



NEWS ANALYSIS

24 JULY 2024

Prelims Practice Question for Today

Nowruz, which marks the beginning of the New Year is celebrated mainly by which of the following community in India?

- a) Jains**
- b) Sikhs**
- c) Parsis**
- d) Christians**

EXPLANATION

- ❑ **Nowruz**, also spelled as Navroz, is celebrated by the ethnic Iranian population every year in various parts of the world. The Parsi community in India, which follows **Zoroastrianism**, celebrated **Nowruz** on March 21, marking the beginning of the New Year.
- ❑ **The United Nations General Assembly** proclaimed the **International Day of Nowruz in 2010**. The festival had also been listed as an Intangible Cultural Heritage of Humanity in 2016. Terming it as a day which marks the “renewal of nature,” the UNESCO describes it as a festival which “promotes values of peace and solidarity between generations and within families as well as reconciliation and neighborliness.”



Today's Prelims Practice Question

The application of Somatic Cell Nuclear Transfer Technology is

- a) Manufacture of biodegradable plastics**
- b) Reproductive cloning of animals**
- c) Production of biolarvicides**
- d) Production of organisms free of diseases**

Women empowerment in India needs gender budgeting. What are the requirements and status of gender budgeting in the Indian context?

APPROACH OF THE ANSWER

- 1. Define gender budgeting and elaborate it.**
- 2. Mention the requirements of gender budgeting**
- 3. Give the present status of gender budgeting in India.**
- 4. Conclude stating that gender budgeting is necessary for true women empowerment.**

Gender Budgeting is not an accounting exercise but an ongoing process of keeping a gender perspective in policy/programme formulation, its implementation and review. It entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated into budgetary commitments.

Women constitute 48% of India's population, but they lag behind men on many social indicators like health, education, economic opportunities, etc. The way Government budgets allocate resources, has the potential to transform these gender inequalities. In view of this, Gender Budgeting has been propagated as a tool for achieving gender mainstreaming.

The key requirements of a gender budget:

- ❑ Data:** An analysis of the situation for women and men and girls and boys and their different sub- groups (age and social status wise) in a given sector.
- ❑ Impact study:** This step should include an assessment of the relevant legislation, policies, programme and schemes. It includes an analysis of both the written policy as well as the implicit policy reflected in government activities and the extent to which the situation has changed.

- ❑ **Current budgetary allocation:** An assessment of the adequacy of budget allocations to implement the gender sensitive policies and programmes currently being implemented.

Status of gender budgeting in India:

- ❑ Ever since the gender budgeting has been adopted in 2005, the Indian budget lists out schemes exclusively for women. States like Rajasthan, Gujarat, Madhya Pradesh, Karnataka, Orissa, Kerala, Assam, Bihar, etc have adopted gender budgeting.
- ❑ **Greater gender equality in education:** More girls are enrolling with increase in awareness. Spending on infrastructure for girls has also increased.
- ❑ **Infrastructure:** Providing women with safe toilets in school especially in villages, giving free cycles for easy commutation, providing them with drinking water facilities, sanitary pads, etc.
- ❑ Women have more opportunities for engaging in formal employment opportunities. This has helped improve women's economic equality.

However not every objective could be achieved by gender budgeting:

- ❑ **India has a low level of female labour force participation:** Women are coming forward to engage in jobs only during economic distress.
- ❑ **Gender disparity** in terms of economic freedom, financial rights, freedom to work and legal status.
- ❑ **Social customs** also bind women from achieving greater heights. There is a dual burden on women of both household and outside jobs.

Conclusion:

- ❑ A gender sensitive budget helps in translating gender-specific commitments into budgetary commitments. Since women comprise approx 48% of the population of India, it becomes important for their voices to be heard. Gender based inequality will reduce provided this step is effectively implemented.

Union Budget 2024-25 Infrastructure Initiatives



Union Budget 2024-25: Additional Support for Energy and Infrastructure Projects

Context

In the Union Budget, Finance Minister Nirmala Sitharaman announced a significant boost in infrastructure spending, highlighting its pivotal role in driving economic growth and improving living standards across India.

