Union Budget: Fine Tuned for Development with Inclusive Growth

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The Union budget for 2017-18 is fine tuned to take care of the major stakeholders, viz rural industry, women, children, youth and the vulnerable sections of society. Still The Finance Minister, has confined himself within the fiscal prudence in keeping the fiscal deficit at 3.2% of GDP. He has raised outlays for all deserving and demanding heads of development and welfare and yet, he has pegged the overall expenditure growth quite low, at 6.5%, when the nominal GDP growth is also projected at 11.75%. Prioritising investment and the developmental needs of country the FM has reasonably raised the capital expenditure by more than 10% to 3.1 lakh crore.

Development with Fiscal Discipline

The proposals are well comprehensive to address all segments of economy and all sections of society, while keeping the overall expenditure growth capped 6.5%, it provides for enhanced outlays on key areas like agriculture, rural development and employment generation by more than 20%, 25% and 42% respectively, over the current year's budget estimates. It deserves all the praise for curbing the non-productive expenditures and dedicate the resources on development and welfare. So, the fiscal deficit has also been reduced to 3.2% from 3.5 in last year's estimates. Revenue deficit has also been squeezed by 0.2 percent for next fiscal. The social sectors, including education, health and other welfare heads have also weighed heavily in the priority of the FM to have secured a growth of more than 16% over the current fiscal. A hefty allocation of Rs. 3.96 lakh crore (13.5% above the current year's allocation) on infrastructure would trigger growth into several sectors by generating the demand directly and indirectly through a trickle down impact. Allocation of 18% of the total budgetary outlay of 21.5 lakh crore next year, is a pleasant surprise for the long term developmental needs almost without getting tempted to deviate and divert these funds towards cheap populist announcements, to wean voters in the 5 states going to polls. It portrays noble and ideal democratic propriety on the part of government. Transport has also begged Rs 2.41 lakh crore against last year's sum of Rs. 2.16 lakh crore. Railways have got a fair allocation Rs1.31 lakh crore for development in the next fiscal, in this first ever consolidated budget after doing away with an age old ritualistic practice of presenting a separate rail budget. Highways and roads are crucial for facilitating development through improved transport across the country have got Rs. 64.9 thousand crores for national highways and Rs 64.9 along with Rs. 19,000 crore for the rural roads under Pradhan Mantri Gram Sadak Yojana

Agriculture: The Key Focus Area

The government, in tune with its commitment to double the farmers' income has enhanced the allocation by almost one forth of last year to agriculture. The finance minister has provided for Rs. 10 lac crore as credit to farmers, with 60 days' interest waiver on the loans availed from cooperative banks. Total allocations for agriculture and allied sectors have peaked to a new high of Rs. 1,87,223 crore, 24% up from the last year along with a most ambitious target of coverage of Fasal Beema Yojna to go up to 40% of cropped area in 2016 and 50% in 2018-19 from 30% at present. The dedicated micro irrigation fund to be set up for NABARD with in initial corpus of Rs. 5,000 crore. In addition to this a long term irrigation fund with was already in place, the corpus of this fund would go to Rs. 40,000 crore, after the Prime Minister has announced an addition of Rs. 20,000 crore to its corpus. The

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ambitious target to cover all the 648 Krishi Vigyan Kendra for setting up new mini labs for issuance of soil health cards which would go a long way to fine-tune soil health, right needs assessment of nutrients and to improve productivity. In India, animal husbandry gives a silver lining for the farmer to survive with additional income in tough times. So, creation of dairy processing infrastructure fund with a initial corpus of Rs. 2000 crore is a good beginning.

