The Union Budgets are traditionally surrounded by hype, debate, and controversies. This year’s Budget has been no different. Presented in the backdrop of favourable macro-economic conditions, a sound business environment, a booming capital market, and a relatively stable political scenario, it drew a lot of expectations from all quarters. This issue’s Colloquium is a post-mortem of the Budget, 2005-06 by an eminent panel of analysts. While highlighting the broad tenets of the Budget, they put across their views on the positives and the negatives and discuss their implications.

The objectives of the Budget have been implicitly stated as being the same as the National Common Minimum Programme which broadly advocates the maintenance of growth rate of 7-8 per cent, promotion of investment, generation of employment, introduction of fiscal reform, stimulation of growth in agriculture, manufacturing, and infrastructure, and alleviation of poverty.

The following positives emerged from the discussion:

- An explicit focus on the development of rural areas to reduce the pressure of migration to the urban areas.
- A clear roadmap for evolving a strategy for agricultural diversification.
- Incentives provided for strengthening the agriculture marketing infrastructure with a focus on agricultural credit, insurance, and micro finance.
- Dereservation of SSIs of 108 items and giving them the choice to pay excise duty for the first Rs. 100 lakh and claim CENVAT or else remain outside the chain to help in integrating them into the value chain of production.
- A package of financial sector reforms including the removal of limits of SLR and CRR and facilitating the FI trading in derivatives.
- Substantial reliefs in the corporate tax and personal income-tax which should promote savings.
- Taxation of zero coupon bonds at 10 per cent of long-term capital gains.

The panelists identify the following problem areas in the Budget:

- Lack of transparency in the revenue implications of the tax proposals.
- Injecting fresh equity and providing fresh loans to PSUs as this would mean a reversal of the reforms.
- Difficulty in achieving effective fiscal consolidation.
- Fringe benefit tax on service, facility or amenity provided by an employer to his employee.
- Internal contradictions in the policies related to the housing industry, small scale sector, VAT, and disinvestment.

Overall, the panelists consider it a positive Budget in the sense that it would at least not disrupt the buoyancy of the economy. However, considering the opportunities that the overall environment offered, a more aggressive approach would have lifted the Indian economy further to help it emerge as yet another Asian Tiger.

Note: This Colloquium is based on the panel discussions organized by Ahmedabad Management Association on March 1, 2005, CEPT on March 5, 2005, and IIMA Alumni Association on March 7, 2005.
Any measure that affects government revenues or expenditure directly is a part of fiscal policy. Government Budgets are the most comprehensive statements of the fiscal policy for the forthcoming year. This is, at least, the general perception and expectation. It is important to recognize that, although the Central Budget is a major component of the combined fiscal account of the nation, state governments and local bodies also play a very important role in shaping the fiscal policy relevant to the business and the society. The Union Budget for the year 2005-06 was presented to the Parliament on February 28, 2005. The Budget usually evokes considerable interest, debates, and deliberations in the country. Here we present views of eminent panellists, including economists, tax consultants, and industrialists. The discussion took place in the first week of March, 2005.

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It has now become very conventional to have every Budget surrounded by a fair amount of hype, debate, and discussion. Having taken over as the Finance Minister, Chidambaram revived the tradition of consultative process. In addition, he had the benefit of wise counsel from very distinguished members of the economic advisory council and a panel of experienced bureaucrats in the Finance Ministry. It was, therefore, expected that this Budget would be a replica of the much coveted Budget that he presented in 1997.

I look at the Budget from the point of view of the macro-economic issues and review its impact on the economy, industries, capital market, and the range of issues relating to them.

Starting with the objectives of the Budget, it was implicitly stated that they are the same as the National Common Minimum Programme. Broadly speaking, therefore, the Budget aims at:

- maintaining a growth rate of 7 to 8 per cent
- promoting investment
- generating employment
- introducing fiscal reforms
- accelerating the process of fiscal consolidation
- ensuring higher fiscal devolution
- stimulating growth of agriculture, manufacturing, and infrastructure
- reducing the incidence of poverty.

These are the broad tenets. While looking at these objectives, we must recognize that the Budget was presented in a favourable macro-economic environment with a booming economy, a booming capital market, a mountain of foreign exchange reserves, a second successive year of high growth, moderate inflation towards the end of the year, and a positive outlook of foreign investors. Further, the international credit-rating agencies finally decided to upgrade their outlook on the Indian economy; the corporate sectors were doing quite well and there was no fear of ensuing elections round the corner, and thus there was a reasonable degree of stability. The environment was conducive for taking risks and making a bold attempt. So, when we look at the Budget proposals, we must look at it within this framework.

Let me first summarize the positive aspects of the Budget:

- An explicit focus on the development of rural areas. For the first time, in a very tacit way, an attempt has been made to distinguish between rural
development and development of rural areas. This is going to have a lot of consequences for the economy including reducing the pressure of migration to the urban areas which are under tremendous amount of stress.

- An attempt to evolve a strategy for agricultural diversification. Although it is going to happen only in the next year, at least, a very clear roadmap has been outlined.

- Incentives provided for strengthening the agricultural marketing infrastructure with a focus on agricultural credit, insurance, and micro-finance. A Rural Infrastructure Development Fund has been estimated with a corpus of Rs. 8,000 crore.* In the past, several such initiatives were taken but the budgetary allocation was not substantial and, therefore, many of them could not take off.

- A package for the textile industry, the welcome element being the deresorvation of SSI of 108 items. For the first time, the SSI reservation list will go below 700; earlier it used to be 838. This is a major initiative.

- A special purpose vehicle to provide supplementary finance to infrastructure projects up to Rs. 10,000 crore. Since this is going to be on top of the sources of finance, this additional finance should go a long way.

- Setting up of the National Urban Renewal Mission with a budgetary outlay of Rs. 5,500 crore. Seven mega cities are identified for renewal besides the plan to improve the environment in several other urban areas.

- The whole package of financial sector reforms which includes the removal of limits of SLR and CRR and facilitate FII trading in derivatives.

- Explicit recognition of institutions of excellence with the identification of the Indian Institute of Science, Bangalore to be raised to the level of a truly global institution and benchmarking it with the world-class institutions like Harvard and Stanford. For the first time, the word ‘elite’ is being properly defined to mean excellence and not the better-off and the affluent sections of the society. This is indeed a very welcome initiative.

- Reiteration of the earlier commitment of implementing VAT from April 1, 2005. This commitment has been made several times. Now, one has to wait and see what happens in terms of actual implementation.

