

Inclusive without being populist

The Union budget was presented on the back of huge expectations that it would make up for the large disturbances that the economy has faced because of demonetisation.

There were expectations that there would be policies to revive rural consumption, address job losses in the informal sector and revive overall economic activity. On the other hand, following pressures from international rating agencies, the government was expected to stick to the FRBM targets as set by the 14th Finance Commission.

To address these issues, the

● **Bhanumurthy is professor, National Institute of Public Finance and Policy**

budget has set its broad based agenda of “Transform, Energise and Clean India” and tries to address all the expectations.

In my view, based on the budget proposals, the government will be successful in fulfilling most of these expectations. Despite a not so conducive external environment, the government targets a growth of 11.75 per cent in nominal terms, which turns out to be about 7 per cent in real terms.

Unlike in the past years, this growth is expected to be achieved by relaxing the fiscal deficit target to 3.2 per cent (against a 3 per cent target). This still allows an additional 0.3 per cent on the fiscal deficit (as the escape clause for 0.5 per cent suggested by the NK Singh

committee). Here, the government has tried to improve the quality of public expenditure by shifting the balance from revenue to capital expenditure.

Although there are some downside risks, the important question is can this macro-fis-

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N.R. Bhanumurthy

cal balance result in higher jobs?

Consistent with the economic survey, the budget tries to focus on increasing public investment in sectors such as infrastructure, housing, textiles, food processing, leather and electronics as the labour intensity in these sectors are high.

However, this may not be sufficient to bridge the gap between labour demand and supply.

Reducing the informal economy is another major area of focus to achieve “clean” growth. For this, the budget proposes various measures that enhance digital economy, improve public service delivery and improve transparency and governance. This should help in reducing leakages and improve efficiency. Pilot studies on these issues have shown some interesting and positive results.

On the development side, the budget focused on many social welfare aspects. But one major issue that the economic survey painstakingly discussed is the Universal Basic Income scheme and it is sur-

prisingly missing some expectations to be experimented or states.

On the expenditure side, the absence of targets, especially on the development goals, is expected to be a concern for the budget and the work for 2030. In such a framework, they could be a long run. Or how to the states?

Notwithstanding the budget tries to achieve medium-term growth without being populist while initiating structural reforms that about a 1 change in the e