

DIRECTIONAL IMPETUS OF UNION BUDGET

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—Avineesh Matta

The Finance Minister Shri P.Chidambaram presented the Union Budget 2005 in the backdrop of growth rate of 8.5% for 2003-04 along with spilling over of liquidity overhang; inflationary pressures due to rising global petroleum prices; 13% deficiency in south west monsoon and above all decline in business confidence index resulting in lower capital investment. Though the previous regime at the Centre claimed differently.

In continuum to follow the National Common Minimum Programme (NMCP), which mandates the Government to maintain 7–8% growth, together with generating higher investment and employment and accelerating the fiscal consolidation at the same time, the finance minister outlined various schemes and initiatives in the current budget. These initiatives are expected to affect all areas of economy and more especially rural development and infrastructure.

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mated to be at 6.9% with manufacturing sector expected to grow at 8.9%. These estimates are ambitious by any standards for an emerging economy like ours. Inflation has been reported to be contained at one percentage point lower to 5.1 for the week ended February 12. Even the inflation based on CPI for Industrial Workers has been estimated to be lower at 3.8% in December 2004. These statistics apparently depict the optimistic outlook for a vibrant economy. Consequently, buoyancy in investment has been noticed due to rise in business confidence index, with rise of 21.2% in non-food credit as a pointer to support.

With the above backdrop, the finance minister seems confident to predict that all engines of the economy are running at nearly high speed. Common man of this great nation has trust that the union budget to be presented next year in 2006 beholds this prediction true in effect.

Focus of the budget

With the conviction that growth,

stability and equity being mutually reinforcing, the Finance Minister envisions to launch a direct assault on poverty and unemployment through the current year's budget. Higher outlays have been proposed to do so. Gross Budgetary Support for the Plan in 2005-06 has been raised to Rs. 172,500 crore up from Rs. 147,590 crore. Substantial increase of 25.6% has been made as Support for the Central Plan, which now stands at Rs.110,385 crore up from Rs. 87,886 crore for 2004-05 in terms of budget estimates. Additionally, the FM has proposed to provide Rs.25,000 crore for priority sector and flagship programmes falling under the sacrosanct NCMP.

Accordingly, higher allocations have been made for education to the extent of Rs. 18,377 crore, Rs. 18,334 crore for rural development, Rs. 16,254 crore as subsidy for fertilizers and Rs. 10,280 crore for expenditure on health and family welfare has been proposed. These four areas only aggregate Rs. 63,245 crore.

Total Central Plan Outlay for the year 2005-06 stands at Rs. 211,253 crore up from Rs.163,720 crore for

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the year 2004-05 an increase of Rs. 47,533 crore or 29.03% over preceding estimates. However, plan outlay for agriculture has been increased higher at 38.38%, and for that of Rural Development at 51.44%. Similarly, allocations for Social Services (excluding rural housing) have been increased by 49.37% and of transport by 37.18%. Therefore, it seems that the directional thrust of the budget is towards rural development, agriculture and infrastructure. At the same time, comparative increase of 43.70% in Industry and Mineral is also noticeable.

Objectives Sought to be achieved

The broader objective sought to be achieved by the government by this budget is through an assault on poverty and unemployment. To this end, the Finance Minister seeks to empower the under-served masses. Poverty as enmeshed through the indicators like illiteracy, disease, infant mortality and malnutrition is sought to be alleviated.

Poverty: Comprehensive Assault

Rural employment through assured irrigation facilities for additional one crore hectare of land shall generate one crore additional jobs over five years. Textile industry is slated to create 1.2 crore jobs during the same period. Similarly, food processing and IT industry are expected to create additional 80 lakhs jobs by 2009. These three crore additional jobs may only remain a piped dream unless immediate reforms are undertaken wherever necessary. For example, labour reforms in textile, especially garmenting are a must to translate the opportunity opened up by dismantling of quota into reality. It is a welcome declaration by the FM that the government will extend highest attention to the sectors, which have highest potential to generate employment. Innocent countrymen of this great nation trust that the government will stand by its declaration in all sin-

cerity and take up reforms without political compulsions.

Programmes like National Rural Employment Guarantee Scheme, National Rural Health Mission, Integrated Child Development Services Scheme, Sarva Shiksha Abhiyan, all with higher allocation indicates government's resolve to upgrade masses' life in the country.

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Empowering the Backward Classes

Empowering the backward classes is an alternate route to alleviate poverty. In the direction of inclusive economic growth, the finance minister desires to uplift the under privileged belonging to the scheduled castes and scheduled tribes in a more focussed way. That is how the budget documents this year includes a separate specific statement on the schemes purported to be launched for SCs and STs with the budgeted amount of Rs. 6,253 crore. It has also been proposed to shortlist the Institutes of excellence for higher learning and any student of the targeted class securing admission into such institutions shall be provided with larger scholarship to include full board and computers too. Though the move may be criticized of being politically inclined, but is in the right direction to uplift the socially deprived.