- Reduction in the peak rate of customs duty from 20 per cent to 15 per cent and selective rationalization of customs duty regime. This is another welcome step.

- Partial implementation of Kelkar Committee’s recommendations with regard to direct taxes, particularly, in terms of personal income tax — increase in the exemption limits, revision of tax brackets, and rationalization of tax exemptions.

- Reduction in corporate tax rates.

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For the first time, in a very tacit way, an attempt has been made to distinguish between rural development and development of rural areas.

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* 100 crores = 1 billion; 10 lakhs = 1 million.

This is a Budget that has been formulated by a professional who also has a fair amount of managerial perspective. The statement that ‘people are worried about outcomes and not outlays’ signifies that. But, as a corollary, an equal degree of rigour should be exercised in the implementation of the Budget proposals. If that rigour is missing, then they would remain only as statements. They will be useful when it comes to assessment of the performance of the Budget implementation. Let me, therefore, delve on the negative aspects.

- First and foremost, the Budget has failed to bring about effective fiscal consolidation contrary to what is stated in it.

- Postponement of adherence to fiscal targets under the Fiscal Responsibility and the Budget Management (FRBM) Act. Last year, the effect of the Act was postponed by one year. It is now being promised that it will be done in 2006.

- Failure to initiate the process of rationalization and restructuring of the entire subsidy regime.

- Lack of transparency in fiscal reporting which would have serious implications for the impact of the Budget proposals.
Finally, there is a very strong possibility of slippage in the target for fiscal deficit and revenue deficit.

Let me highlight why there is a failure in bringing about effective fiscal consolidation. Getting into the basic numbers which are presented in the Budget, it is claimed that the fiscal deficit is going to decline from 4.5 per cent to 4.3 per cent. But, what is not clear is that these two figures are not comparable because of the way in which the definition of fiscal deficit and measurement of deficit has undergone a change.

According to the FRBM Act, fiscal deficit means “the excess of the total disbursement from the consolidated fund of India excluding repayment of debt over total receipts into the fund excluding the debt receipts during the financial year.”

Quite obviously, any loan that is provided to the states would be a part of the expenditure. This year, Rs. 29,000 crore of loans—which are additional loans that the state governments would require and which, in the earlier regime, the centre should have provided—are expected to be raised by the states themselves from the markets. Had we operated in the same regime as the last year, this fiscal deficit would have gone up by Rs. 29,000 crore and it would have been a part of the capital expenditure of the government. As against this, the divestment proceeds are not to be deducted this year. One is a negative element and the other is a positive element. That the divestment proceeds are not to be a part of the fiscal deficit calculation is a tactical measure because in that case the divestment figures need not be reported in the Budget documents. Any money that is received as divestment will constitute a separate fund which is not going to be a part of the Budget documents. Thus, without precluding PSU divestment, a debate on it is being avoided.

If we assume that Rs. 4,000 crore of divestment in 2004-05 is the amount that would have happened in the next year, on a comparable basis, and adjust for this against Rs. 29,000 crore, then the adjusted fiscal deficit in 2005-06 would turn out to be Rs. 176,000 crore and not Rs. 151,000 crore, as reported. This means that it will not be 4.3 per cent, but 5 per cent of GDP. It is also very clear that since the Fiscal Responsibility Act has been deferred in terms of implementation, we cannot expect any significant discipline to be exercised by the state governments in 2005-06. Therefore, the consolidated deficits of the centre and the states are not likely to decline; in fact, they are likely to increase. This means that the situation is going to be bad.

In absolute terms, fiscal deficit is going up but, in percentage terms, it is showing a decline. The major source of the control of fiscal deficit seems to be the reduction in capital expenditure. Now again, on the face of it, capital expenditure has gone down by 43 per cent. It is a huge decline from Rs. 120,000 crore to Rs. 68,000 crore. Even after adjusting for the differential treatment of loans, the non-loan component of capital expenditure shows a decline of more than 20 per cent. This is a matter of serious concern. Now, the general impression after listening to Part A of the Budget speech is that there are many tax exemptions and reductions but the Finance Minister has increased expenditure galore on a whole range of items, and yet, at the end of it, claims to have achieved fiscal consolidation. Is this a myth? Actually speaking, there is no fiscal consolidation. The Budget provided for non-plan expenditure increases in various schemes but cut down on the capital expenditure and that is, for all practical purposes, resulting in the financing of such increases. But, another very important factor is that there is a substantial overestimation of tax revenues and that is where there is a complete lack of transparency. There is not a single income-tax payer who has not benefited. Even after discounting for everything, the average tax benefits would range between Rs. 20,000 and Rs. 83,000 per tax payer in different tax brackets. However, there are no estimates available of the impact of these exemptions on the millions of tax payers. Of the 36 million income tax returns filed, approximately 45 per cent are the returns that do not result in the payment of tax. There are only 20-21 million tax payers—people who actually pay tax. Out of this, there are about 16-17 million tax payers who are in the category of less than
Rs. 2 lakh of reported income and 2.5 million in the category that exceed Rs. 2 lakh. In the category of more than Rs. 5 lakh income, the number is not that large and for more than Rs. 5 lakh, the number is less than half a million.

According to Kelkar, in the category of more than Rs. 10 lakh income, the number is not even one lakh tax payers. Going by these incredible numbers, a conservative estimate of the impact of the tax exemptions would be at least Rs. 20 thousand crore. In this context, if personal income-tax revenue is going to increase from Rs. 51 thousand crore last year to Rs. 66 thousand crore this year — an increase of Rs. 15 thousand crore in revenue on top of the exemption of Rs. 20 thousand crore, it would imply an effective increase of Rs. 35 thousand crore over the existing figure, i.e., a growth rate of 70 per cent in the income-tax revenue after factoring in the exemptions.

The question is: where is it going to come from? The assumption and the argument of the Kelkar Committee is that the reductions in tax rates and rationalization of tax structure and slabs would result in better compliance. Now, an astonishing statistics that Kelkar Committee came up with based on the studies by the National Institute of Public Finance, Delhi, was that in the income bracket — Rs. 2 lakh to Rs. 5 lakh — the compliance rate is 5-6 per cent. The compliance rate is the proportion of people who would pay the tax that is due — which means 95 per cent of the people whose incomes are between Rs. 2-5 lakh are not paying the tax that is due. This proportion is 25 per cent for the category Rs. 5 lakh and above; thus, 75 per cent of such people are under-reporting their income. It is expected that there would be better compliance now. Better compliance may happen but it never happens overnight. To expect this kind of revenue gain in less than one year is asking for the moon!

