01.03.2016

THE HINDU

Farmers consider Budget a letdown

'No information on how the Centre will go about doubling farmers' income in the next five years'

The Union Budget's purported farmer friendliness is far from being in sync with perception of the agricultural community in the district, according to farmers in the district.

The government had failed to understand that un-remunerative prices were the cause for the scores of suicides by farmers. It needed to realise that it could not convince the farmers, who had been battered all these years due to faulty economic policies, through mere vocal assurances, K.V. Ponnaiyan, president of Tamil Nadu Swadeshi Farmers' Movement, said, questioning: "What is going to be the strategy?"

Absence of any relief for farmers burdened by agricultural loans, and the scope created for Foreign Direct Investment in value-addition for agriculture were indications that the Budget had been prepared in consultation with the World Trade Organisation, he said, expressing apprehensions that the Centre was preparing the ground for withdrawing existing subsidies.

KMDK secretary E.R. Eashwaram said the Union Budget was a letdown in the absence of plan of action for linking rivers. The BJP Government seemed to have forgotten that it had come to power seeking votes on the plank of linking rivers. There was no concrete information on how the Centre would go about doubling the income of farmers in the next five years. The Budget was lacklustre; while there was an indication that the country as a whole had not been affected economically, the Budget had nothing that would improve economic condition of individuals, Mr. Eashwaran said.

The Central Government had disappointed the student community by not specifying any measures to provide relief to those who had been provided with educational loans, said C.S. Gowthaman, member, Divisional Railway Users' Consultative Committee. Announcements were not going to take the economy forward without any follow up. For instance, the progress envisaged last year through introduction of Mudra Bank concept had been elusive, since the banks were reluctant to forward loans to educated youths for self employment under the scheme, Mr. Gowthaman said.

Representatives of trade and industry also say there is nothing significant in the Budget. The silence on Goods and Service Tax in the Budget was intriguing, said N. Sivanesan, president of Federation of All Trade and Industries' Association.

While the step taken for providing a thrust to value addition of agricultural products was a welcome measure, the reason for permitting FDI in marketing of agricultural produce without factoring in the internal market defied logic, Mr. Sivanesan said.

Government tweaks Securities Transaction Tax

After touching an intra-day low of 22,494.61, the Sensex closed at 23,002, down 152.30 points.

Finance Minister increased the tax on speculative trading in derivatives segment.

From a capital market perspective, the Union Budget 2016-17 touched upon the issue of securities transaction tax, dividend distribution tax and the holding limit for foreign exchanges in Indian bourses.

The equity market reacted in a volatile manner with the benchmark Sensex losing 659 points during the day before recovering partly. After touching an intra-day low of 22,494.61, the Sensex closed at 23,002, down 152.30 points. The broader Nifty of the National Stock Exchange (NSE) closed the day at 6,987.05, down 42.70 points.

A review of the securities transaction tax (STT) was on the market wish list and the Finance Minister did not disappoint though market players expected more. Arun Jaitley announced an increase in the quantum of securities transaction tax (STT) on options contracts from the current 0.017 per cent to 0.05 per cent.

Essentially, the Finance Minister has increased the tax on speculative trading in the derivatives segment while leaving the STT on investments unchanged. Incidentally, trading in options contracts constitutes the majority in the cumulative derivatives segment turnover.

Tax on dividends

In another move that spooked the markets to a large extent, the Budget laid down that dividend income in excess of Rs. 10 lakh would be taxed at 10 per cent. The silver lining was the limit of Rs. 10 lakh that effectively insulates small investors from the new tax.

Nithin Kamath, founder & chief executive officer, Zerodha, a discount brokerage entity, is of the view that the new tax on dividend is “something that serious long-term inventors will worry about.”

The government did not disappoint the stock exchanges though by allowing overseas bourses to hold 15 per cent stake in Indian exchanges. Currently, foreign stock exchanges are allowed to hold only 5 per cent stake in Indian bourses.

“The investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 per cent to 15 per cent on par with domestic institutions.

This will enhance global competitiveness of Indian stock exchanges and accelerate adoption of best-in-class technology and global market practices," stated the budget documents.

Move welcomed

Welcoming the government move, the BSE spokesperson said the decision was expected to improve the functioning of Indian stock exchanges and bring them on par with the best exchanges in the world while helping in attracting more investments in India by creating stronger links with the foreign exchanges.

As part of its attempts to encourage more International Financial Services Centres (IFSC) like the Gujarat-based GIFT City, the Finance Minister said transactions on equity or commodity exchanges in such zones would not attract any STT or even commodities transaction tax (CTT).

Incidentally, the commodity market turnover has taken a hit ever since the government mandated the levy of CTT on July 1, 2013 on all non-agricultural commodities. The commodity market participants have been demanding the removal of CTT since long.

Union Budget 2016-17: 'I-T slabs remain unchanged'

Union Minister for Finance, Arun Jaitley with his budget team giving the final touches to the Union Budget at North Block in New Delhi on Sunday. Photo: Shanker Chakravarty

HRA deduction increased to Rs. 60,000 per annum; 40% of withdrawal under NPS to be tax exempt; additional exemption for housing loans.

Finance Minister Arun Jaitley presents his third Union Budget. With an eye on supporting the small tax-payer and the small investor, the Minister announced a slew of schemes, and income tax exemptions.

As it happened:

12.41 p.m.: Finance Minister Arun Jaitley tables the Union Budget 2016 and the Finance Bill.

12.40 p.m.: Rs. 1,060 crore revenue loss through direct tax proposals, and Rs. 20,670 crore revenue gain through indirect tax proposals. Revenue gain of Rs 19,600 crore in Union Budget 2016 proposals.

12.39 p.m.: 13 different cesses levied by various ministries with collections less than Rs.50 crore a year to be done away with.

12.38 p.m.: No Service Tax for houses built under 60 square metres.

12.35 p.m.: Excise duty on tobacco increased by 10-15 per cent.

12.34 p.m.: Committed to stable taxation regime. No more retrospective amendments.

12.29 p.m.: 4% high capacity tax for SUVs.

