Response

- There has been a significant increase in the **allocation on scholarship schemes** for the students from the weaker sections in the Budget.
- The allocation for construction of hostels for boys and girls from SC communities has been increased.
- The Budget promotes **Tribal Research Institutes (TRIs)** as primary and effective sources of inputs for formulation of policies and programmes for tribal development.

Conclusion

- With focus on an effective mechanism for output and outcome monitoring, the weak and vulnerable sections of the society can expect a substantive improvement in the quality of their life.

Questions

1. For the last 15 years, allocation to the child budget has remained stagnant at around 3% of the union budget. Do you think this amount is adequate to safeguard the health, nutrition, education and protection of India's 434 million children? Critically analyse.

2. What are the problems faced by weaker sections. What are the recent government efforts to tackle the problems faced by weaker sections?

3. Consider the following statements regarding the Youth Skilling Programmes launched in the Union Budget 2017:

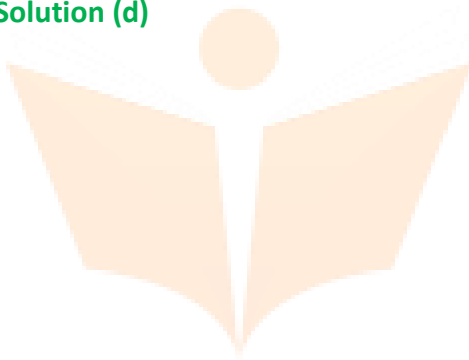
1) SANKALP program will be launched to enable students to virtually attend courses taught by the best faculty.

2) STRIVE programme will provide market relevant training to 3.5 crore youth.

Which of the above statements are correct?

- a. Only 1
- b. Only 2
- c. Both 1 and 2
- d. Neither 1 nor 2

Solution (d)



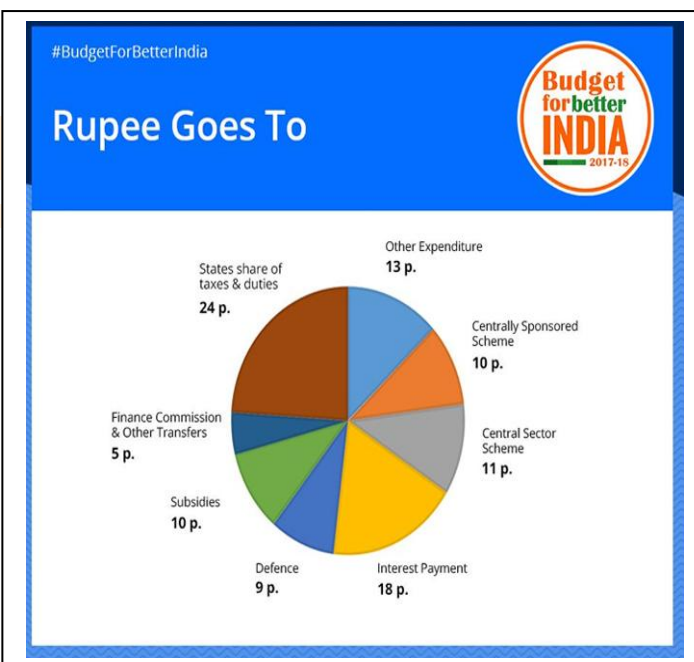
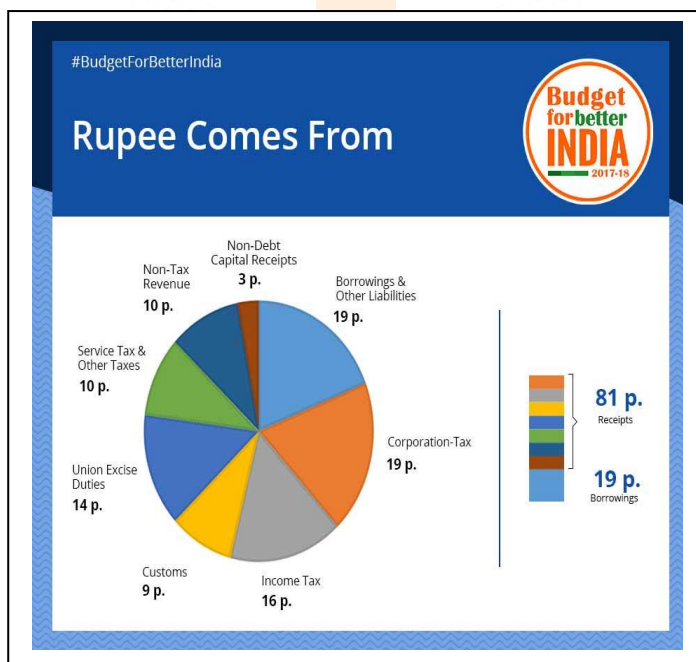
Facts for Prelims

Mahila Shakti Kendra

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

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

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



North East Diary

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

- A financing agreement for IDA credit of US\$ 48 million (equivalent) for the '**Nagaland Health Project**' was signed by India with the World Bank.
- The Objectives of the project are to improve health services and increase their utilization by communities in targeted locations in Nagaland.

- It will support and complement existing systems and mechanisms involving communities under the **National Health Mission**.

North East Film Festival

- The North East Film Festival (NEFF), '**Fragrances from the North East**' a three day festival, was held from 28th to 30th January at NFAI campus, Pune.
- This platform is a unique window to the films, food, culture and handicrafts diversity of North East and enables the cultural amalgamation of the region with the rest of the country.
- The objective was to sensitise people from other regions to the culture of the North East as envisaged in the "**Ek Bharat Shreshta Bharat**" programme.

1st North East Investors' Summit in Shillong

- The **1st North East Investors' Summit** was organized jointly by the **Ministry of Textiles and the Ministry of DoNER, in Shillong**.
- This is the first ever North East Investors Summit dedicated to the textiles sector.
- The summit focussed on manufacturing in textiles and allied sectors; and to showcase the region as a **global destination for investment** and explore the possibility of convergence of efforts of various central Ministries and North Eastern States in attracting investment into the region.
- The Union Textiles Minister also launched '**India Handmade Bazaar**' which is an online portal to provide direct market access facility to handloom weavers and handicraft artisans.
- The initiatives taken by the Ministry for the welfare of handloom weavers are the **E-Dhaga app** and the '**Bunkar Mitra**' helpline.

SIMPLIFYING
IAS EXAM PREPARATION