

Management of Poll Budget: boon or bane for India -2019?

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Abstract

Thankfully, elections happen every five years in India. But for that, the word rural, it appears, would have remained in the realm of a distant memory in the minds of political masters. If ‘rural economy’ is the core for India, why is it that the legitimate concerns of the rural population are sought to be addressed only in the eleventh hour (at almost the end of their terms) by governments? Gas links, support price for farm products, electricity connections, toilet facilities and health cover are arguably the minimum that the underprivileged lot, who form the bulk of the rural society in India, rightfully deserve but are denied.

In a country like India, State-driven institutional support mechanisms for the masses — be it for education or healthcare — are conspicuous by absence. At best, it is minimal, and support comes largely from members of the extended family. Given this, it is incorrect to indulge in comparisons with developed economies on the subsidy issue. The latest Budget has rightly focused on these issues. The intentions are welcome. The timing of its announcement — ahead of general elections — however, is a sad commentary on the governing class. Everybody understands that Bharat (rural economy) is the core of India. But why is Bharat invoked only when the nation is about to go for the elections? Is Bharat a handy seasonal tool used only for poll times? Will the focus on Bharat see delivery in time or remain a part of the Budget papers? Election 2019 will give a decisive verdict.

Keywords: *Budget-2019, Govt., Polls, Elections, Bharat, India*

1. Introduction

The word ‘rural’ has become the fulcrum around which the final full-fledged budget of the NDA-government is structured. Observers and analysts are quick to dub it as an election budget. The glass is half-empty or half-full as one sees it. And, it depends on which side of the political divide you are on. One can endlessly debate the budget.

This rural focus — nay, pinch hitting as in a T20 game — by successive governments in their final lap gives ammunition for wider interpretation. Is it an admission of failure to focus properly in the first instance? Or, is it an articulation of genuine course-correction? Whatever be the

reason, it raises serious questions on the way governments prioritize issues impacting the economic status of a vast part of the population. Perhaps this truth has hit the NDA government hard as it enters the last leg of its term before facing the people in the 2019 general elections.

The contrast in the India-Bharat divide is sharp. You have, on the one hand, the extravagant style of recalcitrant businessmen such as Vijay Mallya and the like whose shenanigans have triggered a massive overhaul of the corporate and banking rules. On the other, you also see the rural poor demanding the conductor of a bus to issue a three-rupee ticket quickly as he has to get down at the next stop! The funny part is that Bharat never supplies any wish list to anybody. It patiently chugs on. And, it silently acts during the polls. It is the non-Bharat component of India that talks a lot, lobbies hard and makes heavy demands of rulers. In the din, the silence of the Bharat is left largely unnoticed. But then, Bharat has the power to change the electoral fate of parties.

Perception management

In an inter-connected world, perception management has become the primary avocation of the ruling class. Views of the rating agencies, global institutions and the international investing community merit for more serious attention than the cries and murmurs at the ground level.

Not surprisingly, the opposing views of rightists and ‘tie-wallahs’ have found expression disproportionately in the media — be it on the decision to levy long-term capital gains tax or on the move towards taxation of the digital economy by proposing to expand the scope of nexus-based business presence rules by introducing the concept of ‘significant economic presence’.

It doesn’t matter that the Budget has a host of announcements that are friendly to businesses — such as tax exemption for property transfers to a fully-owned Indian holding company from subsidiaries and vice versa and import duty rationalization for Make in India initiatives.

II. Statement of the Problem:

This paper focuses the problem on the major issue at present which is “Management of Poll Budget: boon or bane for India -2019?” The problem for the Indian economy at the moment is a combination of excess capacity and inadequate demand. Investment will come if there is growth. Rural India will have to necessarily form the core component of this revival exercise. How to put more money into the pockets of rural Indians? That task is better addressed by the government. That could be achieved only if India could care to foster at least an adequately nourished population in Bharat. This cannot just be a poll-eve pledge. It has to be a permanent commitment. Policies and actions will necessarily have to be oriented towards satiating at least the bare minimum requirement of this vital cog in the economy wheel. Read against this, the ‘populist’ tag attached to the Budget is politically correct but largely uncharitable to Bharat. Subsidies to the poor and underprivileged must be viewed in the overall context of invigorating Bharat and bridging the chasm in the Indian economy. If these are ‘no-no’ for developing a prudent economy, how could incentives and concessions to industry be right? The twin balance sheet problem (ie, the stress in balance sheet of the lender and borrower) facing the industry gives a clue about the misplaced trust that has indirectly hurt public depositors. India needs a robust Bharat to shine permanently. And, that calls for a 24X7 Bharat service. Sadly, this is looked upon as a late service call to retain power.