12.28 p.m.: Limited period compliance window for domestic taxpayers to declare undisclosed income. Declarations to have immunity from prosecutions.

12.26 p.m.: No changes have been made to existing income tax slabs.

12.25 p.m.: Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles 13 and SUVs.

12.23 p.m.: 1 per cent service charge on purchase of luxury cars over Rs. 10 lakh and in-cash purchase of goods and services over Rs. 2 lakh.

12.22 p.m.: Additional exemption of Rs. 50,000 for housing loans up to Rs. 35 lakh, provided cost of house is not above Rs. 50 lakh.

12.20 p.m.: 40% of withdrawal at the time of retirement under National Pension Scheme to be tax exempt.

12.19 p.m.: Tax holiday for startups for three of five years of setting up the company

12.13 p.m.: Lowering of Corporate IT rate for companies not exceeding Rs. 5 crore turnover to 25% plus surcharge.

12.09 p.m.: People with income less than Rs 5 lakh to get deduction of Rs 5,000, up from Rs 2,000 last year. HRA deduction up from Rs. 24,000 to Rs. 60,000 p.a.

12.08 p.m.: Rs. 100 crore for Deendayal Upadhyay's birthday celebrations and Guru Gobind Singh 300th birth anniversary.

12.07 p.m.: Classification of expenditure as plan and non-plan to be done away with.

12.06 p.m.: Govt plans to spend Rs 19.78 lakh crore in 2016-17 — Rs 5.5 lakh crore under plan head, Rs 14.28 lakh crore under non-plan head.

12.06 p.m.: FIscal deficit at 3.5% of GDP in 2016-17.

12.04 p.m.: A bill on targeted delivery of financial services using Aadhar to be introduced.

12.03 p.m.: Amendment to the Companies Act to ensure speedy registration and boost start-ups.

12.02 p.m.: Rs. 900 crore for buffer stock of pulses.

12.01 p.m.: Dept of Disinvestment renamed as Dept of Investment and Public Asset Management.

12 noon: Direct Benefit Transfer for fertiliser subsidy.

11.59 a.m.: EPF at 8.33 per cent for new employees joining the scheme.

11.58 a.m.: Rs. 25,000 crore for recapitalisation of public sector banks. General insurance companies owned by the govt to be listed in stock exchanges.

11.56 a.m.: Amendmends to boost Asset Reconstruction Companies to manage NPAs of public sector banks.

11.55 a.m.: RBI Act to be amended to set up monetary policy committee.

11:53 a.m.: 100% FDI through FAPB route in marketing of food products produced and manufactured in India.

11.49 a.m.: Total outlay on infrastructure in 2016-17 is Rs. 2,21,246 crore

11.47 a.m.: In the power sector, the govt is drawing up a plan for 15-20 years to augment investment in nuclear power. Rs. 3,000 crore per annum for this.

11.45 a.m.: There are 160 airports and airstrips which can be revived.

11.44 a.m.: Motor Vehicles Act to be amended to enable entrepreneurship in the road transport sector.

11.43 a.m.: Total outlay for infrastructure is at Rs. 2.31 lakh crore.

11.42 a.m.: Rs. 97,000 crore for all roads. Total outlay on roads and rails will be Rs. 2.80 lakh crore. 10,000 km of national highways in 2016-17 and 50,000 km state highways to be converted to NH roads.

11.41 a.m.: More than 70,000 road projects were languishing at the beginning of the year. Nearly 85% of these projects have been put back on track.

11.39 a.m.: Small shops should be given the choice to remain open on all 7 days a week.

11.37 a.m.: Rs. 1,700 crore for 1500 multi-skill development centres.

11.35 a.m.: 10 public and 10 private educational institutions to be made world-class. Digital repository for all school leaving certificates and diplomas. Rs. 1,000 crore for higher education financing.

11.34 a.m.: Hub to support SC/ST entrpreneurs.

11.33 a.m.: National dialysis service programme under PPP model. LPG connection for women members of rural homes.

11.30 a.m.: Government to provide health insurance of upto Rs. 1 lakh per family; top up of Rs. 35,000 for people above 60 years. 3,000 stores to be opened for generic drugs.

11.26 a.m.: Rs. 9,000 crore for Swachch Bharat Abhiyan.

11.25 a.m.: 5,542 villages have been electrified, more than the last three years combined.

11.24 a.m.: Rs. 38,500 crore for MNREGA. Highest ever for the rural employment scheme.

11.23 a.m.: Rs. 2.87 lakh crore for gram panchayats as per recommendation of 14th finance commission.

11.22 a.m.: Four schemes for animal welfare.

11.19 a.m.: Agricultural credit target of Rs. **9 lakh crore.** Govt to allocate Rs 5,500 crore for crop insurance scheme.

11.19 a.m.: Unified e-platform for farmers to be inaugurated on Ambedkar's birthday.

11.17 a.m.: Paramparagat Krishi Vikas Yojana to bring 5 lakh acres under organic farming.

11.14 a.m.: 28.5 lakh hectares to be brought under irrigation.

11.13 a.m.: Govt will reorganise agricultural policy to double farmer income in five years.

11.11 a.m.: Jaitley announces the nine pillars of his Budget — Agriculture and farmers' welfare, rural sector, social sector including healthcare, education, skills and job creation, infrastructure, financial sector reforms, ease of doing business, fiscal discipline, tax reforms to reduce compliance burden.

11.11 a.m.: New scheme for BPL families for gas connections. Staturtory backing for Aadhaar platform to ensure delivery of benefits.

11.10 a.m.: CAD is 1.4% of GDP.

11.10 a.m.: FY 16-17 will have the additional burden of implementing the VII pay commission and the defence OROP.

11.08 a.m.: FY 15-16 and 16-17 will be challenging for the government.

11.07 a.m.: Forex reserves are at the highest ever levels — $350 billion.

11.05 a.m.: GDP growth has accelerated to 7.6%. CPI inflation has come down to 5.4%.

11.05 a.m.: Mr. Jaitley says the Indian economy has held strong despite a global slowdown.

11 a.m.: Arun Jaitley rises to present the Budget.

10:46 am: Mr. Jaitley's Budget speech to begin in 15 minutes.

