

"It must improve conditions of supply and facilitate the move away from agricultural jobs to raise farmer incomes."

Indian voters have shown remarkable maturity and thoughtfulness in delivering a stable government at the Centre. They realise the necessity of a stable government, and so often vote differently in national and State elections. Forecasts of political and economic instability made in 2014, when the macro economy was vulnerable, proved incorrect. Similar forecasts were made this year, based on the Bharatiya Janata Party (BJP)-led National Democratic Alliance's losses in the Karnataka, Madhya Pradesh and Rajasthan Assembly elections. The pundits should bow to the greater wisdom of the people — in this election, the BJP has swept the same States.

The Congress underestimated the voters' continuing need for good governance. The Congress did not choose dynamic Chief Ministers when it had the option. It also underestimated the voters' need for a positive narrative. Talking of slow job growth and farmer distress did not work. The Nyuntam Aay Yojana scheme (the Congress's proposed social welfare programme) was not acceptable as a substitute for jobs.

On the other hand, the BJP promised to improve ease of living, beyond just the ease of doing business, and strengthen the self-respect and ability of the average citizen to do more, which is exactly the right approach for an aspirational India.

Bringing life to poll promises

There was fear of competitive populism in the event of a weak government being elected at the Centre. Now the BJP will hopefully focus, as promised in its manifesto, on infrastructure, housing, technology, health, education, water, the environment, and facilitate the move away from agricultural jobs to raise farmer incomes. Only 23% of rural income now comes from farming, and there is a major ongoing shift to add value in agriculture. Apart from this, administrative reforms should be the focus. There are police and judicial reforms on the anvil. Well-targeted direct benefit transfers will efficiently deliver relief to the really distressed at low cost.

And what about the economy? The slow growth of jobs was largely due to strict monetary and credit policies that started in 2011. International monetary theories were not adapted as required in the Indian context. The inherited non-performing assets (NPA) burden dragged on. Since major loans had gone to private business, a bankruptcy regime had to be put in place, to prevent the entire burden of resolution from falling on tax payers.

But today, with some clean-up, inflation is below the target set by the Reserve Bank of India (RBI). There is still stress in the non-banking financial companies (NBFC) sector. The government must move fast to nip this in the bud and support growth.

Private investment growth has stagnated since 2011. There was a brief recovery of animal spirits after the last election, but high real interest rates and the asset quality review made bank lending to firms negative and squeezed out the revival. Something similar should not happen this time. Policymakers may believe that private investment will revive now and foreign money will pour in. But the latest data show a fall in private investment as real interest rates have risen and liquidity remains tight. There are also external shocks from the global slowdown and trade wars.

A wider tax base

Although the RBI is now keeping short-term liquidity in surplus, banks scarred by a long battle with NPAs are just parking them with the RBI instead of increasing lending. If the share of durable liquidity is increased, it will encourage banks to lend and also bring down market rates. Despite RBI permissions, banks are not lending to NBFCs, since they are afraid of having to make provisions. A full recapitalisation of banks, possible now with bankruptcy and governance reforms in place, will increase their confidence.

The RBI does not want to open a special liquidity window to NBFCs because of credit risk. It believes weaker NBFCs should be allowed to exit. But NBFCs were financing consumption growth and real estate, which are slowing, creating systemic risk, against which the RBI has to act. Even stronger NBFCs, in the current environment, are choosing to sit on a fat liquidity cushion rather than lend. If an RBI liquidity window is made available against collateral with high rates, it may not be used much, but fear of liquidity shortage would disappear, allowing NBFC lending to revive. This is required also because fiscal space, though it is there, is limited. Demonetisation and the Goods and Services Tax (GST) have increased the tax base, reducing rampant tax evasion. Despite simplifications and tax cuts, the tax base is expected to raise more revenue post-elections. Unspent government cash balances will be spent as the spending slowdown is reversed. Money from completed schemes can be reallocated. Humility should come with strength. After an exceptionally bitter election season, the NDA will hopefully follow a constructive and inclusive agenda and encourage moderate progressive stances. Institutions are the backbone of any economy and must be strengthened. The people know the government took difficult decisions to clean up the system, and chose to give it a second chance. It is time to meet their expectations.

GS World Team...

Prime Minister Kisan Samman Nidhi (PM- Kisan) Scheme

Why in the discussion?

- Recently, Prime Minister Kisan Samman Nidhi (PM-Kisan) scheme was launched in Gorakhpur on February 24, 2019 by Prime Minister Narendra Modi.
- This scheme has been implemented by the Indian government throughout the country for increasing the income of small and marginal farmers and for their golden future.
- Prime Minister Narendra Modi has launched the Prime Minister Kisan Samman Nidhi (PM Kisan) scheme of Rs. 75,000 crores.
- The announcement of the Prime Minister Kisan Samman Nidhi Yojana (PM-Kisan) was made on the interim budget 2019-20 on February 1, 2019.
- Under this scheme, 6000 rupees per year will be given to small and marginal farming families of joint holding / ownership of upto 2 hectares.

Main point

- This amount will be given in three installments of each being the amount 2000 rupees.