Key Highlights:

- ❑ **Infrastructure Spending Surge:** The government has allocated Rs 11,11,111 crore for capital expenditure on infrastructure, equivalent to 3.4% of the GDP.
- ❑ **Support to State Governments:** A provision of Rs 1.5 lakh crore has been made for interest-free loans to state governments, aimed at bolstering their infrastructure investments.
- ❑ **Pradhan Mantri Gram Sadak Yojana (PMGSY):** Under Phase-4 of PMGSY, the government plans to provide all-weather connectivity to 25,000 rural habitations, enhancing rural accessibility and connectivity.
- ❑ **Accelerated Irrigation Benefit Programme:** A support of Rs 11,500 crore has been earmarked for projects like the **Kosi-Mechi intra-state link under this programme**, aiming to improve irrigation infrastructure and agricultural productivity.



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₹ UNION
BUDGET
2024-25

Budget Priorities

Path of strong development and all-round prosperity

Productivity and resilience in Agriculture	Employment & Skilling	Inclusive Human Resource Development and Social Justice
Manufacturing & Services	Urban Development	Energy Security
Infrastructure	Innovation, Research & Development	Next Generation Reforms

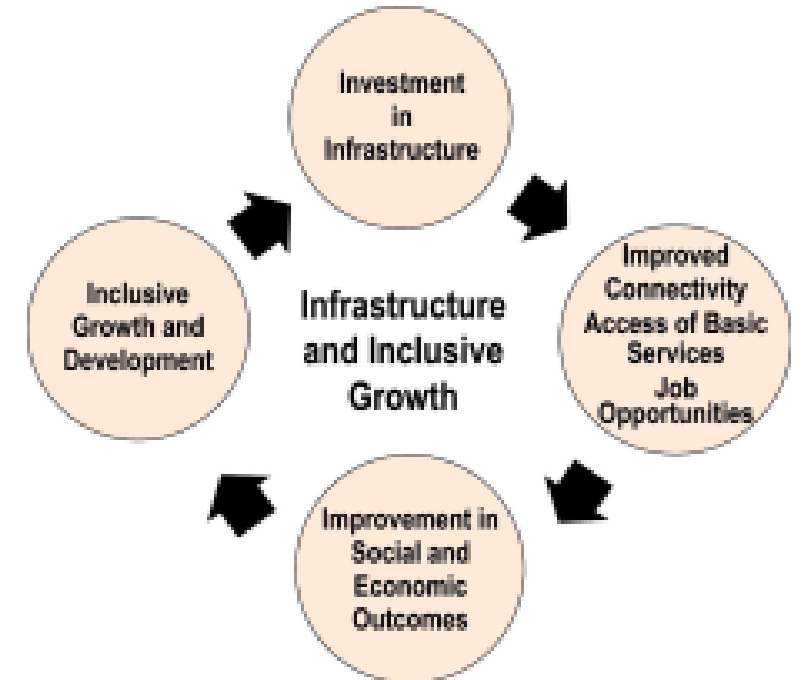
- ❑ **Special Packages for North and Northeastern States:** Assam, Himachal Pradesh, Uttarakhand, and Sikkim will receive assistance for flood management and recovery from natural disasters like cloud bursts, flash floods, and landslides.
- ❑ **PM AwasYojana - Housing for All:** The government has committed to constructing three crore additional houses under PM AwasYojana in both rural and urban areas, ensuring adequate housing for all sections of society.
- ❑ **Rural Development and Infrastructure:** An allocation of Rs 2.66 lakh crore has been set aside for rural development, including infrastructure projects, aimed at improving connectivity, healthcare, education, and economic opportunities in rural India.



Multiplier Effect of Infrastructure:

Infrastructure development plays a crucial role in stimulating economic growth and improving overall quality of life.

- ❑ **Industry Boost:** Improved infrastructure enhances productivity and efficiency across industries, fostering economic growth and job creation.
- ❑ **Connectivity:** Enhanced connectivity through better roads, railways, and digital infrastructure facilitates smoother movement of goods and people, reducing logistical costs and improving trade efficiency.
- ❑ **Quality of Life:** Upgraded infrastructure, including better healthcare, education facilities, and housing, directly contributes to an improved quality of life for citizens.
- ❑ **Economic Development:** Infrastructure investments act as catalysts for economic development by attracting private investments, boosting consumer spending, and supporting entrepreneurship.



