Budget 2021: It’s business as usual

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However, the bulk of this fall has occurred because of the failure to collect the GST compensation cess. Hence, this has made the states poorer by $26,400 crore, and offset the impact of the increase in Finance Commission grants, which rose by $2,427 crore.

Total expenditure has risen appreciably by over $4 trillion. However, the bulk of this has been not income support or health expenditure. At least 80 per cent of the incremental expenditure has been incurred for food- and fertiliser-related subsidies and another 12 per cent for increase in MGNREGA outlays. Thus, the much-touted fiscal stimulus has essentially been about relief, and, while welcome, does not indicate that fiscal resources have been used with a view to shaping economic recovery. Thus, of the 6 per cent fiscal deficit increase, about a third is due to shortfalls in resource mobilisation and the bulk of the remainder for relief and subsidies. Investment has played little part in the story. Also, increased expenditure on health care. Revenue expenditure continues to be the principal source of increase in the fiscal deficit. Regrettably, the pandemic has not triggered structural changes in the Budget that point to an active fiscal policy to foster economic revival, which is why the GDP estimate for FY22 is still lower than the aspiration for 2019-2021.

Next year, the budget aims to reduce the fiscal deficit principally by curtailting growth in revenue expenditure. There is no ambition to increase revenue receipts. This is laudable modesty, given the abysmal record over the past four years. However, this modesty does not extend to disinvestment, where the figure has only been slightly tapered. This is the Achilles’ heel in fiscal planning, going forward. Talk of asset monetisation and disinvestment will have to be walked more effectively than has been done in the lifetime of this government. So, this was very much a business-as-usual budget that presents a record of how government spent money to alleviate the impact of the pandemic on people’s ability to eat and eke out a living, even as the richer sections of society enjoyed an increase in profits.

Despite the economic challenge confronting India, Arun Jaitley’s 2016 budget continues to be the gold standard for this administration. There is no evidence of an economic strategy, or a medium-term spending battle-plan, that would address the ground lost caused by the pandemic, or a reform strategy to change demand composition, or even foster export-led growth. There are several welcome standalone reforms but these do not add up to a coherent strategy to achieve a $5 trillion economy or secure Atmanirbharbhata. There is no particular logic that has been explicated for the new fiscal responsibility and budget management targets; I will have to analyse the Finance Commission report to see if there is any. Even so, I am thankful for small mercies like increased transparency, some positive initiatives to simplify tax administration, and the attempt to bring off-budget items into fiscal accounting.

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(1) Committed expenditure is defined as the total of establishment expenditure, interest payments, GST cess, and Finance Commission grants.