Neither Interim, nor Substantial*

C.P. Chandrasekhar

In a pre-election budget speech filled with propaganda about the supposed developmental achievements of the Modi government, substitute Finance Minister Piyush Goyal read out a text that both window-dressed the revised estimates and violated all norms that should apply to an Interim Budget. Principally, the speech lays out three sets of changes on the expenditure side with the hope clearly of winning votes at election time: one to provide for a Rs. 6,000 crore cash transfer in a year to "landholding" farmers with holding size upto 2 hectares; a contributory pension scheme for unorganised workers with monthly income upto Rs. 15,000; and a set of direct tax concessions for those with taxable income less Rs. 5 lakh a year and for salary earners.

What is striking about these pre-election sops is not the gain which each beneficiary would register but the numbers who would feel that they have been benefited. The cash transfer to the farmer of Rs. 6,000 a year amounts to Rs. 500 or a hundred rupees per capita for a family of five. That is nothing, as many farmers would recognise. But since the scheme is expected to cover 12 crore landholders, the government obviously expects the sheer sweep would make a difference. It also requires allocating (even if not finally delivering as in the case of other schemes) an annual sum of Rs. 75,000 crore. What it, however, does not take into account, is possibly the fact that it has left the farming community and all dependent on agriculture, languishing for the last four-plus years, and even accepted the Swaminathan Committee recommendation for a minimum support price of 150 per cent above costs only in its last year in office. This sudden election year concern for farmers will possibly not wash.

The same holds true for the pension scheme for unorganised workers. This is not for the existing elderly, but for those who register for the new scheme (Pradhan Mantri Shram-Yogi Maandhan) and keep paying a monthly contribution. A 29-year old would have to pay Rs. 100 a month or Rs. 1,200 a year for 30 years, till she turns 60, to be eligible for a pension of Rs.3,000 a year. Besides the fact that even at a 5 per cent inflation rate, Rs. 3000 after 30 years would amount to less than Rs. 700 in today's prices, the individual concerned would have herself saved a total of Rs. 3,60,000 over those 30 years, which in itself (even without interest included) would cover the total pension she would receive over the next 10 years, or till she turns 70. Rather than play such games, a proper pension scheme should offer the elderly at least half the prevailing minimum wage and should be universal. That would be about Rs. 5000 per month today.

Finally, the enhanced exemption limit for taxation provides a zero tax concession for those with taxable income between Rs. 2.5 lakh and Rs. 5 lakh, without making any difference to other tax payers. To compensate the salary earners for this neglect, the interim budget provides for an increase in the standard deduction for salary earners for Rs. 40,000 to Rs. 50,000. Despite these concessions income tax receipts are expected to remain unaffected relative to the budget estimates. As compared to a "projected" receipt of Rs. 529,000 crore in 2018-19 (exactly the same as the budgeted estimate), the 2019-20 budget provides for an increase to Rs. 620,000 crore. The concessions provided here is possibly not to large in aggregate terms.

Put together, these meagre "sops" that were accompanied by thumping of desks and followed by "Modi, Modi" chants, are a pathetic effort to mobilise voter support at the last minute. Even when engaged in this desperate bid, the government could not allow itself to deviate too much from its commitment to please international finance with a magic fiscal deficit figure in the neighbourhood of 3 per cent. The GST, which was supposed to be a game changer, has delivered Rs. 1,00,000 crore less than budgeted, though the adverse effect of that falls substantially on the states. But the cash benefit transfer to farmers is expected to cost Rs. 20,000 crore this year and Rs. 75,000 crore in the coming year. Yet the government claims it can keep the fiscal deficit at 3.4 per cent of GDP in 2018-19, as compared to a budgeted 3.3 per cent, and below the 3.5 per cent recorded in 2017-18. In 2019-20 the Finance Minister expects the deficit to stay at 3.4 per cent, despite the new expenditures.

A number of manipulations have helped the government keep to target despite adverse trends in receipts—or at least near it. First, is the "revision" of GDP estimates, which by consistently hiking the size of the national cake helps depress the ratio of the fiscal deficit to the GDP. The second is optimistic estimates about tax buoyancy. Thus, the "projected" revenue from corporation taxes in 2018-19 is now placed at Rs. 50,000 crore or 8 per cent more than the budget estimates. Finally, the government is providing for large receipts of Rs. 80,000 crore from disinvestment in 2018-19 and Rs. 90,000 crore in 2019-20. Finance Minister Jaitley had set his disinvestment target in Budget 2018-19 at Rs. 80,000 crore. He was possibly expecting even larger realizations through measures that drained PSE surpluses, giving him much fiscal maneuverability in a pre-election year while achieving his fiscal deficit targets. Eight out of 16 disinvestment transactions were "buybacks" of government-held equity by the PSUs concerned. Surprisingly, thus far there does not seem to be evidence of success. Excluding the most recent buyback of equity by Indian Oil Corporation and ONGC, disinvestment receipts are currently placed at a little more that Rs.34,000 crore in 2018-19, which is not even half-way to target. The government also plans to mobilise in excess of Rs. 10,000 crore by selling its 52.63 per cent stake in the Rural Electrification Corporation to the Power Finance Corporation, which too it owns.

Put together, these features of the "interim budget" speak for themselves. This was as expected a propaganda effort, with no well thought out strategy or real intent. Whether a people who were promised large transfers of expropriated money into their bank accounts and received nothing will trust these promises is to be seen.

*** This article was originally published in The Wire on February 1, 2019.**