DA hike may boost festive consumption: ICRA

NEW DELHI: The 5 per cent DA increase for the government employees and pensioners could result in a mild rise of their disposable incomes that may boost small ticket durables consumption, analyst Aditi Nayar from ICRA, said on Thursday. "The DA hike will modestly increase the disposable income of the government employees and pensioners. The timing of the announcement may boost festive sales of small ticket durables", Aditi, Nayar, Principle Economist ICRA told LANS. The Union Cabinet raised dearness allowance by 5 per cent in a move that will benefit 50 lakh government employees and 65 lakh pensioners. The hike, based on the recommendations of the Seventh Pay Commission, will cost the exchequer Rs 16,000 crore and will be effective from July, this year.

The government increased the DA from 12 per cent to 17 per cent on Wednesday. Union Minister Prakash Javadekar said that it was one of the highest raises in last several years and a gift for the employees ahead of Diwali. He also said the earlier DA increases were 2-3 per cent, but this time it has been raised by 5 per cent in one go. In order to boost the rural income of the farmers, the Union Cabinet relaxed the mandatory requirement of Aadhaar-seeded data as a pre-condition for release of funds to the beneficiaries under the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme to November 30, enabling immediate release of funds to farmers who do not have the account. More than Rs 27,000 crore have been released under the scheme. The Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme provides income support of Rs 6,000 per year to landholding families.