Credit support for MSMEs

Credit support for MSMEs; Mudra loan limit raised to ₹20 lakh

M. Soundariya Preetha
COIMBATORE

The Union Budget has a package of support measures for the micro, small, and medium enterprises (MSMEs) and the labour-intensive manufacturing sector.

According to the Economic Survey tabled on Monday, the contribution of MSMEs to all-India manufacturing output in FY22 was 35.4% and the share of MSME-made products in

exports in FY24 was 45.7%.

“This Budget provides special attention to MSMEs and manufacturing, particularly labour-intensive manufacturing. We have formulated a package covering financing, regulatory changes, and technology support for MSMEs to help them grow and also compete globally,” Finance Minister Nirmala Sitharaman said.

The Budget proposes a credit guarantee scheme that will work on pooling



Many of the proposals focus on credit assistance.

of credit risks of MSMEs to facilitate term loans for purchase of equipment without collateral or third-

party guarantee. A separately constituted self-financing guarantee fund will provide, to each applicant, a guarantee cover up to ₹100 crore, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reduced loan balance.

Public sector banks will build in-house capabilities to assess MSMEs for credit.

They will take the lead in developing a new credit assessment model, based on the scoring of digital footprints of MSMEs in the economy so that those

without a formal accounting system are also covered.

The limit of Mudra loans will be enhanced to ₹20 lakh from ₹10 lakh for those who have repaid previous loans under the ‘Tarun’ category.

E-commerce export

hubs will be set up on public-private-partnership mode so that MSMEs and traditional artisans sell their products in the international markets.

An investment-grade energy audit of traditional MSMEs will be done in 60 clusters and financial support will be provided to shift them to cleaner forms of energy. Rental housing with dormitory type accommodation for industrial workers will also be facilitated on PPP mode.



CONTEXT

- In her Union Budget 2024-25 speech, Finance Minister Nirmala Sitharaman unveiled several key measures aimed at bolstering the **micro, small, and medium enterprises (MSME) sector**, recognising its pivotal role in India's economic landscape.
- The announcements are set to address critical challenges such as **access to credit, regulatory burdens, and the need for skilling and employment generation.**

Credit guarantee scheme for MSMEs

- **A credit guarantee scheme** will be introduced to facilitate term loans to MSMEs.
- This scheme will help mitigate credit risks for such enterprises





Continuation of bank credit during stress periods

- This initiative aims to provide much-needed financial stability to MSMEs facing economic difficulties.

Expansion of SIDBI's reach

- The Small Industries Development Bank of India (SIDBI) will expand its reach to MSME clusters, providing direct credit to these enterprises, thereby enhancing their financial access.

Earlier and Revised Definition of MSMEs

Earlier MSME Classification  

Criteria: Investment in Plant & Machinery or Equipment


Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment < ₹ 25 lac	Investment < ₹ 5 cr.	Investment < ₹ 10 cr.
Services Enterprise	Investment < ₹ 10 lac	Investment < ₹ 2 cr.	Investment < ₹ 5 cr.

Revised MSME Classification

Composite Criteria: Investment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing & Services	Investment < ₹ 1 cr. & Turnover < ₹ 5 cr	Investment < ₹ 10 cr. & Turnover < ₹ 50 cr.	Investment < ₹ 20 cr. & Turnover < ₹ 100 cr.

Source: Ministry of Finance

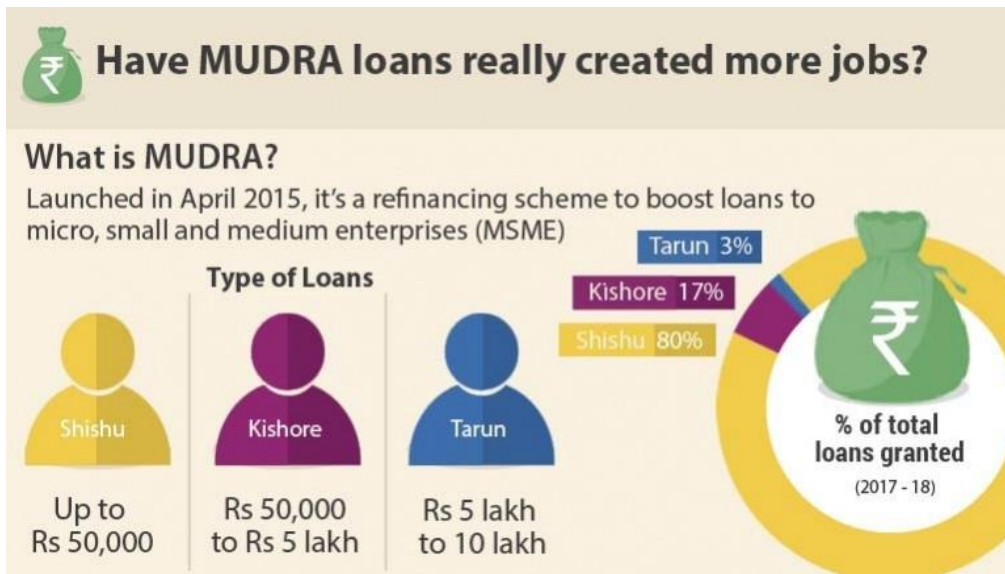
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Increase in Mudra Loan limit