10:43 am: Union Cabinet clears General Budget for 2016-17.

10:29 am: Cabinet meeting in Parliament ends.

10:05 am: The Sensex falls 59 points in early trade on reduced bets by cautious retail investors amid continued capital outflows by foreign funds ahead of the Budget.

9:53 am: Pre-Budget Cabinet meet to begin shortly.

9:40 am: Mr. Jaitley, MoS Jayant Sinha arrive in Parliament.

9:19 am: The stock markets don't seem very enthused ahead of the Budget — Sensex opens 38.86 points lower, currently at 23,115.44.

9:10 am: The Budget may be given a dash of green with many environment-friendly measures to reduce the carbon footprint, official sources tell *The Hindu*. The budget is likely to provide incentives to encourage local manufacture and Research & Development (R&D) of electric vehicle components, including lithium-iron batteries.

9:00 am: About 8.5 crore employees whose retirement savings are managed by the Employees' Provident Fund Organisation (EPFO) could get an option to transfer over a third of their EPF contributions to the National Pension System, regulated by the Pension Fund Regulatory and Development

Authority or PFRDA. **8:54 am:** How well do you know your budget history? Here are 11 landmark Union Budgets that you should know about.

8:45 am: Here's a ready reckoner for some of the terms that will be a part of Mr. Jaitley's long speech, that some of us may not be familiar with.

8:30 am: How long will this year's Budget speech be? Which Finance Minister holds the dubious honour of presenting the longest budget speech, in terms of word count? Here's a clue: it was an 18,650-word speech given 25 years ago!

8:00 am: Budgets are about numbers and best understood using charts and graphics. In case you missed it, here are the highlights of the previous Budget, captured in eight interactive charts.

7:30 am: The event provides us an opportunity to reflect on the proposals and promises that were made during last year's Budget. We looked at some of them and checked the status of their implementation. Here's what we found.

7:00 am: Here's some interesting information. For Budget 2016-17, the government invited suggestions from citizens through Twitter for the first time, even conducting a series of polls to gauge public priorities and expectations from the Budget.

Here are some stories from *The Hindu's* Focus Budget series and opinion pages:

— Suneet Reddy, MD, Apollo Hospitals, asks the Govt. to collect health insurance cess. "One viable way to do this is by collecting a health-insurance cess for general citizens including people below the poverty line and mandating subscription-based contributions from the organised sector. We need health savings funds, as part of salary savings, to create a corpus for individuals that would accrue over the long term without adding to their financial burdens." Read

— 'Accelerate shift to electronic payments for more revenue'. Global studies have shown the cost of cash to be between one per cent and three per cent of a country's GDP. Given this, we are encouraged by the Government of India and RBI's collective resolve to move to a cashless society as outlined in the Digital India vision, argues T.R. Ramachandran, Group Country Manager, India and South Asia, Visa. Full article

— Brotin Banerjee, MD and CEO, Tata Housing, says the GST can be a gamechanger for the real estate industry. He also says, "To achieve the objective of 'Housing for All', affordable housing projects should be exempted from Income Tax for seven years till 2022 and Excise and Customs Duty which constitutes 15% currently." Read

— 'Exempt airlines from MAT'. Ajay Singh, chairman, MD of SpiceJet, says airlines should be exempted from application of MAT till all the accumulated book losses (including unabsorbed depreciation) are set off against future book profits. "All the lease transactions take place outside India and there is virtually no tax revenue on this account to the Government of India. This section should be reinstated with additional benefits to Indian leasing companies and leasing transactions done in India. It will help in smooth leasing of aircraft and aircraft engines in India." Read full article

— "While new policy initiatives, which may be announced during the 2016 Budget, may provide respite temporarily, improving the long-term investment environment in India requires the government and regulators to put improving corporate governance firmly on its agenda." Here are some reasons on why the Budget needs to focus on improving corporate governance.

— Kiran Mazumdar-Shaw, Chairman and Managing Director, Biocon, says Pharma and biotech sectormust get its due in Budget. She argues that a Budget that puts PM Modi's ambitious socio-economic initiatives into action would go a long way in pulling the nation out of its current state of despondency by pushing the development agenda for India with increased vigour and scripting a new economic growth story.

— Here's another thought. M. Govinda Rao, Emeritus Professor, National Institute of Public Finance and Policy says, "Given the pressing need for financial prudence and the equally pressing need for increasing public investment, the Finance Minister needs to raise additional resources and rationalise and target subsidies." Read full article

— "French politician Georges Bidault had in some seriousness described that "a good agreement is one which leaves all parties equally dissatisfied." No Budget can satisfy all expectations, much less aspirations. It would be judged on whether the preferred options and the balancing act are credible and compelling." N.K. Singh, a former civil servant and Rajya Sabha MP, writes on what he expects from this Budget.

Just another trivial Budget

The Finance Minister's prescriptions are a classic case of being unable to see the wood for the trees, be it on the tax proposals, the rural outreach or the bank bailout.

It was a marathon achievement: 12,187 words in 111 minutes. True, there were no interruptions; the Finance Minister virtually sent the House to sleep. I have listened to many Budget speeches; and I cannot say that Dr. Manmohan Singh was a scintillating speaker. But Mr. Jaitley outdid him. How did he achieve it? Not by the method he chose in his last two Budgets, when he read out interminable lists of beneficiaries to whom he handed out Rs.50 crore and Rs.100 crore. He did sing his usual song about how the previous government had ruined the finances, how badly the world was doing, and how he had transformed India into a stellar economy; but that took only two minutes.

He achieved monotony by two means. He spent a third of the time describing his tax proposals, but made sure that none of them was of any consequence. He made lots of small changes in rates, rules, exemptions, etc. of customs and excise duties; although he omitted reading out most of them, he managed to give them 20 minutes. He spent most of his time on expenditure proposals. This is standard in India: ruling parties see the Budget as an instrument for buying votes, and distribute expenditure via numerous schemes and institutions to intermediaries who control votes. What was a pleasant surprise, however, was that he grouped these proposals under just five heads: agriculture, rural, social, education and infrastructure.

