

## ***Budget Bang 2013***

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Come February; and comes the Union Budget every year. There was a time when everyone used to eagerly wait for the budget with lot many hopes as also concerns. Union Budget, in days gone by, was construed to be a policy document meticulously presented every year. As the years rolled over, the sanctity is diluted and the budgetary exercise is converged into an annual ritual window dressed to political exuberations. The flair notation that “Investment is an Act of Faith; Budget is an Act of Credibility” appears to have lost its relevance.

The Union Budget for 2013-14, presented on 28<sup>th</sup> February 2013, happens to be the 23<sup>rd</sup> Budget after opening-up of the Indian Economy in July 1991. After 22 years of reforms an important question that needs a reasonable answer is ‘What is it to the Common Man?’

An effort was made by a symbolical survey named, ‘Budget Bang’, to dig out the common man, hidden in every individual, and feel the pulse about the budget impact. The survey was conducted during February – March 2013. There were in all 69 respondents, most of them being graduated and above, spread over all classes of the society in Nagpur. Over 90% of these respondents hail from families with two or more earning members. About 70% of these families earn in excess of lakhs of rupees a year. The responses were quite revealing as also striking!

Sixty five percent of the respondents have affirmed favourable impact, on the life style of the Common Man, of the post 1991 events whereas fifteen percent expressed a contradictory feeling and a considerable twenty percent remained neutral with a can’t say reply.

Liberalisation Privatisation Globalisation; phenomenal growth in GDP & per Capita Income; Communication Revolution; IT Revolution; Education Reforms; Power Reforms; Banking Reforms; Tax reforms; Technological Inventions; Improvements in

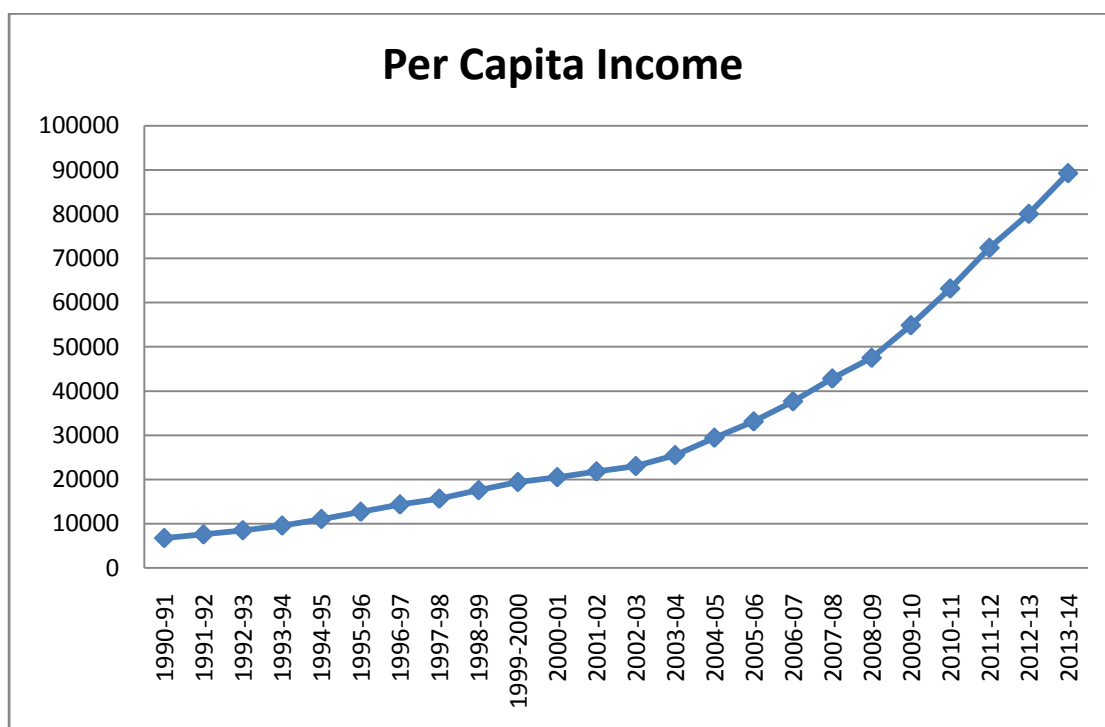
Quality and Services of Domestic Products: Opening up of Housing Sector; Increased Employment Potential; etc. are reasoned out to be the significant factors that have impacted common man in a positive manner.

