

Interim Budget-2019

Deceitful and Unrealistic Election Exercise

The Finance Minister presented a full-fledged budget and called it as interim budget. It has two features: one, the over estimation of GDP and second, the announce-ment of the population-scale entitlement programmes. The vote-oriented announcements in this pre-election budget cost about Rs.1 trillion; yet the fiscal deficit remains unchanged.

The Finance Minister announced a new programme with huge annual expenditure outlay of Rs.75,000 crore, Pradhan Mantri Kisan Samman Nidhi, which will offer an annual income support of Rs.6000 per year to all farmer families that have cultivable land up to 2 hectares.

According to agricultural census 2015-16, of the 146 million operational holding in the country, 86 per cent have an area below 2 hectares. This gives the figure of 125 million land holders. Remember almost half of these families reside in UP, Bihar, MP, West Bengal and Rajasthan.

The crisis in agricultural sector and consequent pauperisation of peasantry is due to growing landlessness, extraction of surplus profits with high prices for inputs by MNCs and depressed prices for agricultural produce paid by the cartels of business houses and lack of institutional credit. The BJP government has addressed none of them during its tenure.

According to estimation of Commission for Agricultural Costs and Prices, the costs of cultivation, excluding rent and rental costs of machinery, amounts to about Rs.70,000 per hectare if rice and wheat are cultivated. For two hectares the cost would be Rs.1,40,000. How much relief will the farmers engaged in double cropping then get? Instead of solving the basic problems of peasants, a sop of Rs.6000 per year is more like giving alms to the beggars.

Besides, it is not going to reach the actual tillers of land. As the agricultural census shows that the landlessness is growing and the average size of land holdings below 2 hectares is also falling for the peasantry. In the absence of employment in the non-farm sector, the small and landless peasants are leasing-in land to eke out a living. 55 per cent of all peasants are landless and work as share croppers or wage labourers. According to some estimates, tenancy farming crossed 50 per cent of cultivable land at all India level. Thus unregistered tenancy farming has grown in the recent past. Instead of helping this section of peasantry, the BJP mooted the proposal to abolish the tenancy protection laws in order to facilitate corporate farming. The present scheme excludes this section of the peasantry.

Beyond the debate on the inadequacy of payments under this scheme, there are long-term economic and political implications. Whichever party may come to power after the election, it will not retract from this scheme, not only because of its populist appeal, but also as part of a policy frame work. The Universal Basic Income (UBI) is under discussion. Yet it is being implemented in a devious way like direct benefit transfers into bank accounts as in the case of LPG supply and loan waivers for farmers. The Rs. 6000 income support is part of implementing the UBI, which would do away with all the subsidies and governmental support to the agriculture. This amounts to alienating the peasants from their lands using economic levers.

The interim budget announced the Pradhan Mantri Shram Yogi Mandhan scheme and allocated a token Rs.500 crore for workers in the unorganized sector. This pension scheme will only cover those workers who gets monthly wages of less than Rs.15,000 and would cover about a fourth of the total workers in the unorganized sector.

According to the Finance Minister “a worker joining pension scheme at the age of 29 years will have to contribute Rs.100 per month till the age of 60 to which the government adds equal amounts. The worker gets Rs.3000 per month as pension from the age of 60 years.”

There are schemes announ-ced for the benefit of workers of unorganized sector in the past like insurance for construction workers etc. Their implementation is at its best is limited to issue of cards and majority of workers are not aware of this scheme. Crores of rupees collected as premium from the workers lies idle, while the workers continue to die every day in work place accidents.

One cannot close their eyes to the fact that, where there is no certainty of continuity of jobs, a permanent feature of employment in unorganized sector, there is no guarantee the workers and employees

will be able to pay the amounts they have to deposit every month in order to get pension benefits after 30 or 40 years.

It took seven decades for the ruling class parties to endorse the vulnerability of workers in unorganized sector and to promise to redress it. When the opposition parties made the unemployment issue as their election plank, the BJP delivered a political master stroke in the form of pension scheme. This is a mere election gimmick given the meager finances allocated to what the Finance Minister said “one of the largest pension scheme in the world within next five years”.

This election-oriented budget gave sops to the upper middle class by raising the income tax slab to Rs.5 lakh, and tax concessions to real estate to promote sale of normal and affordable houses. These two measures were promised by the BJP in the election manifesto of 2014, but kept unfulfilled waiting to announce before the coming elections.

That the fiscal deficit remains at 3.4 per cent despite the RS.1 trillion hand outs is presumptuous. The growth rate of GDP pegged at unrealistically high 11.5 per cent. The plans to draw more dividends from the Reserve Bank of India and public sector banks puts more stress on already stressed PSBs.

On the revenue side, the revised estimates show Rs.1 trillion shortfalls in collections of GST. As there is no clear policy to revive the manufacturing sector, the collections of GST this year will not be increased as expected. Last year the Centre saved on disburse-ments of grants and loans to states to the tune of Rs.29,000 which may not be possible in the current year. It is certain that the fiscal deficit may go uncontrolled leaving no option to the incumbent govern-ment than resorting to inflationary measures.

This pre-election budget of Modi is deceitful and based on unrealistic assumptions.
