The Big Picture - Interim Budget: Three Big Takeaways

https://youtu.be/B7IfVVID7Yo

The government on 1st February announced the 'Interim Budget'. Three big takeaways from the budget include:

Monthly Pensions for workers in Unorganized Sector, PM-KISAN Scheme for farmers, and Rebate announced for the people having a salary of Rs 5 lakh or below.

Unorganized Sector

- It is the **largest 'Employing Sector'** that witnesses the largest growth but does not get coverage in any statistical data.
- **India is far behind the South American countries** which have monetized the wealth of informal economy by monetizing the professions of people in that economy.

- **Pradhan Mantri Shram Yogi Maandhan Pension Scheme has been announced**, that assures, a monthly pension of Rs. 3,000 to unorganized sector workers, after 60 years of age.

Analysis of the Scheme

- The announcement of the Scheme is a move to recognize the contribution of the unorganized sector to the Indian Economy.
- The announced Scheme recognizes that 'people in the unorganized sector also have a right to retire with dignity' and will bring them with par with other sectors of the economy.
- More than Just a Scheme: **Not just problem of Enumeration will get solved, but also Government will be able to know their needs and problems and thus will be able to provide some other benefits to them.**
- Implementation of the Scheme is a major challenge as about 10-20 Crore people will enroll as the beneficiary under the Scheme.
- **Linking the Scheme with 'Digital India' can further improve the implementation of this scheme.**

Farmers

- India, still, is an agricultural economy as many people depend on agriculture for their livelihood.
- India's Agricultural economy is currently under stress and so the farmers, which has resulted in a decrease in rural consumption expenditure.
- **PM-KISAN SAMMAN NIDHI Scheme has been announced**, under which, direct cash transfer of Rs. 6,000 per annum would be made to farmers owning land less than two hectares. The transfer of amount will be done in three equal installments. The scheme will cost the government Rs 75,000 crore per year.

Analysis of the Scheme

- 12 Crore people will get benefit from this scheme.
- Under the scheme, the direct transfer will take place that is for the first time, cash will directly go into the hands of beneficiaries (farmers).
- **Huge Benefit:** Some State Governments like Telangana are already having a similar scheme. It is expected that other states will also soon have a similar scheme that will benefit the farmers in a big way.
- **Boost to Rural Economy:** Transfer of money will lead to an increase in consumption expenditure, which in the result, will lead to higher rural growth.
- Managing Fiscal Discipline and arranging funds for financing the scheme are the two major challenges.

- Increase in fiscal deficit up to 0.1% is bearable, the government can go up to that limit. Scientific Analysis of all schemes is another solution. Schemes that are not benefitting or are identical in nature can be removed from the government's budget.

Tax Rebate

- **Full tax rebate under Section 87A has been announced**, for the individual taxpayers, having taxable annual income up to Rs. 5, 00,000.
- About 3 crore and 40 lakh people i.e. 60% of the total taxpayers will benefit from the rebate. Beneficiaries, in general, will be small and middle-class taxpayers.
- **This rebate combined with other things announced in the budget** (like the increase in interest on small savings, rental income roll over etc.) will benefit such individuals hugely.
- Overall, Government, through these three big announcements, has tried to focus on the problems faced by farmers and the most neglected section of society i.e. Unorganized Workers and at the same time has managed to impress the largest Voting Class i.e. Middle-Income People. How all these announcements get turned into reality, is what, everyone is looking forward to. The government needs to prepare itself, for the challenges, which will come on its way, while implementing the announced schemes/benefits.

DRISHTI INPUT

Budget

Every year in the month of February, Government of India presents an annual budget, comprising:

- Statement of income and expenses, made in the previous year.
- Estimates of Receipts and Expenses of government for the current year.
- Indian Constitution does not contain the term 'budget'. In place of 'Budget', it mentions the term 'Annual Financial Statement' under Article 112.
- During an election year like 2019, it becomes unrealistic for the ruling government to announce a regular budget as it is possible that the incoming government may have different proposals related to the budget. But at the same time, the ruling government also needs parliamentary approval to incur expenses in the new fiscal year, till new government comes into being. So, Ruling Government either opts for 'interim Budget' or for 'Vote on Account'.

Interim Budget

- Interim Budget is a statement that comprises of detailed documentation of every expense that the government will incur and every penny that government will make in

the coming few months until the new government comes into power. It also includes income and expenses, made last year.

- It is different from the regular budget on the following aspects:
- The interim budget includes documentation of expenses until the election, whereas a regular budget includes estimates of expenditure for the full year.
- Also generally, major policy changes are not announced in the interim budget.

Vote on Account

- It is a special provision by which the government obtains Parliament's nod for funds, sufficient to incur expenditure for a part of the year, enabling it to incur expenses for a short period of time or until a full Budget is passed.
- It is generally taken for two months for a sum equivalent to one-sixth of the estimated expenditure for the entire year. But it can also be for a slightly longer period of time i.e. for three to four months as well, generally seen during an election year.
- It is different from the regular and interim budget as it deals only with the expenditure side of the government's budget. Also, unlike regular budget, Vote on Account is generally for two months and government through it, cannot alter direct taxes.