A tweak here, a tweak there

Let me first deal with taxation. The principal tax rates have reached stability. The rates of direct taxes are comparable to international rates (except for personal tax brackets, which vary across countries on account of differing price levels); and indirect taxes are in a long process of replacement by the Goods and Services Tax, which is stuck in disagreements between States.

So all that the Finance Minister can do is to make niggling changes, as he has done. Some of them are quite desirable, such as deferred payment of customs duty for reliable importers or online income tax assessment in seven cities. Some of them are unnecessarily punitive; for example, introduction of a higher tax rate if someone gets more than Rs.10 lakh from dividends. Some follow Mr. Jaitley’s hobby horses.

For instance, he is obsessed with gold and jewellery: he seems to think that Indians waste their money on such useless trinkets. He first imposed a tax on gold; but it yielded little. Gold is mostly smuggled in and escapes taxation. Learning nothing out of the experience, now he has imposed a tax on jewellery. It may be more effective for two reasons. First, the past two decades have seen the emergence of jewellery chains, which may be too big to try evading taxes. And second, jewellery manufacture is labour-intensive, and its cost of production is lower in India. It does not make sense to smuggle it into India. But because it is so differentiated, it would be extremely easy to undervalue it. So Mr. Jaitley’s dreams of raising billions out of jewellery are unlikely to be realised. This is what comes out of not knowing economics and not consulting the economist who sits below the Finance Minister. And it is difficult to guess why he did not talk to Arvind Subramanian, whom the government has imported all the way from America.

Elementary mistakes aplenty

Every government wants to shower favours on farmers; after all, they have so many votes. They also need help just now, because rains have failed, and agricultural production will fall drastically. But Mr. Jaitley does not see the urgency; he promises farmers that he will double their income in five years. Can he? He would have to raise their income by 15 per cent a year. Even if they increase output by 3 per cent a year, agricultural prices will have to rise by 12 per cent a year. That is a recipe for worse inflation than India has seen in five decades. And if all prices increase, what will the farmers get out of the price increase? This is elementary, Mr. FM! You are going to subsidise interest on farm loans; but when a crop fails, farmers lack money to even repay interest, let alone loans. And by now, most of the people in agriculture are not farmers, but workers with very little land. They are even poorer than farmers; and crop failure will deprive them of jobs altogether. Even the knowledge of elementary facts from the Census would make for less disastrous policies.

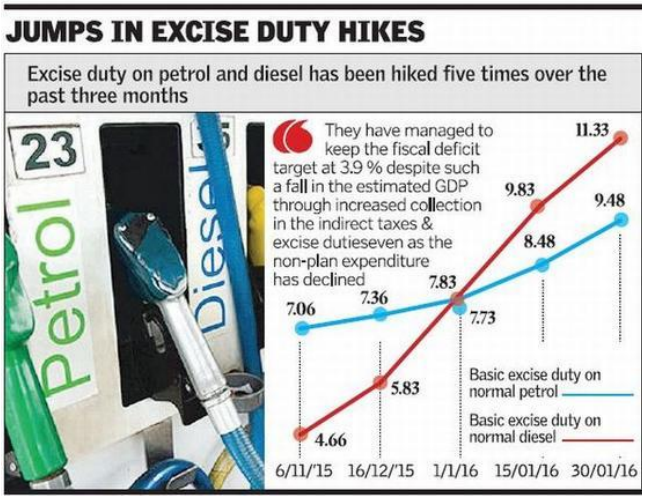
Mr. Jaitley has announced a subsidy for open defecation-free villages. How will the government determine whether a village is free of open defecation? Will there be defecation inspectors walking around the fields of half-a-million villages? Suppose an inspector finds one turd; will he disqualify the village? How will he determine whether it belongs to a villager or a visitor? Instead of thinking of such hare-brained punishment, the government should ask itself why anyone would want to defecate in the open. All of us townsmen could do it; none would think of doing it, because using a toilet is much more convenient. Now that there are supposed to be government-built toilets in most villages, it must be because they are too dirty, or they do not have water. India is extremely short of water, and there will be even less of it as groundwater is taken out. It is a crisis which will get even worse unless policymakers exercise some intelligence.

Even where groundwater is present, it has to be extracted with a pump; electricity is the best energy source for that. It will reach virtually every village in a year or two; so there should be no problem — but for the fact that the supply of power is most irregular and uncertain. It is high time the government started thinking about the cost and quality of power supply. But the cost cannot be met and quality cannot be improved as long as power is supplied by state electricity boards (SEBs) and politicians make sure that SEBs charge below cost. This problem has persisted for years. But when Mr. Jaitley talks about infrastructure, he does not have a word for it.

The Finance Minister is in charge of banks, which face a major problem of bad debts. It is not only their problem; for since their borrowers have defaulted, they cannot get credit. As I understand it, a large proportion of the loans has gone to builders; they have built houses and complexes, but they cannot find buyers. The problem is similar to the one in the U.S. in the last decade: the U.S. had guaranteed housing loans banks gave to poor families to enable them to own houses they lived in; they could not service the loans, and the biggest banks had to be bailed out by the government. The cost of prevarication can be very high: unless the government steps in, both Indian banks and the building industry will suffer, and we can prepare for a long downturn. Mr. Jaitley is avoiding the problem. He has talked of "recapitalising" banks. What they need is not fresh capital, but subsidy to take bad debts off their books. Mr. Jaitley's ignorance of economics will cost India lakhs of crores of rupees.

(Ashok V. Desai is an itinerant economist who has taught, done research, coordinated projects and helped make policy.)

Why the Budget numbers don't add up



The belt-tightening requires the poor to pay increased indirect taxes while the cushion of the social sector is consistently taken away from them.

There is always a hype around a Union Budget but this time around, the expectations were running sky-high in terms of it being the make-or-break Budget for the Narendra Modi-led government since it happens to be in the middle of his five-year term. I must say at the outset that the Budget speech was replete with so much detail that it sounded directionless, with too many announcements, most of which had very meagre amounts. Unfortunately, however, it's not just the speech but even the details, or the Budget numbers as they say, which are as directionless.

