Despite some hits, the Budget has crucial misses

Domestic output or GDP, net of inflation, is expected to decline by 7.7% in the current financial year (FY 2020-21), compared to the previous year (FY2019-20). The decline in per capita income is by 8.7%. The contraction is one of the worst among the world's major countries. The novel coronavirus pandemic and the resultant lockdown led to massive job and livelihood losses.

Capital expenditure proposal

1. Given the context, the present Budget's focus on stepping up public investment by 34.5% in the coming fiscal year is a welcome sign. The estimated fiscal deficit for FY 2021-22 is 6.8% of GDP for the central government. And States are allowed a higher fiscal deficit if the expenditure is on capital investment.
2. These figures certainly look impressive. The realisation of these investments would crucially depend on tax revenue realisations, disinvestment proceeds, sale of rail and road assets and the government's ability to raise resources from the market, without raising interest rates for the private sector.
3. There is no mention of the government's recourse to debt monetisation. While the investment intentions are evident, its financing efforts seem to have too many loose ends.
4. The proposed Development Finance Institution (DFI) is also welcome. One of the reasons for poor industrial and infrastructure investment during the last decade was a lack of long-term credit for infrastructure, which by definition yields low rates of return spread over a long period of time.
5. Contemporary experience shows that most successful industrialising economies have relied on DFIs for providing long-term credit.

Health and employment

1. Investments in urban public health infrastructure — sanitation, water supply and sewage — are in the right direction if implemented in a coordinated manner.
2. The Budget has very little to say about employment. Surely, the proposed step-up in infrastructure would create labour demand. It bears repetition that the 2010s were a decade of job loss growth, as in official National Sample survey estimates.

3. The pandemic has rubbed salt into the country's wound, leading to the migration crisis, which is still with us (as the report cited above shows). Unfortunately, there is very little acknowledgement and response to the crisis in the Budget.

Inequality glossed over

1. There is no mention of the stupendous rise in economic inequality during just the last year. While the poor lost their jobs and livelihoods in 2020, corporate India's profits zoomed.
2. The Budget could have considered a special tax on the super-rich — as many countries are now mooting. The Budget does not seem to reckon with such a rise in inequality, let alone seek to redress it.
3. That there is no targeted employment programme to alleviate the immediate crisis is a matter of concern. Government apathy towards those who lost jobs and livelihoods due to the health and economic shocks last year seems galling.

Getting back on track

Public health infrastructure

1. There is greater spending on health care. However, A lot more could have been done to address the chronic underinvestment in India's public health infrastructure by appreciably rising expenditure.
2. The Union Budget reveals an estimated health outlay of ₹74,602 crores, almost 10% lower than the revised estimate of ₹82,445 crores earmarked for health spending in the current fiscal year.
3. The Minister, however, has claimed a 137% increase in the budgetary outlay on 'health and well-being' by including a one-time expenditure of ₹35,000 crores set aside for the COVID-19 vaccination programme, ₹60,030 crores budgeted for the department of drinking water and sanitation, as well as the Finance Commission's grants for both water and sanitation and health totalling to almost ₹50,000 crores.
4. In fact, the Economic Survey had eloquently made the case for providing a massive boost to health spending, which it reasoned would serve as a direct means to raising overall economic output by reducing the economic burden of illnesses.

5. To its credit, the government intends to introduce a new centrally sponsored scheme, 'PM Atma Nirbhar Swasth Bharat Yojana', to develop primary, secondary, and tertiary care capacities over the next six years, at an estimated cost of ₹64,180 crores.

Fiscal Stimulus

A sizable fiscal stimulus to reinvigorate consumption demand could have gone a long way in completing the recovery. Far from being an expansionary Budget, Govt has opted to contain overall spending so as to rein in the fiscal deficit to 6.8% in the coming fiscal itself. The country cannot afford a premature scaling down of fiscal support at a time of rising inequality.

The Sellout

1. Strategic stake sale in several state-owned companies in the coming fiscal, the Budget has accounted for ₹1.75-lakh crore in capital receipts from disinvestment.
2. She also proposes to privatise two more public sector banks and a general insurer in 2021-22.
3. Also on the block for possible sale or lease through concessions are state-owned undertakings' land assets that the government intends to monetise.
4. In finding the capital for its National Infrastructure Pipeline, the Budget proposes an asset monetisation pipeline that would include highways, airports and ports.
5. The aggressive stance on privatisation notwithstanding, the government is still likely to face an uphill task in achieving its ambitious disinvestment goal given that private investment is still anaemic.

For the ailing Banks

The Government has also embarked on creating a 'bad bank' for dealing with the pile of stressed and bad bank loans. The Budget proposes establishing both an Asset Reconstruction Company and an Asset Management Company that would consolidate and take over existing stressed debt and then help dispose of the assets. The Govt is to set aside just ₹20,000 crores to recapitalise the remaining public banks.