

Weekly Livelihoods Update

06 February 2019

Budget 2019: Factors that might impact future of the economy

Budget 2019: GST composition scheme for service providers and increase in exemption limits among mega changes for MSMEs. The MSME sector has a lot to cheer from the recent changes in the Goods and Services Tax regime based on the 32nd GST Council meeting dated 10 January 2019 and being reiterated in the Interim Budget 2019. The service sector accounts for over 55 per cent of the GDP, which was not covered by composition scheme earlier. It is also proposed to increase the basic exemption limits for registration as well as the maximum turnover limit for the composition scheme. MSME sector covers 90 per cent of the businesses by volume and is a pivotal sector for India. These proposed reforms will greatly improve the ease of doing business as most of the small and medium sized businesses are not fully equipped to meet with the complex GST regulations, filing of tax returns, claiming input tax credits, etc.

<https://www.businesstoday.in/budget-2019/columns/budget-2019-gst-composition-scheme-for-service-providers-and-increase-in-exemption-limits-among-mega-changes-for-msmes/story/316298.html>

Education and skilling opportunities in the interim budget

The interim budget announces various measures like interest subvention on loans to small businesses and village industries; the proposal to transform one lakh villages into digital villages over the next 5 years is expected to generate jobs. The interim budget attempts to address all sections of the society. Specific emphasis is on the small businesses and the rural population. With various measures announced like interest subvention on loans to small businesses and village industries, it is expected that this may provide an impetus for the uptake of these sectors. This is likely to encourage entrepreneurship in these sectors. From the education and skill development perspective, there are now increased options for the youth to choose their vocation, given the enabling environment for encouraging entrepreneurship. With skill development infrastructure and facilities now available across the country on account of ongoing skill development programmes, the youth in the rural areas can now opt for skilling courses, which will allow them to participate in village industries like food processing, etc. or establish a small business leveraging their chosen vocation. The proposal to transform one lakh villages into digital villages over the next 5 years is also expected to generate jobs through expansion of Common Service Centres for digitally delivering services in rural areas.

<https://www.businesstoday.in/budget-2019/news/education-and-skilling-opportunities-in-the-interim-budget/story/317265.html>

Climate change and Poor

Climate change is an emergency that has been affecting the planet and its inhabitants, human, plant, and animal, in big and small ways. However, it has affected the poor disproportionately and has had a greater impact on the poor and developing nations. The earlier widely held belief that climate change is a gradual, slow-moving phenomenon has been belied by an October 2018 report by the Intergovernmental Panel on Climate Change of the United Nations, Global Warming of 1.5°C. The report estimates that “even a 1.5 degree increase could push tens of millions of people into poverty.” There is now growing empirical evidence on how climate change disproportionately affects the poor. With climate change, people face shortage of water and food, resulting in increased competition to access these basic necessities. This increases the chances of the intensification of existing conflicts and also creates new ones. The water crisis in Cape Town began in 2015, and

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the city continues to live under the threat of becoming the first major city in the world to run out of water. However, the poorer neighbourhoods in the city have not only been dealing with reduced access to water for years now, but are more likely to face the brunt of the crisis. In the Democratic Republic of Congo, shifts in the timing and patterns of rainfall have led to lower food production and greater competition on arable land, increasing ethnic tensions and conflicts in the country. Such conflicts affect the poor the most, and further lead to an increase in poverty and displacement, pushing people into a vicious trap.

<https://www.epw.in/journal/2019/5/editorials/climate-change-and-poor.html>

Interim Budget Makes Play For Farmers, Unorganised Sector Workers, Middle-Class Voters

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme announced as part of the 2019-20 budget will provide Rs 6,000 per year as income support to small and marginal farmers. At Rs 500 per month for an average rural family, this would amount to Rs 3.3 per person per day (assuming a family size of five), which is 1/8th the rural benchmark for poverty of Rs 27.2 per person. This will be lower than the benefits under Telangana's Rythu Bandhu scheme, which provides Rs 4,000 per acre per crop season to all farmers with land titles; and lower than the provisions under Odisha state government's Krushak Assistance for Livelihood and Income Augmentation (farmers' income support) scheme, which will provide Rs 25,000 over five seasons to small and marginal farmers, as well as landless and vulnerable households. Expected to cost the public exchequer Rs 75,000 crore--2.6% of the total allocation for the next financial year--the scheme aims to target farmers who own up to 2 hectares, who are estimated to number 120 million across the country.