The only thing which seemed clear and focussed was the beginning when Finance Minister Arun Jaitley said that the global economy is in a serious crisis and does not seem to be coming out of it any time soon. With international scope limited for exports, therefore, what was required of this Budget was a direction to the economy in terms of generating demand domestically, which in turn would generate employment for the fast-growing unemployed youth population of this country. This Budget does little or nothing on that count.

Let's first get the record straight on one central issue. A hype has been created about the Indian economy being a bright spot in this gloomy international picture by pushing in some GDP numbers which are seen to be suspect even by the Chief Economic Adviser to the government. A simple analogy will help here. If you change the scale of measuring something from inches to centimetres, it is obvious that the year you make the change, the rate of growth might seem high whereas it actually is not. The point I am making here is that far from being an exception in the global slowdown, India is as much a part of it as China is, even though the extent might not be the same.

Addressing the slowdown

A Budget in such difficult times should address the problem of a slowdown squarely. It can do it in two ways: directly by injecting demand into the economy; and indirectly by creating opportunities for other sources of demand to pick up. Big business and the media want the government to do the latter and not the former, whereas a pro-people government will push for the first. The strange thing about this Budget is that it does neither. It's not surprising, therefore, that the 'markets' have not responded too enthusiastically either to this Budget.

An economy grows based on demand for its goods and services. There are broadly five sources of demand in an economy: consumption by the poor, consumption by the rich, private investment, fiscal deficit and trade surplus. A gloomy external sector means the last source is not available. Contrary to popular belief, the indirect effects of a Budget are positively related to the direct effects of it. So, while a rise in the fiscal deficit directly increases the profits as well as wages in the economy, thereby pushing demand up, it indirectly increases private investment if 'business sentiments' are low otherwise. After all, if not prospective demand for their goods, what else qualifies for 'sentiments' for the corporations. So, let's see how this Budget has fared on providing this impetus directly.

Fiscal consolidation quick-fixes

The Finance Minister has maintained that he will adhere to the 'fiscal consolidation' map, which means bringing down further the fiscal deficit as a proportion of GDP. Fiscal deficit is essentially government expenditure minus its tax revenue. So, bringing it down means a fall in government expenditure and/or a rise in tax revenue as a proportion of GDP. This problem becomes doubly difficult if the estimate of the GDP itself is inflated, which is what has happened this year. The revised estimate of the GDP for 2015-16 is less than the Budget estimate by about Rs. 5,41,753 crore. If the denominator itself is falling in a ratio, the numerator has to fall further for the ratio to decrease. The way they have managed to keep the ratio to 3.9 per cent despite such a fall in the estimated GDP is through increased collection in the indirect taxes and excise duties even as the non-plan expenditure has declined.

For 2016-17, the Finance Minister has promised to bring this ratio down to 3.5 per cent primarily through a 20 per cent increase in indirect taxes and as much as 39 per cent in excise duties, even as the corporate taxes go down. This is ominous in itself since you are tightening the screws whereas what the economy needs is its loosening. The implications of such tightening can be fully understood if we assume, like last year, that the revised estimates of GDP may fall short of the Budget estimates again in the next financial year. It would mean drastic cuts in expenditure and increase in indirect taxes even further to meet this limit set by the Finance Minister.

A rise in indirect taxes as opposed to direct taxes is a clear case of regressive taxation because both the poor and the rich pay the same tax per unit of purchase of an item. That this has been the pattern of revenue mobilisation of this and the previous government goes to show their concern for the ‘aam aadmi’. There is another problem an increase in indirect taxes brings to the table: inflation. The fact that the economy is not witnessing high inflation today is not because of any prudent monetary policy but because the oil prices are at a real low — that might not be the permanent state of affairs in the coming year. If the oil prices go up, with these hiked indirect tax rates, inflation might hit through the roof.

As far as the proposed increase in expenditure is concerned, it is important not to look at the absolute numbers but at their ratio with the estimated GDP since it is obvious that no government can afford to decrease the absolute amount of allocation. So, for example, while there is an increase in the absolute allocation under the Mahatma Gandhi National Rural Employment Guarantee Act, its proportion to the GDP has fallen from its previous figure in the revised estimate. For the food subsidy, it’s even worse, even the absolute amount allocated remains the same as last year’s revised estimate. In fact, since the current Finance Minister took office, there has been a fall in the ratio of Union government expenditure to GDP under Integrated Child Development Services, health, primary education, mid-day meals.

Such a strict belt-tightening shows that the long wait for the ‘achche din’ is not over. It requires the poor to pay through their nose through increased indirect taxes while the cushion of the social sector is consistently taken away from them, and all of this is being done in the name of creating 'business sentiments', which themselves are ever elusive.

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By no means a 'socialist' Budget

farmers, or MGNREGA, the 2016 Union Budget has nothing radical to offer.

Appearances can be deceptive. Finance Minister Arun Jaitley's emphasis on **doubling farm incomes**, rural development, and allocations for a battery of impressively named schemes for the social sector may give the impression that the right-wing NDA government has suddenly taken a 'socialist' turn. The reality, however, is otherwise.

Howsoever one defines it, an essential feature of socialist policy making is increasing government expenditure. But Union Budget 2016 marks a new low for government expenditure as a percentage of GDP. As N.C. Saxena, former National Advisory Council member, says, "Declining government spending has been a trend that began in UPA II and continued into the NDA years. From a high of 15.9 per cent of the GDP in 2009-10, government spending was down to 13.3 per cent last year, and in this year's Budget, it's slipped to 12.6 per cent of the GDP. How can such a steady reduction of government expenditure be termed socialist?"

Also, far from any radical hikes in social spends that a 'socialist' tag would suggest, 2016 budget is a holding operation that seeks to reap electoral dividends by passing itself off as 'socialist'. The recently published Economic Survey 2015-16 had clearly spelt out the importance of increasing investments in health and education for reaping the demographic dividend. This piece of advice, however, has gone unheeded in this Budget.

Percentage game

While the health budget has seen a marginal increase of 9-10 per cent, it is way below the 30-40 per cent increase needed to keep India on course for a health allocation of 2 per cent of GDP in the medium term. Even the two interesting initiatives announced by the Finance Minister – health cover of Rs.1 lakh per family and a National Dialysis Service Programme — betray an anxiety to help the private sector (through the PPP framework) rather than the Indian patient.