Another problem is with the share of taxes to the state are Rs. 80 thousand crore compared to Rs. 79 thousand crore in the last year. An increase of Rs. 1,000 crore is not substantial. During the last year, the budgeted amount was Rs. 85 thousand crore. In comparison to that, there is a decline this year.

Looking at the other components of expenditure, if we take out four standard items — interest, defence expenditure, subsidies, and transfer of resources — what remains is the residual composition of the expenditure. This is a substantial amount of Rs. 170 thousand crore which is one-third of the total expenditure. This is expected to decline by 4.5 per cent. What it actually means is that a fair amount of restructuring, rationalization, and elimination of expenditures of various types has happened; however, the details are not known. This is a component of expenditure that the government has always tried to control but did not succeed. For instance, last year, this component was supposed to decline by 20 per cent but it has actually increased by 1.5 per cent. This year, it is expected to decline by about 5 per cent. There is again an element of underestimation of expenditure. Combining these two—underestimation of expenditure and overestimation of revenue — we are left with a yawning gap. For the process of fiscal consolidation to happen, therefore, we may have to wait for better opportunities to come.

But, having said this, let me also mention that this Budget has been an exercise of craftsmanship which is not only related to fiscal manoeuvring and the number game but also indicates that a very delicate balance has been struck between the requirements of economic prudence and the demands of political compulsions. As the economic survey says, the Indian economy has acquired resilience.
euvevring and the number game but also indicates that a very delicate balance has been struck between the requirements of economic prudence and the demands of political compulsions. As the economic survey says, the Indian economy has acquired resilience. Once it has acquired resilience, partly the Finance Minister can believe that the Budget cannot do too much damage to the economy. If the economic growth is going to take place, it will take place. Therefore, the macro-economic computations in the Budget document project a GDP growth of 7-8 per cent in real terms and an inflation of 4-5 per cent. In fact, the plethora of exemptions that have been given to the income-tax payers to the tune of Rs. 20 thousand crore is something that is bound to promote savings. This would mean that our savings and investment rates this year would be distinctly higher than that of the last year.

We may, therefore, actually be able to achieve even a growth rate of 8 per cent although 7.5 per cent is a more realistic target. I am, in fact, confident that the economy would grow at 7.5 per cent and inflation would be contained at 5 per cent.

As far as the capital market is concerned, like all Budgets, the present Budget would produce volatility of markets. However, in the medium- and the longer-term, the outlook for the capital market arising from this Budget is positive. What is significant is that the Budget has given signals that the interest rates and the exchange rates will attain a reasonable degree of stability.

To conclude, high growth with moderate inflation and stability is the best one can ask for. And that is what is going to happen; not that the Budget will deliver it but it will not come in the way of it happening. It is, at least, not going to do any damage towards the long-term macro-economic prospects of the Indian economy. In that sense, this is quite a positive Budget. Moreover, some of the initiatives are going to pave the way for an effective integration of the Indian economy with the rest of the world. Overall, the outlook appears to be very good.

We may believe that probably the Finance Minister has not done enough. Opportunities were not tapped fully. He should have been more ambitious and targeted at 10 per cent growth and capital account convertibility. But, the question is: are we being reasonable in the kind of expectations that we have, considering that the circumstances surrounding the situation today are not the same as that prevailed the last time?

I think, within the limitations and the constraints existing today, he has done a fairly good job. And, we only hope that the Indian economy would continue to sustain its high growth performance. With a few more Budgets like this and with a meaningful fiscal consolidation process setting in motion, hopefully from 2006, I think, we can look forward to the Indian economy emerging as yet another roaring Asian Tiger.

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Going straight to the star features of the Budget, we must commend the Finance Minister for the courage that he has shown in following the Kelkar Committee recommendations. He was required to do so because the decision to accept the Kelkar Committee’s exemption limit was, in fact, overdue. Income-tax payers were waiting for the past six years for their exemption limit to go up and, after six years, there is a hundred per cent rise. If it is phased out, it would not seem to be astonishing, but, nonetheless,
these are very bold measures. The Finance Minister has talked about equity but then it is always difficult for any Finance Minister to balance equity all the time in his tax proposals and this time it has spilled out the other way.

Kelkar’s recommendation has been accepted as far as Rs. hundred thousand exemption limit is concerned. But, he had said that we should keep a 20 per cent tax rate above Rs. four hundred thousand. The Finance Minister raised the exemption limit, restructured the slabs, and also abolished all tax rebates under Section 88, 88B, C, and D. He also took away deductions under Section 80L and, on the recommendation of the Kelkar Committee, gave Section 80C where the investments could be set off or allowed as a deduction. What is the impact of this package as a whole? There are varying impacts for varying classes of people. There are classes who have gained across the board and there are classes who have not gained anything. The impact of the tax saving scheme is bound to be felt maximum amongst the high bracket tax payers. The tangible gains in terms of actual rupee savings will be as follows: For the first Rs. 50,000, the tax payer saves Rs. 9,000 in the first bracket, between Rs. 1 lakh to 1.5 lakh, he saves another Rs. 5,000 because the rate goes down by 10 per cent and up to Rs. 2.5 lakh, he saves Rs. 10,000. Effectively, for an income of Rs. 2.5 lakh, he saves Rs. 24,000. However, there will be a corresponding loss of Rs. 6,000 to Rs. 9,000 for salaried employees and pensioners, because they are going to lose the standard deduction, depending on their tax bracket, whether it is 20 per cent or 30 per cent. In addition, the new Section 80C for long-term savings and incentives is remarkably different from the current scheme of Section 88 where tax payers above the gross total income of Rs. 5 lakh were not getting any rebate at all. Considering that this restriction has been taken away, they would add Rs. 30,000 more to their kitty. If the tax payer is in a higher bracket, say between Rs. 8.5 lakh and Rs. 10 lakh, there is a further saving of almost Rs. 29,000 because the surcharge is being raised from the Rs. 8.5 lakh bracket to the Rs. 10 lakh bracket. For example, if the tax payer has a total income of Rs. 10 lakh just before he gets into the surcharge bracket, as compared to now, he would be getting a whopping tax saving of Rs. 83,000.

Income-tax payers were waiting for the past six years for their exemption limit to go up and, after six years, there is a hundred per cent rise.

