

A Unique Feature Of The Budget Was The Articulation Of A 10-Year Vision For The Country

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The morning newspapers after the budget had conflicting headlines; “Budget sops to farmers are too little and too late” and “Budget sops will breach the fiscal target; where is the money”. Budget making is always a balancing act, whether it is for a nation or for the house maker who tries to please all members of the family. With just a few months to go prior to general elections for Lok Sabha, the interim budget was an effort to address the critical pain points as well as woo a large chunk of electorate – middle class, farmers, rural poor and unorganised sector workers.

The big picture is, that the Indian economy is being recognized as a bright spot in a weakening global outlook. We are now the third largest economy in the world in PPP terms and on the cusp of becoming the 5th largest in nominal terms. There has been macro-economic stability in terms of low inflation, a declining fiscal deficit, a manageable current account deficit of 2.5% of GDP, and record FDI inflows. In this context, some of the highlights of the 2019-20 interim budgets are:

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The expectation of a big announcement for rural India was high; and the budget did not disappoint. The big ticket announcement of providing assured income support to the small and marginal farmers, under the “**Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)**” is truly historic. It will have three major effects immediately. Firstly it will provide relief from the distress on account of low prices, secondly such a transfer leaves the choice of how to use the money to the farmer, and thirdly an unintended benefit would be that all land records will get fully streamlined once in for all.

Will the budget solve all the farmer’s woes; certainly not. Reforms and structural changes are a continuous process and more needs to be done. Freeing agriculture markets from licensing, allowing long term land leasing, a stable trade policy, encouraging food processing, linking farmers with modern trade, use of biotech products, rapid growth in nonagricultural jobs, etc are still in work in progress. It is hoped that these policy corrections will remain on the radar of policymakers.



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One sop that was expected by some was a loan waiver. It's encouraging to see that the government did not choose that route, as it results in poor credit discipline and lowering credit rating, which eventually hurt the farmer. The spillover effect of direct transfer along with higher MNRGA allocation will also benefit the rural landless labour. It is hoped that transferring money into the bank account whether for farm relief or fuel subsidy lays a good foundation for a gradual withdrawal of various subsidies that are prone to leakages and corruption. We have been talking about direct transfers for more than a decade, it now finally coming to fruition. The government should gradually achieve its equity objectives through this approach, which has now become possible because of the universal reach of banking and Adhar.

A unique feature of the budget this year was the articulation of a 10-year vision for the country. The goals set were indeed stretching and gives a clear direction to the nation. Expectedly, rural India and sustainable agriculture found a prominent place. It now important not to lose sight of the vision and every successive government should judge its success by the impact of policies on the targets set for the nation. Of course just as they say, the devil is in the detail, the devil is also in the implementation, and that will require a step up in capabilities from the current level.

Organised sector jobs are important and should be important, but the Finance Minister's comment in his speech that everyone cannot get government jobs is an acknowledgement of reality. There is also tacit acceptance that large manufacturing cannot absorb the numbers that enter the workforce and the unorganised sector is here to stay. Therefore the benefits envisaged for the unorganised are timely and will partly help them tide the uncertainties they face. The scheme proposed by Finance Minister intends to provide an assured monthly pension of Rs 3,000 a month to workers in the unorganised sector who earn up to Rs 15,000 per month after the age of 60. With a monthly contribution of just Rs 100/ month, the government deposits a matching share in the pension account of the worker every month. This will provide substantial security post-retirement.

Over the years we have seen a quiet but efficient use of IT in filing tax returns. The mandatory online returns along with the direct transfer of refunds have made assessment less tedious, eco-friendly and much faster. This is now proposed to be taken to the next level. The plan to process income tax returns in 24 hours is an exemplary example of using India's competitive strength in digital technology. The fact that last year, 99.54 per cent of the income-tax returns were accepted as they were filed, shows we have come a long way in bridging the trust deficit between the taxpayer and the tax department. The plan to engage electronically with taxpayers selected for scrutiny through anonymous back office, without any personal interface is something we could only dream of earlier. This does not mean that people can experiment with tax evasion. With mandatory disclosure of PAN No on most transactions it easy for the department to track any attempts at such adventurism.

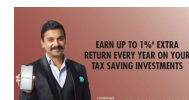
The first impression of the 2019 budget is a bag of goodies for Indian voters from a government heading into general elections, willing to let fiscal targets slip. This is not true. When budget deficits were hitting the 6% level, inflation was not only in double-digit, but food inflation was higher than overall inflation. Now when inflation is low and food inflation even lower, there is no reason to fear a deficit of 3.4% of GDP against the earlier target of 3.1%. As said in the beginning, preparing the Union Budget is always a balancing Act, and Mr. Piyush Goyal has done it well.

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