III. Objectives:

1. To identify their Roles and Responsibilities of the Govt. presenting its Budget in 2019
2. To know about their key challenges of the govt. due to elections
3. Role of Transparency in Management of budget

VI. Hypothesis:

The study is designed to assess the impact of Elections on the upcoming Budget-2019; it is based on the hypothesis that a full Budget 2019 and not a note-on-account is indicative not only of the Narendra Modi government’s confidence of being re-elected after 2019 Lok Sabha elections, but also reworks an established precedent: Implicitly signaling a second tenure for itself, the Narendra Modi government proposes to chart its economic thinking

in its budget for the year starting 1 April, with focus on an ambitious expenditure programme. The finance ministry plans to present a full budget on 1 February, a senior government official said. Budget 2019, which will be the last by the present government ahead of the 2019 Lok Sabha elections in May, going by established practice should be a vote-on-account, with government seeking Parliament approval for expenditure from the Consolidated Fund of India for the interim period. Lok Sabha elections are scheduled in the first half of next year as the incumbent government will complete its five-year tenure in May.

V. Research Methodology:

Secondary data is used for this research work, primarily. This paper is based on descriptive study. It is an elaborative research work. The data for this research paper is collected from the secondary sources, newspaper articles, online reports; etc. The information is also gathered from television/newspaper advertisements. Qualitative approach has been adopted in this research paper.

VI. Significance of the Present Study:

Responsibilities & Challenges of the Present Govt:

1. Modi Govt. planning full Budget 2019, not on Vote account: Narendra Modi-led government scrapped a colonial-era tradition of presenting the budget at the end of February. Jaitley had for the first time presented the annual accounts on February 1, 2017. With the preponement of budget, ministries are now allocated their budgeted funds from the start of the financial year beginning April. This gives government departments more leeway to spend as well as allow companies time to adapt to business and taxation plans. Previously, when the budget was presented at the end of February, the three-stage Parliament approval process used to get completed some time in mid-May, weeks ahead of onset of monsoon rains. This meant government departments would start spending on projects only from August-end or September, after the monsoon season ended.

2. If indeed the government goes through with its plans, not only is it signaling its confidence about being re-elected, it is also reworking an established precedent. Earlier, the government had advanced the presentation of the Union budget to 1 February so as to let government departments undertake spending from the beginning of the fiscal. Now it is affecting a similar departure on the grounds that an

economy of the size of India cannot afford to lose direction in the intervening period till a new government takes charge.

3. Finance Minister Arun Jaitley will present his 6th consecutive Budget with 2019 being Vote-on-Account. As per practice a Vote-on-Account or approval for essential government spending for a limited period is taken in an election year and a full-fledged budget presented by the new government. While P. Chidambaram had presented the previous UPA government's Vote-on-Account in February 2014, Jaitley had presented a full budget in July that year.

4. Signaling policy continuity in the budget is the correct approach, said D.K. Srivastava, chief policy adviser at EY India. "As long as no major policy changes including tax policy are undertaken in the budget and expenditure approval is taken for the relevant period, then it would be an appropriate approach," he added.

5. The government also advertised on 23 October for the post of senior economic adviser in the finance ministry for a period of three years, signaling its intention to strengthen the economic research wing in North Block. The finance ministry is putting North Block in quarantine starting 3 December, restricting the access of journalists to ministry officials as budget preparation gains momentum.

6. "Letters have already been sent to departments to submit revised estimates for 2018-19 and budget estimates for 2019-20," another government official said requesting anonymity. "We may also hold consultations with industries and various stakeholders to understand their expectation from the budget.

7. Other key challenges to economy, the survey pointed out, included vulnerable macro-economic factors, sluggish credit growth, unemployment worries, poor state of basic and higher education, inadequate health care system and slowdown in private investment, among others. Apart from ground reality, if the survey was the broad context of the budget, the finance minister had a tough job to fire fight many challenges on several fronts. Instead of facing the challenges head-on, Jaitley preferred to address some of the problems through promises that may not be kept for lack of resources. There is a mismatch between actual budgetary outlay and the resources needed to fund some of the grand promises, like the healthcare protection for 10 crore households. Promises apart, Jaitley has also flubbed on the test of fiscal consolidation: fiscal deficit for 2017-18 at 3.5

per cent against the estimated 3.2 earlier and 3.3 per cent for 2018-19 against the earlier target of 3 per cent. This will have adverse impact on growth.

VII. Findings of this research work:

1. After sending an initial letter on 18 October, the finance ministry sent reminders to central government departments and ministries on Tuesday to submit inputs by 30 November for finance Minister Arun Jaitley's budget speech. "We will signal continuity. We cannot dislocate the economy just because of the elections. Wherever there is gap in expenditure, we will plug it," the government official said on condition of anonymity.

2. Finance Minister Arun Jaitley will present the interim Budget for the financial year 2019-20 on February 1, 2019. This will be the sixth consecutive Budget to be presented by Mr. Jaitley.