What is going to be the fate of the senior citizens and the women tax payers under the new regime? Take the case of a senior citizen who is going to lose Rs. 20,000 tax rebate (because Rs. 20,000 tax is equated with taxable income of Rs. 1,53,000), add to it the standard deduction of Rs. 30,000 (which he will lose if he is a pensioner), and the amount becomes Rs. 1,83,000 and adding a further amount of Rs. 15,000 (because all senior citizens have investment income), the amount comes close to Rs. 2,00,000 mark where without a rupee investment, the senior citizen would enjoy zero tax. But, now, the Finance Minister has started at Rs. 1,50,000 and the senior citizen feels that there is nothing for him in this Budget. A working woman also feels the same way. For example, a working woman who could be at zero tax level with salary and investment income of Rs. 1,45,000 is now being told that she starts her zero tax level once again from Rs.1,25,000. These two sections are perhaps justified in feeling that they are not the real beneficiaries of this Budget and this issue needs to be addressed.

I have strong reservations about certain other measures which are discussed later. First, a few good things about the Budget. For the corporate world, i.e., for companies and firms, following the Kelkar Committee recommendations, the Finance Minister indicated that he is bringing down the tax rate from 35 to 30 per cent. However, he has not given any reason or justification except straightaway raising their surcharge of 2.5 per cent to 10 per cent and then adding education cess which makes it 33.66 per cent. The real tax saving for companies and firms in percentage terms in this Budget is roughly 3 per cent. One can hardly come across a Finance Minister who gives such substantial
While the old feature of making investment out of one’s income chargeable to tax has once again been reintroduced, the sectoral caps have been removed within the overall ceiling of Rs. 1 lakh. In the current scenario, mutual fund companies can look forward to great business. Similarly, there is a lot of scope for investors to invest in capital market as they can avail of benefits of deduction.

What I have liked most about this Budget is that apart from tax, the tax payee will get Rs. 1,00,000 of investment as deduction. Of course, there is a bit of inequity and, it is interesting that it was Dr Manmohan Singh who had in 1992-93 done away with Section 80C and got in the rebate on the ground of equity. According to him, the lower tax brackets did not get the advantages enjoyed by the higher tax brackets and, therefore, he wanted to go to the neutral situation of 1988. Today, we are swinging back to the old scheme.

At Rs.1.5 lakh of GTI, the tax payer’s savings of Rs. 50,000 will save tax of only Rs. 5,000 because the rate is 10 per cent. At, Rs. 2.5 lakh, savings of Rs. 50,000 will save Rs. 10,000 because he is in a higher bracket of 20 per cent. Savings of Rs. 1 lakh would save Rs. 20,000. But, if the income is Rs. 3.5 lakh, then he would effectively save Rs. 30,000 if he invests Rs. 1 lakh. On Rs. 2 lakh—1 lakh basic exemption and 1 lakh investment—there is no tax. For senior citizens, it is Rs. 2.5 lakh and for women, it is Rs. 2.25 lakh. There are not too many other meaningful deductions.

But, what is commendable is the fact that the sectoral caps have been removed. While the old feature of making investment out of one’s income chargeable to tax has once again been reintroduced, the sectoral caps have
been removed within the overall ceiling of Rs. 1 lakh.

In the current scenario, mutual fund companies can look forward to great business. Similarly, there is a lot of scope for investors to invest in capital market as they can avail of benefits of deduction.

Let us now look at some of the provisions which are retained or dropped:

• Section 80L has been dropped.
• Sections 80D, 80DD, 80DDB, and 80G pertaining to mediclaim, provisions for handicapped, charity, etc. are retained.
• Section 80E is modified.
• Interest on NRE and FCNR deposits has not been taxed. There is no room for complacency as far as foreign exchange reserves is concerned.

In terms of widening of the tax base, i.e., the ‘one by six tax scheme,’ the Finance Minister does not want to give up his family of tax payers. He accepts that almost half of the return filers are not tax payers. But, he wants everyone in the family to file returns so much so that apart from the ‘one by six scheme,’ he has introduced a new provision. The tax payers will now be required to file return of income not based on his taxable income but on his gross total income before considering the deductions under Chapter 6A.

It is now mandatory for partnership firms to file returns on the lines of companies—this is a new provision but they will have to live with that. Whether the firm is active or passive, whether the partners are earning a rupee or not, whether they are making losses—if they do not file their tax returns, they will have to pay a penalty.

Some of the other important provisions of the Budget are as follows:

• TDS on royalty and fees for technical services reduced from 20 per cent to 10 per cent —a welcome measure.
• Derivative transactions will not be treated as speculative but as business. Speculative losses will now be carried only for four years and not more.
• Access of TDS certificates through OLTAS is being deferred by one year, i.e., until April, 1 2006.
• There is a minor relief for truck operators under Section 194C.
• Banks and companies will have to mandatorily file quarterly returns in the electronic media giving all the information of 15G or 15H forms which are filed by fixed deposit holders.
• A good capital market related measure is the taxation of zero coupon bonds at 10 per cent long-term capital gains, particularly to infrastructure and public sector undertaking funds and companies.
• The security transaction tax rates have been modified.

One major concern in the Budget is the fringe benefit tax which is sought to be introduced. In fact, it is an entire tax on its own which can be a separate statute. But, it has been merged. This is an unwelcome provision coming at a time when the salaried employees are being robbed off of their standard deduction. Although this is imposed on the employer and has a great revenue potential, the way in which it is being introduced and the amount of harassment it would cause both for the employer and the employee is unimaginable.

Fringe benefit has been defined as any privilege, service, facility or amenity directly or indirectly provided by an employer to his employee, including the former employee, by reason of their employment and any reimbursement directly or indirectly made for any purpose. Companies, firms, and local authorities, even NGOs, who currently enjoy exemption, will be attracting fringe benefit tax. There is a long list of almost 24 items which come under the purview of this tax. Fringe benefit tax should not stay. It can be debated on any number of counts. Similarly, the banking cash transaction tax should also be done away with because this is a tax meant for tax evaders and an honest tax payer should not be made to bear the brunt of this tax. 

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When performance does not match expectations, there is bound to be frustration. One of the reasons why this Budget has not come up to the expectations was that we were expecting Chidambaram to play the 1997-98 role and offer another dream Budget.