Says Amit Sengupta of Jan Swasthya Abhiyan: “Both these programmes reveal how the present government wants health care delivered by private players, while itself playing the role of a manager. This is the right-wing model where the government steps back from providing public services.”

Education fares even worse. While there has been a slight increase in the allocation in absolute terms, the budgetary allocation for education has declined, both as a percentage of GDP and as a percentage of the total Budget. It was 0.5 per cent of GDP and 3.8 per cent of the revenue expenditure for 2015-16, and it is down to 0.48 per cent of GDP and 3.7 per cent of the Budget estimates this year.

According to the **Socio-Economic and Caste Census (SECC) data** made public last year, the main earning member in 75 per cent of India’s rural households had an income of less than Rs.5,000 a month, and 50 per cent of rural households make a living through casual manual labour. This suggests that a major chunk of the rural population is living at subsistence levels. What this calls for is greater public spending on social entitlements – which are conspicuously missing from the Budget.

As Happy Pant of the Centre for Budget and Governance Accountability, Delhi, points out, “The allocation for the National Social Assistance Programme (for the aged, disabled, widows, the Annapurna Scheme) has gone up only marginally, from Rs.9,000 crore last year to Rs.9,500 crore. At the same time, two long-standing demands have been ignored: universalising social pension for those over 55 years old, and increasing the minimum pension amount from the abysmal Rs.300 per month to Rs.500 per month.”

As for the farm sector, whose welfare is purportedly the primary focus of this Budget, the allocation of Rs.35,000 crore is woefully inadequate given the drought-related distress that farmers have faced for consecutive years. Says Mr. Pant: “Even the crop insurance scheme, which has seen a big increase in budgetary allocation, is more about government paying the subsidy premium. It covers only 20 per cent of farmers, and there has been no effort to bring a greater number of farmers into the net. It’s a good sign that small and marginal farmers find a mention, but there was no mention of the landless farmer.”

Iconic barometer

Coming finally to that iconic barometer of a government's welfare intentions, the MGNREGA, the budgetary allocation of Rs.38,500 crore, while marginally higher than last year, is way below the amount needed (estimated to be at least Rs.50,000 crore) to keep this scheme going in any meaningful fashion.

So be it education, health, pensions for the socially vulnerable, distressed farmers, or MGNREGA, the 2016 Union Budget has nothing radical to offer.

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A message aimed at the heart of India

Stung by the criticism of being a ***suit boot ki sarkar*** and by the National Democratic Alliance's **electoral reverses in Bihar**, Finance Minister Arun Jaitley has made bold to address the perception deficit in announcing a raft of proposals aimed at the rural sector and farmers. From a cess of 0.5 per cent on all taxable services that would expressly be used to finance improvements in agriculture and schemes to benefit farmers, to a dedicated long-term irrigation fund with a corpus of Rs.20,000 crore, **the Union Budget** seeks to pave the path for making good Prime Minister Narendra Modi's **promise to double farm incomes by 2022**. Other measures to further this course include an outlay of Rs.19,000 crore that the Central government will spend this year on rural roads as part of its goal to ensure that all habitations are connected by 2019, and a push to achieve universal village electrification in the next two years. Between improved road connectivity and the availability of electricity, the potential is significant for a multiplier effect on the rural economy and improvements to the quality of life for residents of the hinterland. Two more steps are noteworthy. The Budget proposes the introduction of a health insurance scheme that would provide up to Rs.1 lakh as coverage against hospitalisation costs for economically weak households, with senior citizens above the age of 60 eligible for another Rs.30,000 in top-up cover. While the sum offered as protection is low by most standards for contemporary critical in-hospital care, especially in the private sector, for the indigent this could well mean the difference between not even attempting to seek medical care and a chance at surviving a debilitating illness. The other, equally laudable, initiative is to provide all families below the poverty line with cooking gas.

This can afford those in underprivileged homes the dignity of a quicker and less harmful way to keep their kitchen fires running.

From a larger macroeconomic perspective, Mr. Jaitley has for now said he will stick to his prior fiscal deficit commitments, but he has simultaneously flagged the need for more flexibility in dealing with situations when overall economic conditions are unfavourable. For this he has proposed the setting up of a committee to review the entire road map mandated by the Fiscal Responsibility and Budget Management Act of 2003 to study the possibility of having a target range instead of fixed numbers that would give the government the needed policy space to align a fiscal expansion or contraction with credit availability. For the individual tax payer, the Budget offers little to cheer, save some tax sops that lower and middle income families can leverage to invest in affordable housing, or squirrel away some more cash from an increase in the deduction towards house rent. The salaried class is likely to feel hard done by a move to tax 60 per cent of the corpus created from contributions to the Employees' Provident Fund starting April 1 as part of a move to create a 'pensioned society'. With elections to five provincial Assemblies due this year, Mr. Jaitley's focus on the rural and agrarian communities is clear proof that the Budget still retains its relevance as a powerful messaging tool of a government's political stances. Whether Budget 2016 will engender a harvest of votes, only time will tell.

Budget proposals to benefit trade

Several announcements in the Union Budget are expected to benefit the trade and businesses here.

According to the chairperson of Confederation of Indian Industry, Coimbatore, Nethra J.S. Kumar, the focus on low-cost housing will be a demand multiplier and the investments in infrastructure projects will revive the sector. Various efforts have been taken to increase employment generation.

President of Indian Chamber of Commerce and Industry, Coimbatore, D. Nandakumar, said the city has several agro industries and the thrust on agricultural sector will benefits these units. By allowing foreign direct investment in the marketing of food products made in the country will lead to better price realisation for regional food product producers. Similarly, permitting traders to function 24 x 7 will also help businesses.

Chairman of Federation of Indian Export Organisations, Southern Region, A. Sakthivel, has said that increase in investment for better road, rail and port connectivity will bring down transaction cost for the exporters. Removal of service tax on Common Effluent Treatment Plants is a welcome move, he said.

