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CENTRAL AND STATE BUDGETS 2024: AN OVERVIEW

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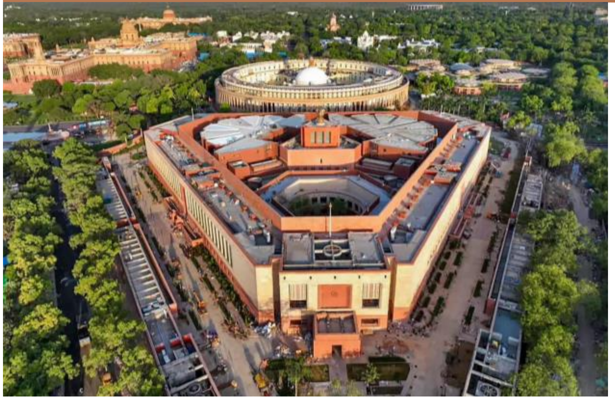
Budgets, whether national or regional has the potential to change the lives of citizens and therefore are serious exercises in a democratic polity. One way to look at budgets is to analyse how public resources are mobilised and who bears the burden of it and how the citizens are going to be benefited from the various kinds of public expenditure. The purpose of this brief note is to critically look at this year's Central and state budgets.

Source: https://st.adda247.com/https://wpassets.adda247.com/wp-content/uploads/multisite/sites/5/2024/01/13150103/Budget.News_-1.png

Interim Central Budget: A Display of Confidence?

Being an interim budget, the Finance Minister Mrs. Nirmala Seetharaman avoided major announcements on resource mobilisation and public expenditure which will be part of the full budget to be presented after the election. Highlighting the major achievements of the NDA government during the last 8 years, she presented a broad outline of the direction in which country's economy shall move in the years to come. The focus of the development strategy shall be poor, youth, women and farmers. Infrastructure and technology will be the backbone of this strategy. The budget announced a scheme of assisting middle class staying in rented houses and chawls to build their own houses. The allocation for the ministry of agriculture at Rs.1.27 lakh crore is slightly higher than that of current year. There is seven-fold increase in the allocation for Production Linked Incentives (PLI) in the automobile and auto components sector. The allocation for tribal ministry registered 70% increase from Rs.7605 crores to Rs.13,000 crores.



Source: https://timesofindia.indiatimes.com/photo/100555828/100555828.jpg?v=3

The allocation for capital expenditure is Rs.11.1 crore which is 11% higher than that of the current fiscal year. The finance minister announced a scheme of interest free 50 years loan of Rs. 75,000 crores to the states. Most state governments are not able to spend adequately on capital expenditure and this is adversely affecting their growth prospects. Considering the precarious fiscal situation of most states, this proposal has the potential to meet at least partially, the infrastructure expenditure needs of the states. In the healthcare sector, a promising proposal is the extension of insurance cover under Ayushman Bharath to ASHA and Anganwadi workers and helpers.

On the resource mobilisation front, the gross tax revenue targeted for 2004-05 is Rs.38.31 lakh crore which is 11.46% higher than the current year's at Rs,34.37 lakh crores. There are no changes in the rates of direct and indirect taxes. Government proposes to borrow Rs.14.13 lakhs in the coming fiscal year. It is proposed to mobilise Rs.50,000 crores through disinvestment.

Fiscal deficit target for 2024-05 is 5.1% of GDP. This is lower than the revised estimate of 5.8% during 2023-04.

Overall, an interim budget sans populistic announcements reflects the confidence of the government that it can win the election on the basis of its track record. It appears that the government continues to adhere to the strategy of trickle-down growth led by massive investment in infrastructure and technology. But the growing inequality and its attendant evils like poverty and malnutrition of the masses as revealed by National Family Health Survey points towards the need to adopt targeted redistributive measures like direct benefit transfer. This is possible only by adopting a strategy of moping up a part of the increased national income in the form of taxes and transferring it to the masses. One can only hope that the new government that comes to power in May will address this imperative.