Circumstances were favourable on the economic front but much different on the political front. It is less than a year that he presented the first Budget of this government. He must still be remembering the flak he had received for certain pronouncements in the earlier Budget. This is a clear indication of the political constraints and to what extent the political constraints governed by the compulsions of the coalition government could lead the brilliant team of Chidambaram, Manmohan Singh, Montek Singh Ahluwalia, and Rangarajan, the advisor to the PM, to perform much below the expectations.

The Budget is riddled with internal contradictions. On the one hand, the Finance Minister talks about encouraging housing industry by permitting deductions such as loan, interest, etc. On the other hand, he wants to include housing industry in the list of service tax. Look at a hypothetical example.

If one wants to buy a house worth Rs. 5 lakh, which is the prevailing rate for a modest accommodation in Ahmedabad, the Income-Tax department would deduct the material cost of approximately Rs. 3 lakh and impose service tax of 12 per cent on the remaining amount (Rs. 24,000) and add stamp duty. The industry which the Finance Minister wants to encourage is being loaded with stamp duty and service tax with a condition that only those housing schemes with 12 flats or less will be exempted from this.

Another similar contradiction concerns the small scale industries where 108 items go out of the reservation list. The Finance Minister wants to take the excise exemption to a turnover limit of Rs. 4 crore whereas the average turnover of small scale sector in this country is less than Rs. 20 lakh. More than 97 per cent of the small scale industries do not have a turnover of more than Rs. 15 lakh. The question is which turnover bracket he is talking about. In 1979, when George Fernandes was the Industries Minister and the reservation list was introduced for the first time, there were 544 items; today, after taking off the 108 items, there are still more than 700 items! There is still scope for reducing a few more items.

The small scale industry is already opened up for competition. We can now have a company where up to 74 per cent can be held by even the organized sector and NRI put together. It can be a large scale unit and still enjoy the benefit of the reserved items meant for the small scale sector.

Similarly, in the case of VAT, the Finance Minister is paying a great tribute to the empowered committee of the state finance ministers saying that they have done a great job under the inspiration of the respective Chief Ministers. He is making a reiteration that from April 1, 2005, VAT will be implemented. In the agreed formula, there is a compensation for the losses made to the states — 100 per cent for the coming financial year, 75 per cent for the next year, 50 per cent thereafter, and so on. There is no provision in the Budget, not even a token provision, for compensation to the states on account of implementation of VAT.

The fourth example concerns what is happening outside the Budget. Just a few days back, the FDI investment was opened up for the construction sector. In this Budget, the Finance Minister is silent about three things: (1) FII and FDI investment; (2) reduction of subsidies; (3) rationalization by way of disinvestment. It is fine if the Finance Minister does not show any income from the disinvestment money in his estimates. Perhaps, this is because there is a separate fund and he
might think this is a bypass route. But, in his income estimates, he goes a step further and shows 13 per cent as the income accruing out of the dividends which are to be paid by the public sector. It may be difficult for meeting the income tax recovery targets from the individuals and, to some extent, even from the corporate sector. But, once such targets are given to the babus of the North Block, I am sure they are going to recover this money from the public sector. What is this money going to be? It is an income for today, depriving the public sector the flexibility for reinvestment, expansion and modernization, and making them eligible for sickness in the years to come. So, on the one hand, the Finance Minister is talking about stopping the disinvestment and, on the other, he wants to retain the unit! This is actually worrisome.

There are announcements made in the Budget about the small scale sector. There are good announcements made about the textile sector and reliefs given to biotech and the pharma sectors. But, one major problem the pharmaceutical sector was facing and for which there was a vehement representation was the MRP-based excise system. The industry felt that the difference between the MRP and the transfer price was not entirely regarded as profit, and, therefore, they were asking for two things:

- Thirty-five per cent deduction to be raised to 50 per cent (this was partly answered by raising it to 40 per cent).
- Excise to be brought down from 16 per cent to 8 per cent.

But, the Budget remains silent on the excise reduction. Gujarat, a state which has a major small scale pharmaceutical industry base, was hit by the first Budget which provided zero-tax regimes in North-Eastern states, Chattisgarh, Uttaranchal, and Himachal Pradesh. This move had made major pharmaceutical units to migrate from Gujarat. Now, with this MRP-based excise, this sector is going to be adversely affected.

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This Budget is announced in the context of a strong economic growth profile with the industry clocking a strong three-year growth rate of 6 per cent, 7 per cent, and 9 per cent per annum. The turnover and profitability have also jumped up to 16 per cent and 41 per cent respectively over the last year’s figures for the top 1,000 quoted corporates. All but 16 sectors are reported to be doing well. The capital goods industry, an indicator of growth in investment, has also shown a robust growth for two consecutive years. The order book position in several sectors runs between three months to well over a year today, an indicator of the current phase of higher capacity utilization and the need for new capacity creation. One estimate of industrial investment plans based on a primary survey by a leading bank puts the figure at US $29 billion being planned over the next two years in the country. Clearly, exports are also growing well with auto, textile, IT, pharma, and auto components leading the way.

The Budget affects manufacturing in several ways, some measures being clearly helpful, though in varying degrees, and none except the fringe benefit tax provision being harmful.

The reduction in the depreciation rate combined with the lower rate of corporate tax to 30 per cent will generally lead to lower depreciation and an overall higher tax payment with higher after-tax profit figures but lower surpluses (depreciation plus PAT). However, the increase of the initial depreciation rate to 20 per cent is a very welcome step at a time when the industry is planning capacity expansion and would reduce taxes significantly. This is a measure that has always gone well with industry even in the past. The overall impact of this will, therefore, be most beneficial and positive.

Several sectors are also investing in developmental and research-oriented expenditures which attract a 150 per cent weighted deduction against taxable profits. This feature combined with the accelerated depreciation of new investments is likely to bring several companies into the MAT bracket. Clearly
the momentum for investment is being supported by the Budget this year.

The 5 per cent cut in the non-agro peak rate of customs duty is a very welcome step. My view on this is that we could have gone for a 10 per cent cut instead, even though the rupee is rising, making imports even more competitive in the domestic economy. I say this because I feel that the Indian industry has reduced a lot of flab and has become more productive during the lean period, 1997 through 2002, and is unambiguously better placed to compete than ever before both in imports and in selected export sectors of manufactured goods. Besides, this cut would have led to a significant reduction of prices of several goods in the intermediate market, raw material for B2B markets, and in finished goods in the consumer market segment.