<https://www.indiaspend.com/interim-budget-makes-play-for-farmers-unorganised-sector-workers-middle-class-voters/>

Rural Development, Health and Maternal Welfare Schemes Underfunded In Interim Budget

While presenting the first budget of the ruling Bharatiya Janata Party government in 2014, finance minister Arun Jaitley had remarked that the budget is the most comprehensive action plan of a government. The new India envisioned, would focus on rural development, employment through infrastructure creation and provision of quality public services by 2022. Four years later, a look at the government's financial commitments to the social sector in the interim budget presented on February 1, 2019 suggests that it still has no clear idea on how to realise its vision. Our conclusion is based on the comparison of allocations for flagship welfare schemes between 2018-19 and the newly announced interim budget. The interim budget for rural development department saw only a 5% increase from the revised estimates of 2018-19, which remained unchanged despite a Rs 4,000 crore increase for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). A breakdown of schemes-wise allocations puts this change in perspective. The allocations for the Pradhan Mantri Gram Sadak Yojana (prime minister's rural roads programme), in terms of budget estimates, have remained constant since 2016 at Rs 19,000 crore. Similarly, allocations for MGNREGS after increasing 11% in the revised estimates of 2018-19, as per government reports, again fell by 1.8% to Rs 60,000 crore in the interim budget. With expenditure on the scheme, including payments due, already at Rs 65,355 crore, and 2.04 billion person-days of work generated till date (out of a target of 2.3 billion), this allocation is unlikely to relieve rural distress.

<https://www.indiaspend.com/rural-development-health-and-maternal-welfare-schemes-underfunded-in-interim-budget/>

Funds Not Used, Work Not Cleared in Key Schemes For India's Burgeoning Cities

By 2050, India will record the world's highest urbanisation rate--497 million more residents, or 60% of the country's population, will move into its cities, according to the United Nations' 2011 Revision of the World Urbanisation Prospects report. Over the same period, China will see 341 million people shifting into cities,

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Nigeria 200 million, the United States 103 million, and Indonesia 92 million. In anticipation of this, the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) government under Prime Minister Narendra Modi launched three major urban flagship schemes in 2015: Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), and the Pradhan Mantri Awas Yojana-Urban (PMAY-U or prime minister's urban housing scheme). With the 2019-20 budget set to be released in an election year, urban India can expect a bigger slice of the pie, experts estimate. But with the government lagging behind its targets, development in the sector remains dismal, showed an analysis of available government data. While the union budget expenditure on urban development in 2018-19 was the highest ever, as a share of the grand total this had actually declined by 0.2 percentage points to 1.7% of the budget. Barely 7-20% of the central assistance earmarked for the three flagship schemes have been used since their launch, indicating that states remain chronically underfunded. In the three schemes, work has been sanctioned for not more than a third of the set targets which will meet their deadlines in 2019-20 and 2021-22. The number of works actually completed is even lower.

<https://www.indiaspend.com/funds-not-used-work-not-cleared-in-key-schemes-for-indias-burgeoning-cities/>

Funding for Teacher Training Down 87% in 6 Years, As India's Central Expenditure on Education Declines

While higher education funding has seen a 28% increase in real terms, school education has witnessed a 3% decline during the last six years to Rs 39,000 crore, according to government budget data. The expenditure as a percentage of gross domestic product (GDP) has also shown steady decline, from 0.53% to 0.45%. Funds for the teacher training component declined by 87% over six years, from Rs 1,158 crore in 2014-15 to Rs 150 crore in 2019-20, indicating the low priority accorded. Education holds the key to skilling, employability, and, in turn, contribution to realisation of faster growth of GDP. Education is in the concurrent list, indicating a role for both union and state governments. The education department is one of the largest in terms of revenue expenditure at the state level, and its budget includes payment of salaries of the elementary and secondary education teachers. The central government revamped the Sarva Shiksha Abhiyaan (education for all), which aims to provide universal education to all children between six and 14 years, the Rashtriya Madhyamik Shiksha Abhiyan (RMSA) or national middle education mission, which combined secondary education and teacher training into a new scheme, Samagra Shiksha (holistic education) in April 2018. Considering that the demand for both secondary and higher education remains largely unaddressed through publicly funds and therefore affordable means, this also leads to exclusion of girls and others who cannot afford private education.

<https://www.indiaspend.com/funding-for-teacher-training-down-87-in-6-years-as-indias-central-expenditure-on-education-declines/>

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