Big Scams & Frauds; Black money; Inflation; Corruption; Removal of subsidies of LPG; Opportunistic Political Alliances; Imbalanced Union Budgets; the trend of the rich becoming richer and the poor becoming poorer; etc. are causing severe concerns amongst the public.

Looking at the statistics of the country as a whole the Gross Domestic Product (at Current Market Prices) of Rs.5,68,674 crores in 1990-91 has multiplied by nearly twenty times 1,13,71,886 crores for 2013-14. A cheer worthy fact by all means.

At the same time the per capita income has gone up from Rs.6,719/- in 1990-91 to Rs.89,245/- for 2013-14. The pictorial momentum of the per capita income is furnished as Graph 1.

**Graph 1**



Obviously, the per capita income has been rising gradually over the last 23 years. However, as against a reported multiple of twenty for GDP, the multiple for the per capita income is a fairly lower at 13.28. It is an established fact that where the

population keeps on increasing, the growth in per capita income will be less than proportional to the growth in GDP. Here lies the catch as also the concerns of the common man.

Twenty percent of the respondents do not consider Union Budget as important; and just fifty eight percent have exhibited curiosity about the budget. And that is how the budget is losing its importance gradually.

The opinion is divided almost evenly about the favourable and adverse impact of the budget on the day to day life of the Common Man. Thirty seven per cent say that the impact is favourable whereas thirty five percent say no, with twenty eight percent expressing no opinion. Looks like the Common Man is embroiled into confusion!

Common Man continues to consider Dr. Manmohan Singh as a better Finance Minister in comparison to Yaswant Sinha, Jaswant Singh, Pranab Mukherjee & Chidambaram. The initiative towards the Structural Reforms and providing a new direction during the 1991-96 transition period are the key factors that elevate Dr. Singh over his peers. At the same time Pranab Mukherjee is revered for his capabilities of effective implementation of the policies.

At the Prime Minister's level Vajpayee rules the sway. Sixty six per cent rank Vajpayee as a better PM over P. V. Narasimha Rao, Deve Gowda, Gujral and Dr. Manmohan Singh. Vajpayee is appreciated for controlling the inflation as also maintaining the pace of reforms. Narasimha Rao and Singh are voted the second best with seventeen per cent each. No one opted for either Deve Gowda or Gujral as a better P.M. Narasimha Rao is considered as a good Prime Minister for his acumen in tiding over complex maneuvers and insulating Dr. Singh from political pulls and pressures during the initial phase of reforms.

Sixty six percent of the respondents admit that Liberalisation Privatisation Globalisation (LPG) does have a favourable impact on the day to day life of the common man; fifteen per cent consider the impact as negative and nineteen per

cent remain silent. Probably, the gains of LPG are percolated down the level and the Common Man is happy about it.

Deficit Financing is identified as one of the key factors for fuelling inflation. Truly so! The fiscal deficit of Rs.4,12,817 crores projected for 2011-12 in the budget estimates in February 2011 has shot up to Rs. 5,21,980 crores in the revised estimates furnished in February 2012 and stand modified to Rs.5,15,990 crores now in February 2013. Similarly, the fiscal deficit of Rs.5,13,590 crores put forward for 2012-13 in the budget estimates in February 2012 has been pegged to 5,20,925 crores in the revised estimates furnished now, in February 2013, by understating the capital expenditure of non-plan and capital & revenue expenditure of plan. Such of these deviations and manipulations reflect the inability of the budget controllers to achieve the targeted goals and impairs the integrity and credibility of the Budget severely. In the process the sanctity of the budget stands diluted.