Riding on the consumer consumption wave (with lower interest rate and easy availability of finance), this would have expanded existing markets and also created new ones in a major way. Increased imports arising out of this initiative would have also led to a stabilizing effect on our forex reserves and hopefully would have resulted into a significant reduction of the pressure on the rupee-dollar exchange rate in the immediate short run. It would have further assisted the integration of the Indian manufacturing economy in the international trade arena. It also appears that it would have helped in the customs duty collection as well. Thus, although it is a good step, it could have been more aggressively pursued at this stage.

The changes on the excise duty front are more in the nature of corrections and are welcome. However, in my view, the tax buoyancy of this manufacturing tax is not likely to yield results for the exchequer, because a lot of manufacturing growth is going to take place for exports and increasingly in SEZs as well. SEZ exports have gone up by 40 per cent to Rs. 14,000 crore in 2004-05.

VAT is back on the agenda and the uncertainty surrounding announcements by some states seem to have been addressed both in the Budget and in the meeting following the Budget in Delhi. The removal of the cascading tax is going to be a very essential element in creating a competitive environment across several industry sizes and sectors. More importantly, it will support outsourcing and reduce the need for vertical consolidation only for fiscal reasons.

The other announcement regarding harmonizing the use of the eight-digit code for product classification and its use both by customs and excise departments is a welcome step that was long overdue.

On the funding side, the increased flexibility for an individual to decide on the instrument of saving, coupled with more flexibility to the banks in setting their own liquidity limits and cash ratios and given the savings rate of 28 per cent in 2005, sets a positive scenario for supporting funding of the expected growth in manufacturing and infrastructure funding. The infrastructure funding should also get a fillip from the release of long-term funds of both the pension and insurance premiums. The SPV of Rs. 10,000 crore with an access to forex reserves is a new concept and much depends on how it pans out.

It would have been more prudent at this stage not to have given away the largesse in the personal income-tax rates benefit. No one had asked for it, no one was expecting it, and it has put the finances under unnecessary pressure, creating the ill-will generated by both the additional fringe benefit tax and banking cash transaction tax. The estimates of the total tax collection seem to be very ambitious and unrealizable.

The general outlook on the interest rate, inflation, and exchange rate appears to be benign and stable providing the comfort that large new investments would need.

The industrial infrastructure involving roads, ports, telecom, airports, and power are doing better now than ever before. However, it is the speed of sectoral reforms in many of these areas, especially, in urban development, which is going to be the key determinant of growth in these sectors. While the big quadrilateral project has got an additional funding, the areas of urban, airports,
railways, and waterways are waiting for big-ticket reforms before realistically expecting private investments.

Agriculture-based industries are likely to benefit from the specific focus on the promising horticulture sector and agriculture marketing infrastructure investments. In textiles too, there are fiscal provisions that are aimed at correcting the bias on fibres used for clothes. The 10 per cent capital subsidy for processing in a badly needed sector is a positive step in correcting the imbalance in quality processing capacity. SSI de-reservation too is a very good step involving hosiery and other allied areas.

The Budget remains short on cutting of customs duty on imported machinery down to 5 per cent, which would have assisted the goal of investing Rs. 27,000 crore in the next two years. However, one of the key reforms that would have surely boosted capacity creation in apparel manufacturing is the long-awaited labour flexibility reforms, but, like everything that is sensitive to the labour coalition partner, there is no mention of that in the Budget. One hopes for necessary reform in this area urgently.

The pharmaceutical sector is set to grow mainly on exports in the immediate years since there are almost no NCEs in the pipeline in India to give a boost to corporate growth through new product launches domestically, which was possible before January 1, 2005. The imperatives of the new Patent Ordinance mandate a very large expenditure in developing and registering new generics of patented molecules going off patent, into the regulated markets which are relatively bigger and more profitable markets in the West and Japan.

A mere extension of the 150 per cent weighted tax deduction by two years is indeed a good step but very short when measured in terms of the gestation period that is needed for development. When the governments cannot fund extensive pharma research projects, the route to support R&D investments through weighted deductions is the only way provided the pharma companies are very profitable. However, this 150 per cent is small compared to the pharma hubs in Ireland and Puerto Rico (200% and 250%) given the size of research funds needed for even NDDS discoveries. More support through sharing of filing expenditure would have also assisted the corporates. India now has (like in the IT story regarding SEI CMM certification) the largest number of plants approved by the US FDA outside the US in the world today. For India, the story of pharma is promising needing much more fiscal and monetary support if it has to emerge as important as the IT sector.

In the area of SSI, the Finance Minister has, first of all, de-emphasized them by stating that the evolved view is actually that of small and medium industries and not of SSI alone. Small industry is just a stage that companies go through in the initial phases of starting up and growth. This has major implications for policy formulations and is likely to mean that the action shifts from ‘protection’ to ‘promotion.’ First to be announced in this regard is, therefore, more de-reservation of another 108 items from the remaining 605 after last year’s cut of 85 items from the SSI list.

The excise exemption limit of Rs. 3 crore for the capital investment-based criterion is also enhanced to Rs. 4 crore now. We must also recall that there are already seven sectors in SSI that have the investment limit enhanced to Rs. 5 crore last year in view of their investments needed for technological upgradation. A time will come for these companies that they will automatically grow and the status and benefits of being classified as small will be fast rendered meaningless.

By giving a choice to SSI for the first Rs. 1 crore, the unit could pay excise duty and claim CENVAT or else remain outside the chain and not claim any CENVAT credit will help in the integration of SSI into
the value chain of production. Over time, the SSIs will play a role that best suits that small size and scale and assist in creating its own niche areas of competitiveness which are not based on distortionary taxes but real advantages in the markets. As customers get into the VAT tax, this will also exert pressure on the SSI vendors to integrate into the CENVAT chain.

The amount provided for the credit-linked capital subsidy scheme for technological upgradation of SMEs is enhanced from Rs. 135 crore to Rs. 173 crore now. The ceiling of loans under this scheme was also enhanced up to Rs. 1 crore then. The rate of subsidy was also increased from the earlier 12 per cent to 15 per cent. This was meant to assist in a meaningful growth for SMEs aspiring to improve on their manufacturing technologies. The effective utilization under this scheme is below expectation given the level of the demand for upgradation amongst SMEs. This scheme needs a relook.

There is also a provision of a Rs. 500 crore corpus fund to support SMEs for equity in growing in the knowledge sectors such as pharma, IT, biotech, product design, and the allied soft areas. It is now universally recognized that a very large proportion of new patents are emerging from the modern high-tech SME companies all over the world and this single visionary step is likely to initiate our traditional and new SSIs into the modern technological advanced sectors rapidly, if availed of expeditiously and exploited prudently. This money is meant to fund good new technological ideas and help them to fruition.

