

## The Budget Buzz: Big Bang Or Business As Usual

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by VP Singh

The budget buzz these days carries predominant electoral harmonics. Indian polity being at a crucial juncture, with Lok Sabha and 10 states' assembly elections scheduled to be held in next 16 months, Budget 2018 comes as a major lever to tilt the sentiments in favor of the ruling party. But, can one budget change the mindset of the people and give mandate for the next five years? Very unlikely! So it is quite likely that the fifth budget is in sync with the previous ones. After all the previous budgets have handed the government victory in most of the assembly elections held in last four years. Even the

defeats - in Delhi, Bihar and Panchayat elections in Gujarat in 2015 didn't deter the government from continuing fiscal discipline in Budget 2016, though elections were due in crucial states like West Bengal, Kerala and Tamil Nadu in May 2016. Even the preponed budget of 2017 which was at threshold of elections in UP didn't have populist colors. Fiscal prudence has been one of the characteristics of the budgets presented by Jaitley till now and is very likely to prevail in the coming one too.

Historically, never has a non-Congress-led party won consecutive General Election. BJP can't forget losing the 2004 election though it firmly believed that Indian economy was shining. NDA had then lost because rural India rejected the idea of 'India shining'. Recent Gujarat assembly elections have also shown disenchantment for BJP among the rural voters. This disenchantment could very well be a local factor instead of being a countrywide phenomenon. Kerosene-free drive in Gujarat reducing supply of kerosene to fishermen for their boats; ban on sand mining leading to increased cost of house construction; and farmers' output prices plummeting due to bumper crop - could be probable reasons for this dissent. Since, a Union Budget can't control these factors, therefore, the factors impacting Budget 2018 have to be different.

While taking the oath as PM, Modi had announced that he will come up with a report card of his government's performance. This budget is likely to be focused on the unfinished agenda of the government. One of the issues on which the government can be cornered is job creation. NDA came to power with promise of creating one crore jobs every year. Various media sources report meagre job creation of around 2 lakh per year. NDA wishes to counter this allegation through the achievements of Pradhan Mantri Mudra Yojana, which has provided loans to almost 10 crore people for setting up their own business. Till now almost Rs 4.5 lakh crore of loans have been disbursed. These numbers are impressive but whether these will be considered as fulfilment of job creation promise is the call that government needs to take. If the government feels that people may not consider it as job creation then it needs to give a Big

Push to stimulate investments and create jobs. The industries that can get the push are likely to be the labor intensive industries - Automotive; Electronics; Renewable Energy; Roads and Waterways; Pharmaceuticals and Food Processing; Irrigation and Low cost housing.

Present Government, in the last three and a half years or so, has brought significant reforms and structural changes like Insolvency and Bankruptcy Code; Goods and Services Tax; Pruning of subsidies; Jan Dhan Yojana; Electrification of villages; Accelerated pace of road construction; Swachh Bharat; Mudra Yojana, Skill India, Start Up India and Demonetization. The government has kind of coerced the public in giving

up petroleum subsidies; linking Adhar card with PAN; Opening of Jan dhan accounts; and paying Swachh Bharat cess. Some people approve of these and some don't. Largely these have been seen as harsh steps though for overall good of the economy. Dr APJ Abdul Kalam once said "Economy forced me to become a vegetarian, but I finally started liking it..." But the common man doesn't like to be forced and hates to be forced too often. So, some kind of respite needs to be seen in this budget. Hence we might see tax exemption limit going up to Rs 3.5 lakhs. After demonetization, the increase in number of taxpayers has been around 20% and the amount collected was higher by 21% till July 15. Direct tax collections have been higher by 18% during Apr-Dec 2017 period. This enables the government to lower the tax rate.

The CSO estimated 6.5% growth for 2017-18 is lowest in the past four years. The big billion population wants more. Understanding the sentiment the government has already announced some fiscal stimulus. Bharat Mala project looks at developing 83000 km of roads at a Rs 7 trillion spend. Recapitalization of banks to the tune of Rs 2.11 trillion has been announced. Saubhagya Scheme, worth Rs 16,000 cr government spend, has been launched for providing electricity access to all. December 2017 saw Rs 1300 cr package being announced to boost the textile industry and Rs 8500 cr sops being announced for exporters under the Manufacturing Export from India Scheme and Services Exports from India Scheme. Changes in GST saw 81% of the goods brought under 18% tax. Further tinkering with GST will deter the fiscal system to settle down with comprehensive understanding hence we may not see that happening.

Global economic growth is already on revival. December data indicates that India's manufacturing is also on the revival. The manufacturing PMI rose to 54.7 in December from 52.6 in November. Merchandise exports grew at 6 year high of 30.6% in November. Index of Industrial Production (IIP) rose to 17 month high of 8.4% and inflation also rose 5.21%. With rising demand the inflation is bound to increase. Severe winter in the western world has also been pushing crude oil prices up. Hence, inflation will go up further. In order to counter inflation the tax on petroleum product may be slashed further.

Overall, it doesn't look that this budget will have any big-bang announcement. It has to be a part of the roadmap being followed by the government since May 2014 and hence business as usual for the Modi Government.

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