Surprisingly, about fifteen per cent of the respondents opine that Scams & Frauds and Black Money have a positive impact on the common man. May be that the sleeping giant needs a wake up zatka and that is where Scams & Frauds and Black Money can play a vital role.

Tax reforms are appreciated, but tax levels are not well taken. Just twenty four per cent of the public accept the favourable impact of the post 1991 tax policies; a major forty one per cent opine the other way; a substantial thirty five per cent plead ignorance of the tax impact.

One important point put forth emphatically is that salaried class shall be given more income tax incentives, say, no tax upto Rs 10 lakhs. It is also revealing to realize that lot many of the intellectual class is ignorant of the impact of indirect taxes.

Direct and indirect questions were framed to elicit answers relating several socio economic concerns pervading Education, Health Care, Employment, Entertainment, Prices of Essential Commodities, Agriculture and Others. Overall fifty per cent of the

respondents experience favourable impact, thirty one per cent put it adverse, and nineteen per cent choose to be mute.

It is emphatically put forward that one of the draw backs of Privatisation is stated to be that it has made higher education unaffordable. In the process, next generation may be impaired. It is rightly pointed out that negative growth in agriculture needs to be rectified by improving the necessary infrastructure facilities and reducing dependence on monsoon. Everything said and unsaid prices of essential commodities are the most important worry of the Common Nagpurian. As the things stand the belief that India is emerging as a Global Power is limited to an optimistic sixty six per cent.

Coming to the expectations part of it, they tend to be quite realistic though optimistic at the same time. The expectations of the Common Man include: Control of Prices; Reduction in the rates of LPG gas cylinder and petrol; Control of Black Money; Reduction of Fiscal Deficit; Reduction, Simplification and Rationalisation of taxes; Incentives for saving and wealth generation; Tax incentives for service class; Tax reforms for industrialists; Higher tax exemptions for common Man; Stringent measures against tax evaders; Implementation of Goods and Services Tax; Better and more conducive Industrial Policy; Merger of accounting profession of Cost Accountants and Chartered Accountants into one; Free labour for agriculture; Special Significance to Green Energy; Solutions to Unemployment; Orientation of the Budget towards the Common Man; Educational Reforms; Liberalisation of Education Sector; Improvements to Education Standards; Good education, 100% placement, job satisfaction; Reservation according to eligibility not caste; More reforms in IT sector; Balancing Boost to Agriculture and Service Sectors; Equality for women; Better transparency and less of window dressing of the Union Budget; Overall healthy growth of Nation; Creation of stronger economy and society, etc.

In a way these expectations symbolize the Indian Wish Basket and appear to be prophetic too. But, that happens to be the need of the hour and the Needs are Factual.