The scheme announced in the last Budget for having a specialized credit rating agency for SMEs seems to be in the cold storage with no progress or even a mention in the current Budget.

There is no mention this time about the extent of rehabilitation efforts for the sick SSIs following the announcement of the amendments to the Securitization Act aimed at facilitating clean and amicable exits for both the lenders and the borrowers, thus conserving entrepreneurial energies to try something different in these changing times.

In conclusion, the Budget has supported the investment mode that the industry is in today and while some supportive steps have been taken, clearly much more could have been done to take our ‘winners’ into the 25-30 per cent per annum growth phase in both the domestic as well as the more lucrative export markets.

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Like each time, this year also the Union Budget has created the desired and expected vibrations, debates, and controversies. In fact, the best thing that the Budget does to our economy is that it sets many minds to work, enables exchange of ideas, and virtually turns the national attention towards our economy, a function which our democratic process has painfully failed to perform over decades. There are many persons who smirk by saying that we are giving undue importance to the Budgets. There are far too many changes, with or without implications, and each time there are many ridiculous changes which irritate and demoralize a large section of tax payers.

This Budget also has such elements and quite a number of them! Healthy debates with open-minded persons sitting in important positions, will hopefully remove the hindrances. The good job of creating and sustaining awareness about the broader economic issues though has been well performed by this Budget..no matter at whose cost !!

Here I would not like to go into the details of this specific Budget, because they have been already discussed very well. I would voice a few concerns about the whole process:

- The Economic Survey shows the combined revenue receipts and expenditures of the central and state governments in different years. Accordingly, the combined revenue receipts are about 19 per cent of
GDP. If we add local bodies, the figure would be about 20 per cent of GDP. The central revenues as per the Union Budget are hardly 40 per cent of this and still, it is the Union Budget that generates so much hype and debate. The other 60 per cent raised quietly by local bodies and state governments attract much less public debate and attention. We need to look at the Budgets of state governments and local bodies also with equal seriousness and interest. In fact, they hit us harder!

- With the passing of the Budgets (including those of the state governments and local bodies), we hand over complete authority to spend an amount equivalent to nearly 30 per cent of our ‘national income’ each year in the hands of the politicians and the bureaucrats! As a management professional, I really wonder whether the control and delivery mechanisms, the reporting requirements, and the transparencies are in place. The excellent reports produced by the Comptroller and Auditor General (CAG) on government accounts hardly receive any publicity and fail to generate public debates.

- The talk of a free economy and globalization gets a very dark shadow from the region-based incentives and biases which keep figuring in Budgets after Budgets. If left uncontrolled, regional imbalances in development and wide disparity in compliances in different regions can pose a serious threat to the unity of our nation. It is high time that we realized this.

- It needs to be noted with concern that the Finance Minister has maintained a conspicuous silence over the issues of labour reforms and the privatization of PSUs. These are crucial in encouraging direct investments in our economy.

- One good thing which the post-Budget stock price index has revealed is that despite so many controversial proposals (like the fringe benefit tax) affecting the bottom line and EPS of the listed companies, the indexes have not fallen. It indicates that either they are sure about the roll back and have great faith in the wiser counsels to prevail and/or the markets have matured enough to also consider the other positive macro indicators simultaneously. However, some announcement to open up IPO route for mid-sized companies with less than Rs. 10 crore net worth would have provided a long-awaited bridge for the SME sector, particularly when OTCEI has virtually failed to take-off.

All said and done, it is not good for the Finance Minister to introduce so many amendments (with particular reference to the fringe benefit tax) in a manner that subsequently ends up in blaming the draftsmen or cut a sorry figure of misjudging the likely reactions. In fact, with the famous ‘trio’ at the helm of the economy, and with the buoyancy in the economy, this was the last thing expected.

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The macro-economic conditions and business environment in the Indian economy were excellent. The Indian economy was poised to achieve a growth rate of 6.9 per cent during 2004-05 in real terms. Inflation rate that once shot up to more than 8 per cent per annum came down to around 5 per cent per annum. Growth of exports was as high as 25 per cent and imports were at 32 per cent on an annual basis. The forex reserves were at an all time high of $135 billion equivalent and sensex reached a record level of more than 6,500 points. The investment climate was very favourable and it was announced that India had joined the club of high savers with 28 per cent of the savings rate. The growth of 6.9 per cent this year was in spite of poor monsoon and hence agriculture clocked only 1.1 per cent of growth. Thus, if agriculture were to achieve
a normal or trend rate of increase the next year, the economy would grow at least at the rate of 7.5 per cent, other things remaining the same. Thus, the target the Finance Minister has kept for the growth of real GDP at 7 to 8 per cent next year is almost achieved even if status quo is maintained.

There is a likely overestimation of the savings rate by the CSO because the procedures used for the calculation were objectionable (Shetty, 2005). When corrections are made, the saving and investment rates are around 24.8 per cent and 23 per cent respectively with the current account surplus of 1.8 per cent. On the other hand, the Tenth Five Year Plan envisages a current account deficit of (−) 2 per cent. Moreover, as Shetty (2005) argues, if we make an adjustment for gold included in merchandise trade, the current account surplus becomes 3 per cent, making the total deficiency of resources for the plan target to be 5 per cent of GDP. This was a serious problem and deserved explicit attention in the Budget. Similarly, the pressing need of the economy was to stimulate and accelerate domestic investment and tackle the likely heavy inflow of forex reserves. This Budget, however, focuses, if at all, only marginally and tangentially on these issues.

It seems from the expenditure side of the Budget that several existing projects/schemes and expenditure heads are regrouped, merged, and rationalized. This does not come out explicitly until we consider the Budgeted figures in relation to the revised estimates of the previous year. Similarly, there is a lack of transparency on the revenue implications of the taxation proposals in the Budget which makes the analysis of likely impact difficult. Moreover, the estimates of the fiscal deficit and primary deficit made in the Budget are not directly comparable with the previous year. This has been the trend for the last three Budgets and it continues this time. The gross fiscal deficit (GFD) figures for the centre and the states cannot be added to arrive at the combined fiscal deficit for the nation because there would be a double counting of the states’ borrowings from the centre. The net fiscal deficit (NFD) figures are the right ones for the purpose but are not reported popularly. For the last three Budgets, the overlap is systematically reduced by cutting the centre’s GFD. The previous two Budgets showed increased recovery of loans reducing the centre’s GFD when these loans were merely swapped; and, in the present Budget, the expenditure is reduced in terms of providing loans when the states would be actually borrowing from the market directly. The GFD numbers in this Budget, therefore, do not reveal the true picture on the fiscal consolidation front. The revenue deficit in the present Budget is increasing in absolute terms and is constant as percentage of GDP over the last year. Fiscal consolidation is, thus, not expected to progress in this Budget. However, as recently argued in a study, the debt problem in India is quite sustainable given the expectations of high growth performance and low interest rates, making the issue of fiscal consolidation less urgent and relevant at present (Ram Mohan, Dholakia and Karan, 2005).