Rural Focus

Rural development has been a major priorityin the next fiscal's budget to bring 1 crore households out of poverty by 2019, almost unprecedented in the history of poverty alleviation programmes of 5 decades coupled with the proposal to complete 1 crore houses for poor households, devoid of homes in the rural area. Besides, the next fiscal is going to be a landmark year in the history of the country to achieve 100% rural electrification, a long cherished goal for decades. For this purpose an allocation of Rs. 4814 crore has been provided under the Dean Dayal Upadhyay Gramjyoti Yojna in 2017-18. For raising the value addition and enhancing the productivity contribution from of MGNREGA works would be fine-tuned by use of space technology in a big way, with the target of taking up 5 lac farm ponds under the MGNREGA. It would revolutionize the villages to be draught proof. The target 5 lac farm ponds and 10 lac compose pits announced in the last budget from MGNREGA funds would not only been fully achieved by March 2017 but would exceed by 100%, wherein 10 lac farm ponds would be completed by March 2017. Besides, highest ever allocation of Rs. 48,000 crore has been made in the budget, highlighting the strong resolve of the government for rural employment and poverty alleviation. Another landmark in the history of MGNREGA is that participation of women has increased to 55% from less than 48% earlier.

Welfare of Youth and Quality Education

The government proposes for training of 3.5 crore youth under the livelihood promotion, programme "Sankalp" for providing market relevant training at a cost of Rs. 4,000 crore. Creation of 5,000 additional medical P.G. seats and proposal to set up new All India Institute of Medical Science (AIIMS) for Jharkhand and Gujarat would serve the twin purpose of offering enhanced opportunities of medical education to a greater number of youth as well as to augment the availability of medical professionals in the country.

Proposal to introduce a system of measuring annual learning outcome, an innovation fund for secondary Education alongwith revamping of UGC, including ranking of colleges and grant of more autonomy to colleges on the basis of ranking would go a long way in improving the quality of education in the country. The unique online learning platform, SWAYAM for self learning through virtual mode for at least 350 online courses would supplement the endeavours of government in its pursuit of quality education. It would give access and interface to the students with best faculty and high quality teaching resources. The proposal to establish an umbrella testing agency for entrance exams for the higher education programmes would give much needed relief to the youth from tortuous compulsion to appear in multiple and parallel admission tests at different locations.

Support to Manufacturing

Make in India, the flag ship program of the government would get a big boost with the budget unveiling fresh steps to correct anomalies in the indirect tax structure to encourage manufacturing in the country. Sectors including information technology hardware, capital goods, defence production, textiles, minerals fuels and mineral oils, chemicals and petrochemicals, paper, paperboard and newsprint, maintenance repair and overhauling (MRO) of aircraft and ship repair will see changes in their customs and excise duty structure. This will bring down manufacturing and compliance costs, boosting global competitiveness of domestic operators. In many of these cases, inputs attracted higher duties than finished goods, making imports more attractive than local manufacture. Changes have been announced by the finance minister to aim at improving domestic competitiveness.

Silver medallion, silver coins having silver content not below 99.9%, semi-manufactured, will now attract countervailing duty to stimulate the domestic jewellery sector. As part of this exercise to enhance domestic value addition, the government has also widened and deepened the duty drawback scheme. Correction in excise and customs duty rates are fine-tuned to address duty inversion and support domestic manufacturing. The levy of special additional duty of 2% on populated circuit boards to incentivize their manufacture in the country besides removal of customs duty on solar panels and its replacement with a creditable levy of countervailing duty. Customs duties have been reduced on components for this purpose. In adition, there has also been an exemption of excise duty on several solar energy items, micro-ATMs and PoS (Point of Sale) devices, which would give further boost for the Make in India initiative.

MSMEs and Spurt to Start Ups

Several Sops have been announced for MSME sector. Now the SMEs with turnover up to Rs. 2 crore will attract lower presentive tax of 6% instead of 8%. The corporate tax has been reduced from 30% to 25% for those who have annual turnover of less than 50 crore. Start ups will have to pay taxes for 3 out of 7 years. The proposal for credit guarantee for start-ups has also been doubled from Rs. 1 crore to 2 crore. These would go a long way in promoting start-ups and MSME sectors.