The Finance Ministry said "the work for preparation of the interim Budget has already commenced and is now gaining momentum". The Ministry has already sought inputs from Union Ministries. It would be the last budget of the NDA government before the Lok Sabha election. The Ministry began the budgetary exercise last month. During the process, meetings were held with the Ministries of Steel, Power, Housing and Urban Development and others to finalize revised expenditure for the current fiscal and projections for the next financial year.

The Ministry will impose quarantine to bar the entry of media persons into North Block, the seat of the country's Finance Ministry, from December 3.

3. The government would be sticking to routine and publishing an Economic Survey, essentially the economic report card for 2018-19, though normally this task is left to the next government. The government has appointed a panel under former Reserve Bank of India governor Bimal Jalan to select the next chief economic adviser in the finance ministry and so far it has held two meetings to vet 20 applications.

4. The economic survey had clearly pointed out that real agricultural income and real agricultural wages were constant for four years. In a pre-election year budget, the finance minister certainly could not have ignored such a strong warning from his government's chief economic

advisor. Neither could he have ignored voters of 244 rural parliamentary constituencies who are lagging far behind their urban counterparts on wages, incomes and wealth parameters. Often the Union Budget steals the thunder from the economic survey which becomes an academic document once the budget is presented. But the survey signaled several warnings. The bigger warning is the impact of climate change on agriculture over the next three decades.

5. Reacting to budget, former prime minister Dr Manmohan Singh, a well known economist and the architect of liberalization who presented a bold and transforming budget in 1991, which set the ball rolling for India's growth journey, said he was worried about the 'fiscal arithmetic' of the budget and wondered how the government would meet its promises, like the minimum support price (MSP) for farm produce at 1.5 times the production cost. There is little clarity on how MSP will be implemented. The funding mechanism is yet to be discussed. Niti Aayog, the government think tank, is expected to work out the institutional mechanism along with state governments. This will take time and farmers will have to wait to get the MSP relief till the next kharif crop. The budgetary outlays don't appear adequate enough to meet the MSP commitment. Lack of details on how the government will find money to boost agriculture adds more confusion to the grand promise.

6. There is also little clarity on how the ambitious national healthcare protection scheme (NHPS) will be implemented and funded. While Niti Aayog has calculated Rs 10,000 to 12,000 crore cost for the Centre, experts fear that it will cost much more – anywhere between Rs 30,000 to 60,000 crore or may be more – and will be difficult to implement. Initial allocation for NHPS is a paltry Rs 2,000 crore, which will be channelized from the existing insurance scheme Rashtriya Swasthya Bima Yojna (RSBY). So, the shortfall is huge and experts wonder whether the 1 per cent extra health cess will mobilize enough to make for the shortfall. There is little doubt that India desperately needs universal health coverage – like the US-type insurance-driven health coverage, if not the UK-type NHS which is considered the best in the world – that is efficient in terms of cost and service. Announcing a mega insurance-linked health coverage without clear and sustainable roadmap appears more like a promise than commitment.

VIII. Conclusion -Closing Thoughts:

With Budget 2019 a vote-on-account one, and a projected fiscal deficit of 3.3% of the GDP for the next fiscal, the finance minister has more elbow room this year. With the kind of capital that the Modi government had, going into Budget-Election mode, it had the political luxury of opening up its purse strings to offer a free lunch to farmers and the rural poor. It has, hopes that this electorate remembers in 2019 that there's nothing called a free lunch.

Social welfare is an important aspect of economic progress. No nation has ever progressed well enough with dysfunctional education system, as deficit in education hurts economic growth. Crisis in education, as pointed out by the economic survey, has not been addressed adequately by this government, or even by governments in the past. While enrollment in schools has shown healthy signs of growth, the learning outcomes have not been satisfactory. Higher education, similarly, suffers from huge quality issues. If India is on the cusp of reaping benefits of growth on the back of demographic dividend, it has the potential to grow at arithmetic progression if the education system is overhauled and employment generation is sped up. While quality education, along with skill, is a tried and tested long term solution to spur economic activity, the finance minister has not done enough to make education a priority area for growth. Neither has he done enough to generate new jobs; EPF sops certainly don't create many jobs that India needs badly.

Apart from the salaried class which has been ignored in the budget and the capital market which has been slapped with long term capital gain tax, by and large the finance minister has done a fine job of making people – particularly farmers, rural folks and senior citizens – believe that his government has been doing a lot for them through policy initiatives and reforms. Creating such an impression was important, given the fact that eight state elections are lined up this year before the 2019 general elections. No matter how you slice and dice the numbers, one thing is for sure: there is a problem in the economy and the problem is much bigger in rural India.

The government could not have faced a national election with the kind of mood that exists in rural India currently. The growth story has lost momentum and hence the government talks less about Vikas(development) these days. Therefore, the best available option with the government to

create a feel-good effect was the last full budget before the next general elections. Littered with promises and grand schemes, Budget 2019 is therefore gigantic election vision. Poll Budget Management: boon or bane for India -2019? Time will only tell-and give the answers for, let us wait and watch.

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