

Farm Fresh Ideas Likely to Dominate Interim Budget

Higher social sector spending and focus on lifting rural incomes could dominate the exercise

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New Delhi: The upcoming interim budget — the last of the current government — that's set to be presented on February 1 is likely to focus heavily on rural and farm sector spending.

The losses sustained by the ruling Bharatiya Janata Party (BJP) in three crucial Hindi heartland states — Madhya Pradesh, Rajasthan and Chhattisgarh — are expected to cast a shadow on the budget-making process, which is already underway, said people with knowledge of the matter.


Pre-election budgets are interim exercises in which new tax measures are usually not announced but spending is presented for the whole year, giving the outgoing government a chance to present its vision for the future.

Higher social sector spending and a focus on lifting rural incomes are likely to dominate the February budget, said the people cited above.

The government has already set in motion a plan to double farmers' incomes

Focus on Bharat

Menu Change	Tweaks likely in MSP regime to boost farmers' incomes	Universal Basic Income (UBI) idea could find mention
Expect more funds for rural India and farm sector	New scheme for farm welfare, MSMEs	Fiscal consolidation still likely to be on track



What is Possible

Interim budgets usually do not have tax proposals

Spending is presented for the entire year

Govt can spell its priorities through spending

The idea of Universal Basic Income is likely to find some reflection

by 2022. There could be more on that in the budget given that the electoral setback for BJP is being largely attributed to rural distress and farmer anger.

The budget for FY18 had set aside ₹2.36 lakh crore for the creation of livelihood and infrastructure in rural areas across a number of schemes run by different ministries and departments.

BJP had in its manifesto for Rajasthan promised a universal basic income (UBI) and it is likely that this will find some reflection in the national budget.

UBI had been floated in the Economic Survey presented by former chief econo-

mic adviser Arvind Subramanian as an effective tool to lift people out of poverty. Any call on such a scheme, even in limited form, will only be taken in keeping with the resources available and delivery mechanisms.

“There would be some impact of the (election) outcome,” said a government official. Even before the state election results, finance minister Arun Jaitley had told ET in an interview on Monday that infrastructure and rural development will be focus areas going ahead.

Spending on agriculture, particularly that set aside for procurement, is expected to go up to broadbase this in terms of crop coverage and geography.

Focus to Stay on Fiscal Consolidation

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The new minimum support price framework that provides a cost-plus-50% price could see some tweaks amid ground reports from most states indicating that it has not been very effective.

Average crop prices over the past few years show that market rates of major farm products have remained largely stagnant over the past five years, according to a Kotak report.

“MSPs have increased steadily at a CAGR (compounded annual growth rate) of 6% for rice, 6% for wheat and 5-9% for pulses but market prices have increased at a much lower CAGR of 2.5% for rice, 2.7% for wheat and (-)1.1-(-)1.8% for pulses, capped by higher supply,” it said.

Allocations are likely to go up for infrastructure creation, particularly in rural India, besides a special focus on medium and small enterprises that are said to have been hit by demonetisation

and the goods and services tax (GST).

Economists, however, do not see the government losing sight of fiscal consolidation despite the spending focus.

“The government is unlikely to the walk the path of fiscal profligacy. There has been considerable effort on the consolidation front and it is unlikely that they would give up on the commitment,” said HDFC Bank chief economist Abheek Barua. “There could be additional spending for the farm sector.”