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A budget for Bharat

It seeks to boost rural incomes and domestic industry with a modicum of fiscal relaxation

The Budget, in its rhetoric and tenor, has been unveiled with an eye on the eight Assembly elections and the general elections in 2019. It reaches out to the rural sector, workers, small industries and senior citizens without, however, going overboard with freebies. There are two broad ideas driving it: boosting the rural economy in order to push industrial demand, and spurring investment in manufacturing as well as job creation by offering import duty protection in labour-intensive sectors in particular.

The Budget does a tightrope walk by reconciling fiscal consolidation with the need to keep the economy growing. If the fiscal stimulus looks muted — at 3.3 per cent for the next year, against 3.5 per cent for 2017-18, in money terms a rise in deficit of less than ₹30,000 crore — it is perhaps because the Centre is wary of rising bond market yields imposing future fiscal costs, besides crowding out private sector lending. A nominal growth rate of 11.5 per cent built into the Budget's revenue and deficit estimates seems credible, with perhaps the underlying assumption of a 5 per cent inflation rate in view of rising oil prices. The Centre is banking on excise duty cuts on petroleum products to neutralise oil price inflation. What is left unsaid is the anticipated rise in crude prices; with the petroleum subsidy remaining almost unchanged at ₹24,933 crore for 2018-19 in relation to the revised estimates, it seems there isn't much room for further reduction.

After the Gujarat elections, a budget for Bharat was always on the cards — more so proposals meant to address prices ruling below the minimum support price. By upping the food subsidy outlay by nearly ₹30,000 crore over the revised estimates for this fiscal, to ₹1,69,323 crore, the Centre has shown that it is dead serious about not allowing price slides to recur. The outlay for agriculture and allied activities has increased by nearly 13 per cent to ₹65,836 crore, of which the Pradhan Mantri Fasal Bima Yojana's outlay has been upped to ₹13,000 crore for 2018-19, a 21.5 per cent increase over the revised estimates of ₹10,698 crore. The rest of the money is to beef up marketing infrastructure as key to ensuring better price realisation. To this end, it has sensibly sought to deploy the MGNREGA scheme. However, rural development outlays have actually fallen in real terms over this year's revised estimate, thanks to which MGNREGA outlays are stagnant. This bolsters the belief that the Modi government is biased towards infrastructure creation rather than distress schemes. It seeks to extend crop insurance and bank outreach to share-croppers and labour instead.

The big bang announcement, of course, was the announcement of the world's largest public health protection scheme — the National Health Protection Scheme will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing up to ₹5 lakh cover per family per year for secondary and tertiary care, including hospitalisation. While it marks a welcome shift towards universalisation of welfare schemes, with no outlay being earmarked and the contours unknown, the impact remains unclear. Arun Jaitley has also reached out to workers and women by extending EPF support. Small-scale industries, hurt by GST, have got a fillip, with companies below a turnover of ₹250 crore being allowed to pay corporate taxes at 25 per cent, the threshold having been raised from ₹50 crore to include a greater number of small companies. For senior citizens, this is a budget to savour, with their interest income up to ₹50,000 being exempt from taxes, against ₹10,000 at present. What's more, the standard deduction of ₹40,000 works best for them. Investors, including sections of the middle class, would have less reason to cheer, with dividends on mutual funds being taxed as well as long-term capital gains tax being imposed. The consumer will not be amused by the hike in the education cess either. However, the Budget is pro-actively producer-centric, whether it is boosting farm output, or sectors such as leather and toys that have been hurt by Chinese imports. It has chosen to reach out to sections that have hitherto been less pampered than the urban middle class — the traditional support base of the BJP. The question of reviving investments — key to pushing growth — remains largely unaddressed.

A stand-out feature is the whopping 67 per cent rise in estimated GST revenues in 2018-19 over the revised estimates, or from ₹4.44 lakh crore to ₹7.43 lakh crore. Even if one concedes that the ₹4.44 lakh crore is for nine months this year, this is an ambitious target. An expenditure increase of 9 per cent, excluding transfers, is not extraordinary. The Budget math is based on a combination of compliance and growth. Finally, the Government is betting on its own reform initiatives.