Regarding the expenditure allocation in the Budget, while the non-plan revenue expenditure on interest, subsidies, defence, and grants to states is rising substantially, those on economic services are expected to decline by 8.6 per cent and on social services by 11.4 per cent compared to the revised estimates for the current year. Such drastic cuts are likely to adversely affect the maintenance of current services. Among the plan expenditures, the Budget support for the central plan outlay is expected to increase by 33.8 per cent and the extra-budgetary resources (borrowing) are taken to increase by as much as 47.7 per cent. The total central plan outlay would thus be rising by 40 per cent against the revenue support to state plans increasing by only 9 per cent. This raises concerns about democratic decentralization and devolution of resources and obligations. Even the priorities assigned in the central plan outlay to different sectors are quite contrary to the impression created by Part A of the Finance Minister’s Budget speech. Sectors of high priority in terms of expenditure allocation are:
General economic services 80 per cent increase  
Transport 60 per cent increase  
Industry and minerals 53 per cent increase  
Integration and flood control 44 per cent increase  
Total Central Plan Outlay 40 per cent increase  
Social services 36 per cent increase  
Agriculture and allied activities 34 per cent increase  
Energy 34 per cent increase  
Communications 33 per cent increase  
Rural development 25 per cent increase

Thus, rural development gets the lowest priority contrary to the general impression created by the Budget speech. Similarly, extra-budgetary support rising by 47.7 per cent is a very objectionable and non-transparent way of raising resources.

Regarding the revenue calculations, this Budget is based on very optimistic growth assumptions. Alternatively, the Budget not giving details about revenue implications of several measures is non-transparent. Overall, the Budget is based on the assumption of nominal growth of 13.2 per cent in GDP. This is likely to be divided as the real growth of 7.5 per cent to 8 per cent; and inflation of 5.3 per cent to 4.8 per cent over the coming year.

The growth of 21 per cent in excise revenue budgeted is consistent with the implicitly assumed real growth of about 12 per cent in manufacturing with 5 per cent inflation. Similarly, the growth of 24 per cent in service tax revenue after granting relief to 80 per cent of the existing service tax payers seems to be consistent with the real growth of 10 per cent in the services sector. A decline of customs revenue of 5.5 per cent in the face of a cut in the customs duty of about 25 per cent implies that the Finance Minister has assumed either (a) import growth of 32 per cent and appreciated rupee at $1 = Rs. 41 or (b) import growth of 22 per cent and a stable exchange rate.

Direct tax proposals have been the most controversial and perhaps the most non-transparent. The corporate income tax for domestic companies has been slashed from 35 per cent to 30 per cent and the surcharge is simultaneously raised from 2.5 per cent to 10 per cent. There is little justification for retaining the surcharge and almost no justification for raising it four-fold. The surcharge does not get shared with the states and is usually considered only as a temporary mechanism to meet unanticipated contingencies. However, the overall effect of these two measures is still to reduce the effective tax rate from 36.6 per cent to 33.6 per cent on corporate profits. But, there is a simultaneous reduction in the depreciation allowance from 25 per cent to 15 per cent. The net effect of all these three changes on the tax is to increase the tax collection from most of the companies. However, the extent would considerably differ from company to company depending on its capital intensity. Moreover, since the new investments are encouraged in the present Budget by providing additional initial depreciation of 20 per cent, if the companies acquire new machinery and plant even replacing the old ones, they can save tax. The overall impact of these changes is difficult to calculate in complete absence of any details provided in the Budget. However, the Budget envisages a net increase in corporate income tax revenue of 33 per cent. This assumes more than 17 per cent growth in corporate profits and hence is consistent only with a sensex value of 7600+.

Personal income-tax is the area where the present Budget has provided maximum relief to maximum number of tax payers. It is conservatively estimated that the tax reliefs are of the order of minimum Rs. 20,000 crore as stated earlier. In spite of such heavy reliefs, the Finance Minister envisages an increase of Rs. 15,573 crore in the income tax revenue or 30 per cent increase over the revised estimates for the current year. The Finance Minister could have expected an overall 70 per cent increase in income-tax next year over the current year had the tax rates and slabs not changed. This can happen only if he is taking significant increases in the fringe benefit tax collection and the cash withdrawal tax collection. Both these taxes are the greatest irritants to the tax-payers and the employers. As a likely effect, there may be considerable monetization of the fringe benefits
resulting in increased salaries leading to a higher tax collection or increased tax collection from companies if those benefits are not monetized. On the revenue implications of all these tax proposals, the Budget seems to be highly non-transparent. As a result, the expected increase in the tax revenue appears to be too optimistic to be achieved. If so, it may result in slippage in the fiscal discipline.

Finally, the Budget envisages an increase in the other non-tax revenue including fees, penalties, and user charges to the extent of 30.5 per cent and an increase of 13 per cent in the profits and dividends from PSUs. Divestment of PSU would be considered outside the Budget for political reasons, but injecting fresh equity and providing fresh loans to PSUs may be considered a reversal of the reforms.

All in all, the Budget is likely to leave the buoyant economy and general feel-good factor largely unaffected. It could have provided stimulus and accelerated growth to a double-digit figure to make India the top performing economy in the world. But, the Finance Minister had the mandate to achieve growth between 7/8 per cent only, which in any case would be achieved even in the status quo scenario! In my opinion, the Finance Minister, under the political compulsions, has produced an overall zero-impact Budget for the major macro-economic parameters.

REFERENCES


Lives of great men all remind us
We can make our lives sublime,
And, departing, leave behind us
Footprints on the sands of time.

Let us, then, be up and doing,
With a heart for any fate;
Still achieving, still pursuing,
Learn to labour and to wait.

Henry Longfellow