Rajesh B. Lund, president of CREDAI-Coimbatore, said the concessions given for low-cost housing will encourage more promoters to take up such projects here. The CREDAI estimates the common man to benefit by Rs. 50,000 a year because of enhanced exemption for rent deductions, service tax exemptions and new home purchases.

Mixed response from trade and industry

FDI for augmenting food production unacceptable'

The Union Budget presented in Parliament on Monday has evoked mixed response from trade and industry in Salem.

K. Mariappan, vice-president, Tamil Nadu Small and Tiny Industries Association, welcomed the allocation of Rs. 500 crore for Scheduled Castes, Scheduled Tribes and women entrepreneurs under the Stand Up India scheme and also the announcement on setting up of a national hub to provide professional support to SC and ST entrepreneurs. The budget proposal to assist their propagation through 100 per cent deduction of profit for three out of five years for companies set up between April 2016 and March 2019 under the Make-in-India programme would promote employment through start-ups.

However, Mr. Mariappan expressed disappointment that the Finance Minister had not conceded the demand of the trade bodies to increase the turnover for the manufacturing units for coming under the purview of Central Excise net from the present Rs. 1.5 crore to Rs. 5 crore. The trade and industry was demanding exemption from service tax (at present 14.5 per cent) for tiny and micro units. Unfortunately, the Minister had increased the service tax to 15 per cent, he said.

A. Jayaseelan, general secretary, Salem City Chamber of Commerce and Industry, commended the Finance Minister for attempting to satisfy all sections of society. He welcomed the priority accorded for the development of rural and agriculture sector, irrigation schemes, increase in the turnover ceiling from Rs. 1.5 crore to Rs. 2 crore for the micro and small industries for tax relief and allotment of Rs. 500 crore for increasing the pulses production. He said that the decision of the government to procure farm produce through on line and the foreign direct investment for augmenting food production were not acceptable. He also complained that the government had not attached any importance for the production of solar energy and also for merger of rivers.

The 'human face' of Budget 2016-17

"While the rhetoric is pro-farmer and pro-poor, inadequate resource mobilisation and an obsession with fiscal deficit targets ensure that the government cannot give its growth strategy a much-needed human face."

With an eye on the upcoming elections in different States, Union Finance Minister Arun Jaitley has declared that he is presenting a Budget that provides "additional resources for vulnerable sections, rural areas and social and physical infrastructure". But since aggregate expenditure in nominal terms is slated to rise by just 10.8 per cent between this financial year and the next, that seems difficult to believe.

Consider, for example, the scheme that even the National Democratic Alliance government declares as being one of its flagship programmes for the poor: the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). It is widely known that over the last two years, that scheme has been slipping in terms of both resource allocation and man-days of employment generated. The number of man-days of employment provided was down to less than 40 per household, as compared with the promised 100. Moreover, many workers have not been paid, with large accumulated arrears. What was needed, therefore, was a substantial step-up in allocations. But the Budget for 2016-17 provides just Rs.38,500 crore for the programme, which is not much higher than the revised estimate for the poor performance year 2015-16. If we take account of the arrears from the previous year that must be met, the allocation for the coming year on a programme which is known to positively affect the poor and the vulnerable would, in all probability, fall.

Inadequate resources

In many cases, the figures quoted in the Budget speech to back its welfare thrust are misleading, to say the least. The government has declared that it would double the income of farmers by 2022. In pursuit of that goal, the Finance Minister has provided a total allocation for Agriculture, Cooperation and Farmers' Welfare (ACFW) of Rs.35,984 crore. On the surface, this seems to be a huge increase in the allocation for this sector when compared to the revised estimate of Rs.15,809.54 crore for 2015-16. But that is a result of a change in classification. The Budget Estimate for 2016-17 includes Rs.15,000 crore for "interest subsidy for short term credit to farmers". This head earlier appeared as part of the demand for grants of the Finance Ministry, and its inclusion inflates the ACFW figure for 2016-17. Adjusting for that, the nominal increase in allocation to "farmers" is just 33 as opposed to the impressive 128 per cent.

In some areas with welfare implications, such as health and family welfare and school education and literacy, the incremental spending projected for 2016-17 is not much above the difference between the revised estimate for 2015-16 and the actuals for 2014-15. While health insurance schemes for the poor are welcome, they do not make up for the gross inadequacy of spending in these areas. In the case of women and child development, where spending fell by Rs.1,188 crore in 2015-16 relative to 2014-15, the budgeted increase in spending in 2016-17 is just Rs.56.23 crore. As a result, spending on the all-too-important Integrated Child Development Services, which fell from Rs.16,415 crore in 2014-15 to Rs.13,636 crore in 2015-16, is now budgeted to receive only Rs.15,873 crore.

In sum, while the rhetoric is pro-farmer and pro-poor, inadequate resource mobilisation and an obsession with fiscal deficit targets ensure that the government cannot give its growth strategy a much-needed human face.

(C.P. Chandrasekhar is Professor of Economics and Social Sciences at JNU, Delhi.)

Pro-village, pro-farmers

Finance Minister Arun JaitleyPhoto: V. Sudershan.

Union Finance Minister Arun Jaitley on Monday said the Budget 2016-2017 is aimed at improving rural infrastructure and increasing rural income.

"It aims at improving infrastructure in rural areas and rural income increase. Today the biggest challenge to economy is rural distress and agrarian distress.

"The budget is aimed at taking forward economic reforms, increasing spending on infrastructure and take the country's economy forward towards further development. The country's development is on services, manufacturing and agriculture sector, that was the aim. The budget is aimed at taking steps towards overall development of the country," he said.

Rural focus

He said the budget aims at helping increase rural incomes, rural infrastructure and animal husbandry. If there is more job creation in villages, it will help emerge multiple sources of income.

On not increasing the tax slab rates, he said there is an attempt to increase the tax base and simplify tax structure.

“Reforms in the economy cannot be brought about by changing the slabs and if tax payers stop giving taxes, the country will stop. There should be benefits to tax payers also and the tax base should increase,” he said.

On the passage of key reform bills like GST pending in Parliament, he said the government is “making attempts” and he expects “the Congress party to help and cooperate in the passage of these key reform bills.”