- The limit for Mudra loans has been increased from Rs 10 lakh to Rs 20 lakh, which will facilitate greater financial support for small businesses and entrepreneurs.

E-commerce export hubs

- E-commerce export hubs will be established in **public-private partnership (PPP)** mode to enable MSMEs and traditional artisans to sell their products in international markets.



Support for multi-product food irradiation units

- Financial support will be provided for 50 multi-product food irradiation units in the MSME sector, promoting food safety and export quality.

Economic Survey 2023-24 say about MSMEs

- The central role of the MSME sector in India's economy, contributing **30 per cent to GDP, 45 per cent to manufacturing output, and employing 110 million people.**
- The sector faces significant challenges, including **extensive regulation and compliance requirements**, and access to affordable and timely funding remains a primary concern.



₹ UNION BUDGET 2024-25

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Manufacturing & Services

MSMEs

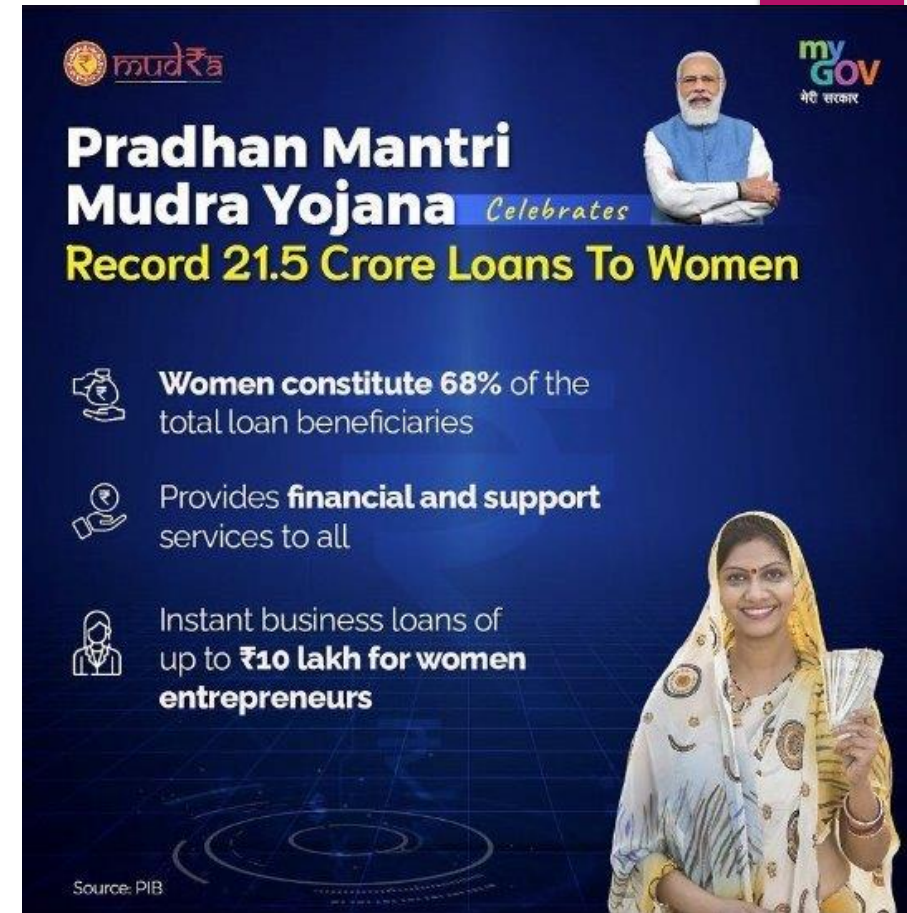
- New mechanism announced for facilitating continuation of bank credit to MSMEs during their stress period
- Limit of Mudra loans increased from ₹ 10 lakh to ₹ 20 lakh
- Turnover threshold of buyers for mandatory onboarding on TReDS platform to be reduced from ₹ 500 Cr to ₹ 250 Cr
- Financial support for 50 multi-product food irradiation units in MSME sector
- E-Commerce Export Hubs to be set up in PPP* mode to enable MSMEs & traditional artisans to sell their products in international markets

