BUDGET 14-15: A MIXED BAG

The most eagerly awaited first budget of NDA government has turned out to be a mixed bag. The budget requires to be evaluated in the backdrop of the constraints of the new finance minister. He has inherited a difficult economy with low growth and momentum leaving very less elbow room to play with. The high expectations of the aspirational class which voted them to power was weighing down heavily The continued high inflation was a real pain in the neck. On top of all these, he had only about six to seven weeks to put together the budget which normally takes a good four to five months.

Mr. Arun Jaitley, the finance minister opened his budget speech drawing attention to the macro economic factors namely, inflation, employment, growth, governance, fiscal prudence etc., but he did not elaborate on these issues and had nothing specific to achieve the desired macro economic objectives. He said that his aim is to achieve a growth rate of 7% to 8% in the next couple of years, though he could have been more ambitious and aimed higher at 9%. He has assured the nation that he will stick to the fiscal deficit 4.1% limit on the GDP, that was announced by his predecessor during the interim budget presentation. He could have been bold and stretched this limit a little more and use the funds for priming the economy. The budget is a bit vague on the implementation the long pending GST with respect to specific timelines, which alone could push the GDP by 0.7 to 1% point.

The two major issues that gave the BJP a massive mandate are controlling food inflation and VIKAS. The Aam aadmi expected concrete steps or road map to tame this monster. But the budget falls short except mentioning about black market and the huge stock of food grains to buffer the unreliable monsoon.

The FM has continued with many social sectors programs of the UPA and has stayed with the plan for industrial corridors for growth. He has announced timelines for electronic Visa systems for incoming tourists into India, and a international convention centre at Goa. He plans to boost air travel by encouraging more airports on PPP basis. These measures could boost tourism which is a major employment generator with a multiplier effect. He has relaxed FDI in insurance and defense which are welcome. Metro projects for all cities over 20 lakh population, more IITS, IIMS and AIMIS, relaxed norms for FDI in real estate, push to establishing SMART CITIES, simplified requirements for real estate trusts are some the other moves announced. Agriculture continued to receive focus and the new initiatives are noteworthy. A beginning is being made to separate power feeders for rural use, mirroring the experience in Gujarath. A venture capital fund of 10,000 crore rupees,and a leadership fund of 100 crores is an excellent initiative for young budding entrepreneurs. The river restoration project, mr.Modi's pet, also gets a allocation of Rs, 2000 crores. With just nine months remaining in the year, it will be very difficult to use up these allocations for new schemes. Toilets in all schools for girls is a welcome step. Financial and banking sector changes are also welcome.

On the direct tax front, the individual exemption limit is raised by Rs 50,000 and 80C benefits are also increased by a similar amount. For corporates the suspense on retrospective taxation continues and the transfer pricing and advance ruling issues will be attended. The Direct taxes Codes continues to be in a limbo. On the indirect tax front, the tinkering of rates, an undesirable trend, is initiated again. There are not many noteworthy changes in service tax except pruning the negative list.

The budget certainly has many novel proposals demonstrating the independent approach, It has also pragmatically continued many other programs of the previous government. The finance minister should be given the credit for his effort to stick with numbers of revenues and present a comprehensive budget in a short time. Though it falls short, the budget certainly is a trailer for the main play ahead.