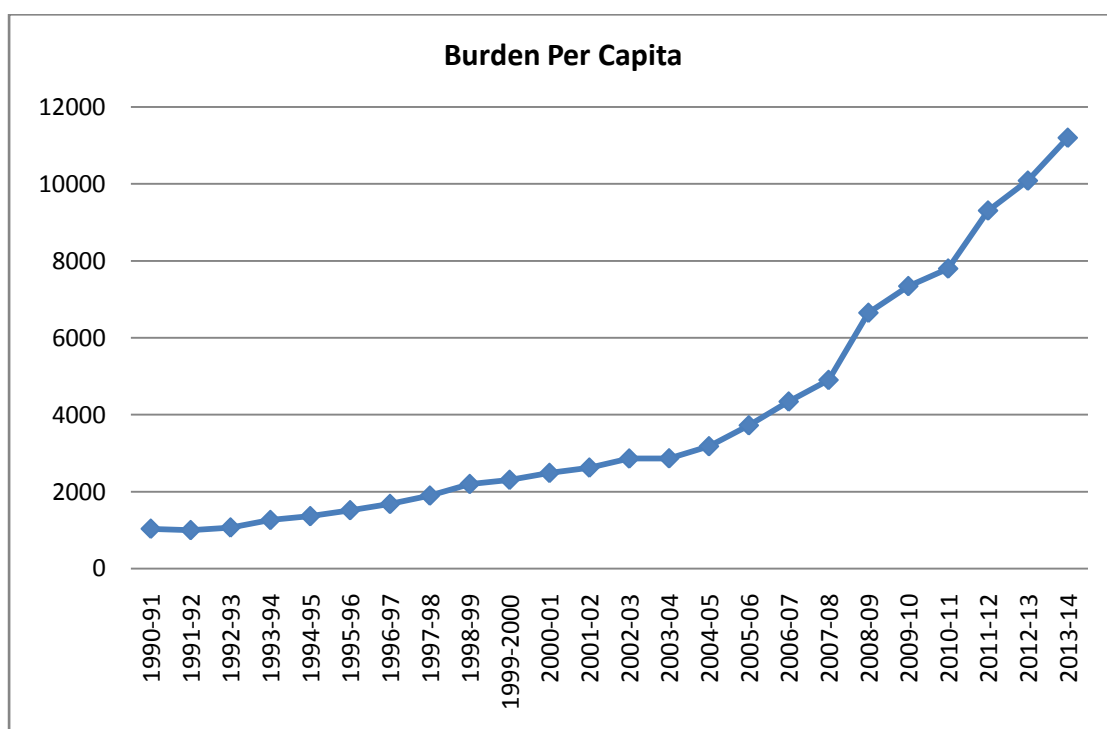
In order to fulfill their expectations, sixty six per cent of the respondents wants rationalization of the policies; seventeen per cent states that the existing policies may continue; and another seventeen per cent keeps mum with a can't say posture.

Expectations apart, the total burden being coped up by the Indian Common Man consists of two parts, namely, the tangible tax per capita and the intangible deficit per capita. The tax per capita is an annual burden whereas the deficit per capita is a future burden. The deficit burden is demonish in nature and warrants liquidation of the accumulated debt by the generations to come.

The tangible per capita tax burden of the Indian Common Man has increased from Rs.508/- in 1990-91 to Rs.6,938/- for 2013-14. The intangible per capita deficit of Rs.527/- in 1990-91 has shot up to Rs.4,257/- for 2013-14.

The tax per capita and the deficit per capita put together, the overall per capita burden has multiplied from Rs.1,035/- of 1990-91 to Rs.11,195/- of 2013-14, an increase of Rs.10,160/- during the post reform period. The so called burden track is presented as graph 2.

**Graph 2**



The magnitude of the impact of the deficit (debt) burden may be gauged from the fact that the union budget for 2013-14 makes a provision of Rs.3,70, 684 crores, i.e. about 26% of the Revenue Expenditure of Government of India, towards interest payments. These annual interest payment outgo, if capitalized even at the minimum of a ten per cent Return On Investment, would work out to a loan burden of Rs.37,06, 840 crores which computes to one third of the estimated GDP for 2013-14. A mind boggling nightmare indeed! This is that nightmare that keeps on pinching the Indian Common Man perpetually.

Put it in a proper perspective, Revenue Expenditure of Government of India represents the cost of governance. In order to meet the said cost of governance, GOI mobilizes Tax and Non-Tax Revenues every year. And that is how the Union Budget has turned out to be Revenue Expenditure driven.

The share of Revenue Expenditure has shot up from 69.82% in 1990-91 to an awesome 86.24% for 2013-14. The biggest failure of the respective Finance Ministers and Prime Ministers is their inability to contain the Revenue Expenditure. Their options have rather been towards containing Capital (Developmental) Expenditure and keep chaining the Common Man with more and more Shackles.

Political or Nonpolitical, Mr.Chidamberam, has not been able either to address or reveal these Shackles to the Common Man and that is where the Budget Bang lays Hidden.

The questionnaire elicited a lot of can't say responses. In the overall reckoning, perhaps, it is this substantial chunk of can't say sitters who can make the difference to the political fortunes of the election contestants. It is time that these mute spectators speak out openly and help the tide move towards the right direction.

Not to be out done, three out of the seventy nine respondents chose not express any opinion about the survey. The brighter side, however, is that the project 'Budget Bang' scored an impressive 82% towards achieving its objective.