*Public Private Partnership

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Survey emphasised the need for:

- **Addressing the credit gap:** Ensuring MSMEs have access to affordable credit.
- **Deregulation:** Reducing the regulatory burden to foster growth and innovation.
- **Improving connectivity:** Enhancing physical and digital infrastructure to support MSMEs.
- **Developing an export strategy:** Helping MSMEs expand into international markets.
- In the Union Budget 2023-24, the finance minister had announced the allocation of Rs 22,137.95 crore for the MSME ministry. This was a 41.6 per cent increase from the previous financial year.





The infographic features a dark blue background with a grid pattern. At the top left is the 'मामदेरै' logo, and at the top right is the 'my GOV' logo with the tagline 'मेरी सरकार'. A portrait of Prime Minister Narendra Modi is positioned in the upper right. The main title reads 'Pradhan Mantri Mudra Yojana Celebrates Record 21.5 Crore Loans To Women'. Three key statistics are listed with icons: 1. 'Women constitute 68% of the total loan beneficiaries' with a hand holding a coin icon. 2. 'Provides financial and support services to all' with a hand holding a coin icon. 3. 'Instant business loans of up to ₹10 lakh for women entrepreneurs' with a person icon. A photograph of a smiling woman in a white and yellow sari holding a stack of cash is on the right. The source 'Source: PIB' is noted at the bottom left.


मामदेरै

my GOV
मेरी सरकार

**Pradhan Mantri
Mudra Yojana** Celebrates
Record 21.5 Crore Loans To Women

 Women constitute **68%** of the total loan beneficiaries

 Provides **financial and support** services to all

 Instant business loans of up to **₹10 lakh** for women entrepreneurs

Source: PIB

For social sector it is old wine in old bottle

For the social sector, it is old wine in an old bottle

There are decreased allocations in real terms in the Budget for a number of social sector schemes

Budget 2024 is no different from previous years as far as allocations for the social sector are concerned. This is despite the fact that the youth, farmers, women, and the poor are identified as the main focus groups. The Economic Survey has a chapter called 'Social Sector: Benefits that Empower', which states, "India's high and sustained economic growth in recent years is being accompanied by social and institutional progress, underpinned by transformational and effective implementation of Government programmes with an empowering edge that has become the hallmark of a transformed approach to welfare". It seems as if this approach is characterised by decreasing allocations in the Budget for a number of social sector schemes (in real terms).

Disappointing allocations

The allocation for school education has increased by a nominal ₹5,000 crore and that for higher education has seen a minor increase of ₹3,000 crore. In both cases, the estimated 'recoveries' are substantially higher compared

to previous years, indicating higher fees and self-financing schemes in educational institutions. The allocation for the Department of Health and Family Welfare has barely increased by ₹1,500 crore compared to last year. The allocations for MGNREGA is the same as the revised estimates (RE) for last year. Although this is a demand-driven scheme, the allocation gives a message to the States on how much is available. The availability of work on the ground gets calibrated accordingly. There is hardly an increase in food subsidy too, despite the need for expanding coverage to current population levels (the PDS continues to use 2011 Census population figures) as well as the anticipated increase in the economic costs of foodgrains.

Smaller, yet critical, schemes that address vulnerable populations also have not got much attention. There is a slight increase from BE 2023-24 of ₹11,600 crore to ₹12,467 crore for the POSHAN scheme (school mid-day meal). This is, however, less than the actual expenditure on this scheme in 2022-23 (₹12,681 crore). The Saksham Anganwadi scheme for children under six years, pregnant



File photo of MGNREGA work in Villupuram district, Tamil Nadu. THE HINDU

and lactating women, and adolescent girls has got a budgetary allocation of ₹21,200 crore (BE 2023-24 was ₹20,554 crore). There is clearly no hope for higher salaries for Anganwadi workers (which have not been revised since 2018), or for higher honorarium for mid-day meal cooks, or for higher allocations for the supplementary nutrition given to children.