- This amount will be transferred directly to beneficiaries' bank account through direct benefit transfer. DBT will ensure transparency in the entire process and save farmers time.
- The Prime Minister-Kisan Yojana is a Central Sector Scheme of 100 percent financing from the Indian government. This scheme has been effective from 01.12.2018 for transfer of benefits to eligible beneficiaries.
- The existing land ownership system will be used for identification of beneficiaries in the States / UT (Union territories). Those who have their names in the land records till 01 February 2019 will be considered eligible for the benefit of this scheme.

An objective

- The objective of the Prime Minister-Kisan scheme is to provide financial assistance in the financial needs of the SMF in achieving various inputs to ensure proper crop health and suitable yield according to the estimated agricultural income at the end of each crop cycle.
- This will save them from getting entangled in the clutches of the money lender for the fulfillment of such expenses and their regularity in agricultural activities will also be ensured.

Who will not get the benefit?

- If one or more members of a farmer's family are in the following categories, formerly or currently employed in an institutional post, existing or former minister, minister of state, Lok Sabha-Rajya Sabha, former or current members of the Legislative Council, before Municipal Corporations or Existing mayor and district panchayats in existing or former chairperson of scheme, they will not get the benefit of this.
- In addition to the existing or retired employees of the Central and State Governments, regular employees of the local bodies (in which multi-tasking staff-category four-group D employees are not included) will not get the benefit of this scheme.
- All retired employees or pensioners who have a monthly pension of Rs 10,000 or above will also not get the benefit of this scheme.

National Sample Survey Office

Why in the discussion?

- Recently, a report from the National Sample Survey Office (NSSO) related to employment in the country has been leaked.
- According to the reports, unemployment rates in the year 2017-18 reached the highest level of 6.1% in 45 years.

Main point of report

- According to the report, the unemployment rate of 2017-18 is the highest since 1972-73.
- Unemployment rate in urban areas of the country is 7.8 per cent while in rural areas it is 5.3 per cent.
- The unemployment rate among urban males between 15-29 years is 18.7%. In 2011-12, the rate was 8.1 percent.
- In the year 2017-18, 27.2 percent of urban women were unemployed, which was 13.1 percent in 2011-12.
- According to the NSSO survey, the unemployment rate in the country was 2.2 percent in 2011-12.

In urban areas

- Compared to the previous years, the number of unemployed youth in the country is quite high and it is much higher with respect to the 'total population'.

- During the 2011-12, the unemployment rate was 5 percent among the 15-29 age group in rural areas, which increased more than three times in 2017-18 to 17.4 percent.
- Unemployment rates in urban areas are more than rural areas. The unemployment rate here is 18.7 percent for men and 27.2 percent for women.
- PLFS is the NSSO's first annual household survey for which statistics were collected during July 2017 to June 2018.
- Labor Force Participation Rate for women (LFPR) was seen declining in 2017-18 and it remained only 23.3 per cent, but in the financial year 2011-12 it was 31.2 per cent and in 2009-10 it was 32.6 per cent.
- LFPR for men was 79.8 percent in 2011-12, which remained 75.8 percent in 2017-18. This means that more women are getting out of labor jobs than men.

In rural areas

- The unemployment rate of women in rural areas was 13.6 percent in 2017-18, which was 4.8 percent in 2011-12.
- In the educated rural women, between 2004-05 and 2011-12 the unemployment rate was between 9.7 percent and 15.2 percent. In 2017-18 this increased to 17.3 percent.
- The unemployment rate for educated rural men increased to 10.5 percent, which was between 3.5 percent and 4 percent between 2004-05 to 2011-12.
- During the 2011-12, the unemployment rate was 5 percent among the 15-29 age group in rural areas, which increased more than three times in 2017-18 to 17.4 percent.

What is it?

- National Sample Survey Office is also known as National Sample Survey Organization.
- It was established in the year 1950.
- This is India's largest organization, which regularly conducts the country's socio-economic survey.
- National Sample Survey Office works under the aegis of the Ministry of Statistics and Program Implementation of the Government of India.

Expected Questions (Prelims Exams)

1. Consider the following statements regarding Prime Minister Kisan Samman Nidhi (PM-Kisan) scheme.

1. This scheme was launched from Gorakhpur (Uttar Pradesh) on February 24, 2019
2. Under this scheme, 6000 rupees per year will be given to joint and small joint venture / owned small and marginal farm households up to 2 hectares.
3. The objective of the Prime Minister-Kisan Yojana is to provide assistance in the financial needs of SMF in achieving various inputs to ensure proper crop health and good yields according to the estimated agricultural income at the end of each crop cycle.

Which of the above statements is/are correct?

- (a) Only 1
- (b) Only 3

- (c) 1 and 3
- (d) 1, 2 and 3

2. Recently in the context of a report of the National Sample Survey Office, discussed in the news, consider the following statements:

1. According to this report, unemployment rates in rural areas have registered more than urban areas in the country.
2. According to this report, the unemployment rate of 2017-18 was highest after the unemployment rate of 1972-73.

Which of the above statements is/are correct?

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

Expected Questions (Mains Exams)

Q. At present, what steps should the government take to deal with the problem of increasing unemployment? Discuss. (250 Words)

Note: Answer of Prelims Expected Question given on 23 May. is 1 (c)