



March 01, 2011

## BUDGET TO **PROMOTE** GROWTH

**DILIP CHENOY**

CEO & MD NSDC



Perhaps this statement reflects the thought behind and the announcements in Budget 2011 relating to employment and skills: “Our ‘demographic dividend’ of a relatively younger population compared to developed countries is as much of an opportunity as it is a challenge. Over 70% of Indians will be of working age in 2025.”

This is reflected in first, the budget being growth oriented, and at the same time, focusing on improving inclusion.

Two areas received significant focus during the budget speech--infrastructure and agriculture, in particular, food processing. Both these areas are labour intensive and significant employment generators. More importantly, a significant proportion of the jobs are created in the rural and semiurban areas. In addition, by not rolling back stimulus measures, not only has the Budget created a very high feel-good factor but has given a strong signal supporting growth.

Second, in specific sectors, there are a series of measures to promote the setting up of new industrial clusters for textiles, leather and food processing, besides food parks, capacity addition to the cold chain and grain storage during the current year. If executed, these would contribute to both growth and employment. Third, there is increased funding to promote entrepreneurship, for example, the department of micro and small enterprises has been provided an additional `5,000 crore through the Small Industries Development Bank of India (Sidbi). Other beneficiaries include handloom weavers. Broadband connectivity to 250,000 `panchayats' will also contribute to this growth. What is particularly impressive about these measures is that these are sustainable and have the potential to act as growth multipliers.

Fourth, while in the current budget, there are statements of intent and some may argue a few of them have been made in the past but not implemented, such as the entire programme of financial inclusion, the move towards the goods and services tax (GST), the direct taxes code (DTC), the manufacturing policy and the introduction of other insurance and financial instruments are all intended to promote growth and employment.

Fifth, and I now move to the area of skills. The support to education has been increased by 40% with a total allocation of `21,000 crore. This includes a revised Centrally sponsored scheme for "vocationalization of secondary education" to improve the employability of youth. The assistance for states in setting up new polytechnics has increased from `500 crore to `736 crore, a huge jump.

Sixth, Budget 2011 has infused an additional `500 crore into the National Skill Development Fund (NSDF). This is a welcome measure. It has to be seen in the context that nearly `700 crore of the `1,000 crore in the NSDF has already been committed and this was absolutely necessary to enable and would enable the National Skill Development Corp. (NSDC) to continue to approve projects leading to the fulfillment of the objective to skill 150 million persons by 2022. This in

effect means a 50% enhancement of the funds in the NSDF. Seventh, and there might be two views on this, is the increase in wage rates under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the linkage to the Consumer Price Index for agricultural labour and the increase in wages for the 'anganwadi' workers and helpers. The additional wages could be used for skill development in the first case and perhaps attract more persons in the second case.

Eight, the industrial training institute (ITI) upgradation scheme and the amount for public private participation for the modernisation of ITIs has an outlay of `720 crore, enabling this scheme to continue.

Ninth, there are over 17 ministries that engage in activity relating to skill development. There has been a continuation of programmes and significant enhancement of outlay for skill development plans.

For example, the ministry of transport's allocation has gone up from `300 crore to `400 crore. The assistance under MGN REGS is around `40,000 crore, the budget for the National Rural Livelihoods Mission is over `2,600 crore, the Swarna Jay anti Shahari Rozgar Yojana (SJSRY) budget has gone up from `590 crore to `813 crore. This is a common trend across ministries and departments.

Tenth, and importantly, is the move across the economy toward greater transparency and improving the capacity of departments and local bodies to increase utilization of funds by introducing direct to beneficiary transfers and the use of information technology to enable this. This includes the proposed separate accounting for expenditures in the LWE areas. These initiatives in Budget 2011 provide the finances.

The continuing challenge is to ensure that targets are met and capacities are created in the next two or three years. Unless that is done as a country, we may not realize the benefits of the demographic dividend.

The steps taken outside the budget to coordinate the various skill development initiatives as well as the appointment of S. Ramadorai as adviser to the Prime Minister on skills will help ensure this execution. NSDC is committed to work towards achieving this goal.

**(The author is CEO and MD of the National Skill Development Corp.).**