The allocation for Samarthya, which includes maternity entitlements (Pradhan Mantri Matru Vandana Yojana, PMMVY) and the creche schemes, has reduced to

₹2,517 crore compared to BE 2023-24 of ₹2,582 crore. The PMMVY is known to exclude at least half the eligible women, and the amount of ₹5,000 per pregnant woman has remained unchanged since the inception of the scheme in 2017. The budget for the National Social Assistance Programme (NSAP), which gives social security pensions to the elderly, single women, and disabled, remains unchanged at ₹9,652 crore. Once again, this is a reduction in real terms and does not leave any room for either increase in coverage or in the

amount to even adjust for inflation. The central contribution to these social security pensions has been ₹200 per person per month since 2009.

To be clear, these reductions cannot be justified on account of better schemes having taken their place. If at all, for some of these benefits, the focus of the government seems to be shifting more to contributory schemes, such as the Atal Pension Yojana in the case of pensions. In other instances, such as in the case of education or health, the shift is towards privatisation and commercialisation with a greater emphasis on 'cost-effectiveness' in social spending, which the Economic Survey calls one of the "pillars of the new approach to welfare". Such an approach does not adequately take into account either the problems with applying market principles to these social services or the returns to the economy in the long run of improving human development outcomes. Importantly, equity considerations are ignored.

The employment challenge

On the other hand, there is a lot of expectation from the private sec-

tor to respond to the employment challenge. The 'Prime Minister's Package for Employment and Skilling' includes government-sponsored internships, formalisation of jobs through incentives for EPFO enrolments, and skill-development programmes. These schemes do not seem very impressive when one looks at the budgetary allocations. This entire package has an allocation of ₹2 lakh crore over a period of five years, with much of it linked to the response of the industry. Further, the private sector is required to spend money towards this package from CSR funds. By allowing this, the CSR funds through which companies contribute back to society in some minimal way, are now mandated to be used towards subsidising wages for themselves.

Rather than discussing dampened demand, stagnant wages, and what can be done to revive employment, the announcement only includes supply-side schemes towards incentivising the private sector to increase employment. Different versions of this have been tried earlier and have failed. Whether this package will be any different remains to be seen.

Context

The FY25 Union Budget has drawn criticism for maintaining nominal allocations across various social sectors despite highlighting youth, farmers, women, and the poor as primary focus groups.

There is concern over the impact of these allocations on vulnerable populations and the effectiveness of government schemes.

Allocations in Social Sectors

- ❑ **Education Sector:** Nominal increases in school and higher education allocations amidst rising fees and self-financing trends.
- ❑ **Health Sector:** Minimal increment in health budget, raising concerns over adequate healthcare provisions and quality.
- ❑ **MGNREGA and Food Subsidy:** Stagnant allocations for MGNREGA and food subsidy despite increasing demand and economic cost pressures.



Impact on Vulnerable Populations

- ❑ **POSHAN Scheme:** Marginal increase insufficient to match previous expenditure levels, impacting nutrition programs for school children.
- ❑ **Saksham Anganwadi Scheme:** Slight rise in allocation, but inadequate support for workers' salaries and supplementary nutrition.
- ❑ **Samarthya Initiatives:** Reduction in budget for maternity entitlements and social security pensions, highlighting neglect of vulnerable groups.

SOCIAL WELFARE

- Social welfare is a system of laws and institutions through which a government attempts to protect and promote its citizens' economic and social welfare.
- It aims at providing services to the underprivileged section of the population by providing them various forms of social insurance against poverty, unemployment, disability, and old age.

Shift towards Contributory Schemes and Privatization

- ❑ **Contributory Schemes:** Emphasis shifting towards schemes like Atal Pension Yojana, potentially neglecting non-contributory social security benefits.
- ❑ **Privatization in Education and Health:** Focus on cost-effectiveness and market principles, raising concerns about equity and accessibility of social services.
- ❑ **Employment and Skilling:** Limited budget allocation for PM's employment and skilling package, relying heavily on private sector response and CSR funds.





Thank you

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