Regional Development: Removing Disparities

Backward Regions Grant Fund was

established subsequent to last year's budget in order to grant monetary support to the backward districts in the country. The Inter Ministerial Group (IMG) has identified 170 backward districts adjudged on the basis of certain socio economic parameters. The implementation of the developmental programmes shall be administered through the panchayats, which are well versed with the local needs and necessities of the area. Accordingly, IMG has proposed that the grants shall only be given if the Panchyati Raj institutions are adequately empowered. An allocation of Rs. 5,000 crore each year is proposed to be made for the next four years starting with the current budget. One may only wish that political aberrations have not gone into identifying the targeted districts and objectivity had only been the sole criterion.

Faster development of Bihar, Jammu and Kashmir and the North East region is in focus so that each of these states can catch up with others. It is in line with the NCMP agenda. Accordingly, substantial special grants have been accorded to these three states. With over 11% of the aggregate state-wise distribution of union taxes and duties going into Bihar, (second only to U.P. at 19% and against around 0.5% going to peaceful state, H.P.), it becomes imperative on the part of polity in states like Bihar to make a sincere effort to utilize scarce national resources to uplift the living standards of their inhabitants. There are a few other states like Orissa, natives whereof also need intensive attention.

Bharat Nirman: Through Rural Route

Bharat Nirman is a business plan to build infrastructure especially in the rural areas. Focus area shall be irrigation, roads, water supply, housing, rural electrification and rural telecom. These areas have always been on the

agenda of all governments while presenting their respective budgets over the years. What is needed is the implementation of the plans and policies with sincerity at all levels. There can be no denials that it is the rural India, which shall now be the growth driver in the country. But only when, the rural masses are economically empowered through the process of balanced growth.

Agriculture: Irrigating non conventional Areas

Initiatives for agricultural diversification shall be taken, once the roadmap to be made by the Ministry of Agriculture is in place. The road map will focus on fruits, vegetables, flowers, dairy, poultry, fisheries, pulses and oilseeds. Immediate action by the concerned ministry shall only make the proposal an effective plan. This coupled with National Horticulture Mission indicates government's desire to garner greater value addition for the non-traditional agriculture. Irrigation being of prime importance, in Accelerated Irrigation Benefit Programme additional Rs. 2,000 crore has been allocated to raise its outlay to Rs. 4,800 crore. Being on last mile stage, it is expected that the future budgets will have comprehensive schemes with higher allocations and extensive area under irrigation to cover larger peasant populace.

Higher credit disbursal in agriculture is expected by the end of current fiscal. Against budgeted target of Rs. 105,000 crore, a disbursal of Rs. 108,500 crore is estimated. This must be taken with a pinch of salt, what the country requires is an increase in the income levels of the farmers and not to indebt them in view of agricultural uncertainties. Crop insurance with land reforms therefore should also have been accorded higher weightage. However, the initiatives to accelerate micro finance and also allowing NGOs to engage in micro-finance

activities by using ECB route is a step in the right direction.

Industry: Empowering SMEs

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In a bid to have India as a world class manufacturing hub with global standards, a new schemes christened "Manufacturing Competitiveness Programme" under the aegis of National Competitiveness Council has been planned. This programme shall focus on empowering small and medium enterprises to face the onslaught of competition in the wake of liberalization and lowering of tariffs.

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However, in line with the reduction in import duty rates, adequate attention is required to protect the interest of domestic industry by moderating excise duty. Anti dumping provisions though are in place, but resorting to it may sometimes become difficult for an emerging economy. A prospective legislation to create supportive environment for SMEs, named Small and Medium Enterprise Development Bill is in the offing. One hopes that the small scale industry will start playing an important role in job creation again.

A levy of 2% excise duty has been proposed on branded jewellery only. In the current scenario of brand building and hallmarking, the levy may further instigate a consumer to buy jewellery from unorganised sector. To this extent, the step may seem to be regressive. The initiation of levy this year may also be seen as a first step to bring whole of the industry under excise net in the subsequent years, as was done in the case of garment industry a few years ago.

Infrastructure: Rural Domain

In addition to the pre-existing plans and policies in telecommunication, National Highway Development Programme, Indira Awas Yojna and rural electrification with higher allocations, the budget proposes to have a

Special Purpose Vehicle to fund infrastructure projects only. The SPV concentrating more on roads, airports and tourism will be able to garner foreign exchange resources wherever required for large imports related to infrastructure creation. The borrowing limit for SPV shall be fixed at the beginning of each year and for the first year; it is fixed at Rs. 10,000 crore. PURA i.e., Provision of Urban Infrastructure in Rural Areas is another fresh idea. An effort shall be made to resolve problems affecting rural India such as unemployment, isolation from market, lack of connectivity and migration to urban areas. One believes that with effective implantation the PURA, rural populace will have the same amenities as enjoyed by their urban brethren.

Conclusion: Inclusive Growth

A close look at the budget this year makes one thing very clear that the government is hell bent to uplift the level of living of the masses. With the truth that the majority of India comprises under privileged, an effort to alleviate poverty through empowerment is viewed. How far the government will succeed in its endeavour will definitely depend upon the cooperation it gets from its coalition partners and by the opposition at the same time. However, one thing is for sure that we as a nation have to grow full scale, sooner the better. ■