The government's push to enlarge India's digital footprint is set to deliver a vast slew of opportunities for startups in areas from education to healthcare, entertainment and financial technology. The Indian startup sector -accustomed to being in the spotlight during preceding Union Budgets are again enthused from the allocation of Rs. 10,000 crore for the BharatNet project in fiscal 2018 is expected to spur rural connectivity, as it will deliver high-speed broadband to over 1.5 lakh gram panchayats with hotspots and access to digital services at low tariffs. Digital entrepreneurs believe this is the highway that will help them penetrate rural markets.

Sops for Hardware Startups: Increased allocation for incentive schemes like M-SIPS (Modified Special Incentives Package Scheme) and EDF (Electronics Development Fund) to the tune of Rs 745 crore in 2017-18, is a welcome step when, 250 investment proposals for electronics manufacturing, with an investment of Rs 1.26 lakh crore, have already been received in the past two years. It is a very welcome step taken ahead, when the government is proposing for net zero imports of electronics by 2020. The duty waiver on dig it an I payments-related hardware and components, has also been welcomed by the industry. The finance minister has waived basic customs duty, excise, countervailing duty and special additional duty on miniaturized PoS (Point of Sale) card reader for m-PoS, fingerprint readers, scanners and iris scanners, and on components used to make these devices. These will create enabling infrastruct ure for moving to a less cash economy. Exemption of several indirect tax or duties levied on PoS and other devices used for digital payments will further boost digital payments.

Less-Cash Era and Income Tax Sops

Limiting of cash payments maximum up to Rs 3 lac would also usher us in a less-cash era. The Finance minister has given big relief to salaried people to halve the tax rate of 10% to 5% for individual assesses of income Rs. 2.5 lakh to Rs. 5 lakh. His attempt to expand the tax net by introducing a simple one page form to be filed as income tax return for individual's up to income Rs. 5 lakh, other than business income.

The shift to accrual-based financial statements for railways by March 2019 is another important step for comprehensive transparency in public finances. As expected, the budget re-emphasized the importance of improved tax compliance. In addition to the rollout of the goods and services tax, the limits on cash transactions and the proposals for political funding would improve compliance and transparency. Political parties shall no more be allowed to collect more than Rs. 2,000 in cash. it would curb the menace of black money in politics.

Financial sector in Cheers Never Before

The stock markets have posted their biggest single-day gain of two months. In terms of budget day performance, both the indices rallied the highest in proceeding 12 years. The boost to housing has fired up shares of banking, real estate, housing finance and cement companies. These include infrastructure status for affordable housing, tax incentives and the proposal to build 1crore houses by 2019. Investors had cheers on reading as the finance minister did not impose a long-term capital gains (LTCG) tax or increase the securities transaction tax (STT). After the budget, the BSE Sensex gained 1.76 per cent, or 485.68 points to close at 28,141.64. The national stock Exchange's Nifty50 added 1.81 per cent, or 155.1 points to close at 8716.4. Both the benchmark indices have posted their biggest rise since November 25 last year and have closed at their highest level since October 6. It reflects a robust market response. Enhanced expenditure in the rural areas, boosting of infrastructure, moves to improve tax structure for corporate and individuals would drive consumption-led growth in the economy. The automobile and consumer goods stocks have seen sharp gains on the hope that the cut in taxes on personal income, on smaller companies and increased rural spending would spur demand and turnovers.

Multiple initiatives proposed for the financial sector, include emphasis on digital payments and creation of a new payments regulatory board within the RBI. The thrust on digital transactions will increase the size of formal economy. The budget articulated a welcome focus on improving the delivery of public services, and measuring outcome to enhance transparency.

A Unique Blend

Thus, union Budget for 2017-18 is a unique blend of most comprehensive initiatives to cater to the aspirations of most of the stakeholders with focus on the development of farmers, upliftment of rural population, all around youth development, massive boost to poor and under privileged people and on unprecedented push for the infrastructure development. It has an integral approach with utmost fiscal discipline for a renewed spurt in spending to infuse inclusive growth. It is also first time that the budget is presented under 10 discrete themes and well in advance on February 1, to put it in action from day one of the new fiscal with requisite preparatory work. On the whole it is balanced budget to give right pace and direction to the economy.