Source: https://media.freshbooks.com/wp-content/uploads/2022/12/What-Is-Budgeting.jpg

Kerala Budget 2024: An Exercise Lacking Credibility

Kerala's budget for 2024-25 is presented in the backdrop of acute fiscal crisis and therefore the task cut out for Mr. Balagopal, the finance minister is really daunting. Almost all sectors of Kerala economy are adversely affected by the dwindling flow of public resources. The whole Kerala society is looking forward to him to come out with credible solutions. To mobilise the required public resources, he will have to antagonise a society which is long accustomed to light fiscal burden. At the same time, he has to provide succour to a large segment of the population reeling under bread-and-butter problems. He seems to have barely scraped through if one dispassionately looks at this years budget.

On the resource mobilisation front, he is vary of tapping the potential of several areas presumably fearing its impact on the imminent Lok Sabha election. The additional resources he proposes to mobilise is to the tune of Rs.1067 crores only. Of course, in the post GST scenario, it is not possible to mop up much revenue by tinkering with tax rates. The only way out is strengthening tax administration by plugging loopholes evasion and avoidance. Kerala miserably failed in this respect during the 2017-2022 period.

Instead of banking on the 14% GST compensation, the state should have concentrated in strengthening tax administration by adopting the enormous potential of Information and Communication Technology (ICT). The fact that the annual rate of growth of GST during 2022-23 and 2023-24 hovers around 22% proves this point. Some of the sources like motor vehicle tax, stamps and registration were tapped in the last budget. One source which the Finance Minister could have easily tapped is user fee in the health and education sectors. Kerala's revenue expenditure on social sectors like education and health in 2022-23 (RE), is Rs. 48,902 crores whereas the revenue receipt is only Rs. 795. 38 crores, i.e. just 1.63%. In 1972-73, the state levied 5.55%. Had the state been levying this rate now, it would have been possible to mobilise Rs.2714.06 crores. It may be noted that Haryana and Tamil Nadu are levying 6.61% and 4.41%. The huge subsidies are cornered by the middle class and rich. A proper system of targeting these services to the really deserving sections of the population is the need of the hour. The proposal to mop up Rs.200 crores each through sand mining in the revers and selling scrap accumulated in government offices and departments may not attract much opposition from any quarters.

Kerala Budget 2024: An Exercise Lacking Credibility (Cont...)

The budget proposals on the expenditure side are too numerous to be elaborated. But of late the general public are becoming increasingly sceptical of such proposals. They know that many of them will remain on paper in the absence of adequate budgetary allocations. At best they reflect the good intentions of a popular government. But a remarkable shift in government's attitude towards private sector is visible in the budget. It is as if it realises the futility of pampering the public sector. The budget reveals government's intention to allow private universities and even foreign universities. The proposal to allow special economic zones modelled on China is praise worthy. It is also proposed to start 25 private industrial parks. There are several proposals aimed at transforming Kerala into a knowledge economy.

Does the budget address the ongoing challenges facing Kerala economy? The retail trade sector is in dire straits with the emergence of online marketing, shopping malls and so on. Closed shutters are visible across the state. The purchasing power of the poor and marginal is badly affected. If the budget could pump in few hundred crores in the economy, it would made lot of difference. Raising the welfare pension by Rs. 100 and disbursing the 5-month arrears alone would have partly solved the glut in the local market. But the budget only promises to pay the arrears. On the other hand, budget has announces release of one instalment of DA arrears to government employees and pensioners.

It appears that the Finance Minister missed an opportunity to find lasting and long-term solutions to the fiscal woes of the state. He is only trying to postpone the final phase of the crisis which showed its head in the early 1080s. The budget was an ideal platform to articulate the need to mobilise public resources and prune unproductive expenditure. Such a forthright approach would have generated debates and discussions which ultimately would have helped to mobilise public opinion. Unfortunately, the Finance Minister did not deviate from populistic narrative of Central neglect at a time when the state needs new ideas and bold decisions.

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