Budget 2018-19: No money where the mouth is

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Billed as the last full budget of this second NDA government, Budget 2018 was not expected to surprise. Its primary thrust had to be a show of concern for the large mass of the deprived in India, with some focus on the agricultural sector which by all accounts has been neglected and allowed to languish over the last four years. There were therefore three questions that the budget was expected to answer. First, to what extent would pre-election imperatives be addressed with mere rhetoric and window-dressing, rather than actual measures backed with financing aimed at the neglected and marginalised sections of India society. Second, what means – actual revenue mobilisation and manipulation of figures – would the Finance Minister adopt to achieve his irrational fiscal deficit targets, if he manages that at all. And, finally, with intense media attention making the Budget the single most important propaganda pamphlet issued every year, how would the government use it to establish the Prime Minister's claim that he is the most passionate "reformer" of all time.

On the first count, the conclusion is clear: this budget does not put money where its mouth is. As expected the budget made noises regarding special policies for the rural sector, small industry and the marginalised. But what is striking is the absence of a clear commitment of budgetary resources (as opposed to credit and other off-budget funding) to back up these claims. In the case of agriculture, for example, the allocation for the Department of Agriculture, Cooperation And Farmers' Welfare has been increase by just 7 per cent in Budget 2018-19 as compared to the revised estimate for 2017-18. That would be a negligible increase in real terms. Rather than significantly increasing budgetary support for a sector in crisis, which forced some state governments to accede to demands for farm loan waivers, the Finance Minister has merely promised to increase the flow of institutional credit to agriculture from Rs. 10 lakh crore to Rs. 11 lakh crore. That is not his money, but that of banks that are also reeling under a crisis. The only pro-farmer measure the Finance Minister can celebrate is the much-belated plan to implement the long pending demand from the farming committee that the M S Swaminathan Commission recommendation that floor for the Minimum Support Price for crops should be set at 1.5 times cost. But whether adequate amounts of different crops would be procured at these prices is yet to be seen.

This absence of allocations to back claims of devoting additional resources to uplift the poor and the marginalised is visible in other areas as well. The Finance

Minister announced the launch of the "world's largest government funded health care programme" through a flagship National Health Protection Scheme that would "cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization." Strangely not a single rupee has been set aside in the budget for this purpose. Nor has there been any information provided on whether discussions have been held with insurance companies who will implement the scheme and the premia they would charge. Once that is done, the whole scheme may be quietly dropped for lack of resources.

On another front, the budget speech talks of fulfilling the dreams of the poor to own their own house. Yet, the nominal allocation for the Pradhan Mantri Awas Yojana has been increased by just 3 per cent. Finally, allocations for the Rural Employment Guarantee Scheme in Budget 2018-19 have been kept at the same level of Rs. 55,000 crore as provided for in the budget for 2017-18. It is another matter that the full amount was not even spent in 2017-18, despite the overwhelming evidence that the demand for jobs in the scheme was large and wages are in arrears.

Despite efforts of this kind to keep expenses down, the Finance Minister has not been able to achieve his irrational fiscal deficit target of 3.2 per cent. The deficit for 2017-18 is (optimistically) estimated at 3.5 per cent and that for 2018-19 has been set at 3.3 per cent. What is noteworthy, is that the deficit this fiscal year has overshot the target despite the facts that (i) finance ministry mandarins have kept some big-ticket spending items (such as expenditure on the recapitalisation of banks) outside the budget through a sleight of hand; and (ii) the government received Rs. 36,915 core from ONGC for the its 51.1 per cent stake in HPCL one day before the budget (which takes estimated receipts from disinvestment to Rs. 1,00,000 crore as against the budgeted Rs.72,500 crore). Clearly the shortfall in GST receipts, which had taken the fiscal deficit figure to 112 per cent of that budgeted by November 2017, played a role here. What that shows is that neither is the GST delivering on its promises nor is the economy doing well from a revenue buoyancy point of view. This seems to have pushed the government into adopting what might prove to be the one saving grace in the budget—the restoration of a tax on capital gains made on investments of more than a year in stock markets. The Long-term Capital Gains Tax that had been abolished in 2003-04 has been reinstated at 10 per cent for gains exceeding Rs. 1 lakh, and the short term capital gains tax set at 15 per cent. But if the stock market reacts adversely to this move, as it is likely to, a reversal of this before the budget is passed is a strong possibility. If it is not, the government's image of being "reformist" will take a hit among foreign investors, despite all the tiresome talk about India's achievements with respect to "the ease of doing business" in the Finance

Minister’s speech. Overall, the Finance Minister was left with the option of engaging in big talk while attempting to conceal the fact that he had not been able to offer much in what is a pre-election year. Unfortunately for him, the minister is not even a good orator.