Education

Government today announced creation of a Higher Education Financing Agency (HEFA) with an initial capital base of Rs. 1,000 crore which will leverage funds from the market and work to create infrastructure in India’s top institutions like the IITs.

Mr. Jaitley also spoke about creating a regulatory architecture for 10 public and 10 private institutions to emerge as world-class teaching and research institutions. He also announced the establishment of a Digital Depository for academic certificates and opening of 62 Navodaya Vidyalayas.

He said that after universalisation of primary education throughout the country, the government wants to take the next big step forward by focussing on the quality of education.

An increasing share of allocation under Sarva Shiksha Abhiyan will be allocated for this, he said.

PM's observations

Prime Minister Narendra Modi said the Budget is pro-village, poor and farmers with a focus on bringing about qualitative change in the country and alleviating poverty through a slew of time-bound programmes.

Special attention has been paid to agriculture, village infrastructure, healthcare, employment generation and Dalit entrepreneurship.

Mr. Modi said, “There will be a big change in the lives of common people.”

He said the Budget has laid a roadmap to alleviate poverty in a time-bound manner.

Noting that electricity and roads are crucial for villages, the Prime Minister said by 2019, all villages of the country will be connected by roads, while all of them will be electrified by 2018. For MNREGA, there has been the biggest allocation, he said.

About housing, Mr. Modi said every poor man dreams of owning a house and efforts will be made to strengthen this sector to ensure that the poor people realise their dreams. At the same time, exemptions have been given to those living in rented accommodation, he noted.PTI

The steps taken by the Government in the last 21 months collectively are themselves "very big" and this is the reason the country's economy is growing despite the global slowdown

Jaitley announces nine pillars for transforming India

Finance Minister Arun Jaitley on Monday listed 'nine pillars', including tax reforms, promoting ease of doing business and ensuring fiscal discipline, that will transform India.

Unveiling the Budget 2016-17, he said the pillars also include emphasis on governance reforms.

The other pillars, he added, include focus on agriculture and rural areas with a view to doubling farm income by 2022. Besides, he said, the Government will lay greater emphasis on social sectors, education and skill building and job creation for building a knowledge-based and productive economy. The Government, Jaitley said, will also focus on infrastructure investment, financial sector reforms, fiscal discipline and tax reforms to reduce compliance burden.PTI

Technology key to reaping gains in farming: VC

'KAU has always ensured efficacy of its technologies before transferring them to farming community'

Kerala Agricultural University (KAU) Vice Chancellor P. Rajendran has stressed the need for optimum use of technology for sustainable development of agriculture.

Addressing participants during a two-day training programme in high-tech farming here, the Vice Chancellor said efforts to enhance productivity and combat the challenges of climate fluctuations would not succeed unless appropriate technology was employed. “Technological advancement is vital to the progress of the agriculture sector. At the same time, an imperfect or inappropriate step will do more harm than good. Therefore, the competence of the scientist, harnessing of technology in real conditions and ensuring its efficacy are extremely important.

KAU always ensures efficacy of its technologies before transferring them to the farming community. The recognition and acceptance of hi-tech farming models propagated by KAU are proof for this,” he said.

In her presidential address, Director of Extension Dr. P.B. Pushpalatha said the University was helping farmers and agri-entrepreneurs with advanced technologies to enable them to achieve success in their endeavours. “We have developed a series of training modules to suit various stakeholders to ensure successful transfer of technology,” she added. ESAF Director George Thomas honoured Associate Professor Dr. P. Suseela for her services to popularise hi-tech farming on the occasion.

Pro-agriculture tilt welcomed

The pro-agriculture tilt in the Union Budget tabled in the Parliament on Monday has been welcomed by the State Sugarcane Cultivators’ Association. However, the association has expressed dismay at the lack of short-term relief measures for the farmers in the budget.

Kurubur Shanthakumar, president of the association, told *The Hindu* that some of the measures announced in the budget are of long-term nature and there is nothing of immediate benefit to the farmers. “More than 6,000 farmers have committed suicide in the last six months in the country. Hence, the farmers were looking forward to something substantial,” Mr. Shanthakumar said.

He said that the association, with other like-minded farmers’ organisation, had waged a protracted struggle to get the fertilizer subsidy directly transferred to the individual farmer’s account and it has materialised. “But it is disappointing that there is no reference at all to the recommendations of the Swaminathan Commission to improve the lot of the farmers, including adopting a more scientific mechanism in agricultural price fixation,” he added.

Food marketing fully opened up

The Union Budget has indicated opening up of food marketing to foreign direct investment from multi-brand retailers. This will boost the NDA government's Make in India initiative and attract foreign players.

Finance Minister Arun Jaitley said 100 per cent FDI would be allowed through the FIPB route in the marketing of food products made in India. This would address the problem of crop wastage and benefit farmers, he said.

Deep pockets are needed for sustaining a retail food business, and corporates and chambers of commerce are united in their support for this move, even as they await the details of the plan.

Such a move will support Make in India by encouraging a farmer's son to set up a food processing unit.

At present, agriculture has little money for him. He migrates to the city for a better life.

"The entry of FDI in food marketing will incentivise farmers to adopt correct agricultural practices and make internationally acceptable products," said a food processor who owns an 80-year-old brand.

Focus on agriculture, infrastructure hailed

Emphasis on irrigation, soil health and increased use of organic fertilizers a forward-looking feature

The Union Budget 2016-17 is a mixed bag for the chambers of commerce and industrial houses across the State. Corporate heads from various sectors commended it for its focus on infrastructure development, agriculture and rural sectors and termed it a forward-looking budget.

"The emphasis given to irrigation, soil health, increased use of organic fertilizers and developing a Unified Agriculture Marketing e-platform are steps in the right direction. The announcements for settlement of pending taxation matters will help resolve long overdue cases, and the simplified process of declaration of undisclosed income is likely to bring in new tax payers," A. Vellayan, executive chairman, Murugappa Group.

B. Santhanam, president and managing director - Flat Glass, South Asia, Malaysia and Egypt, Saint Gobain India Private Limited, said overall the budget was positive and forward looking with more thrust on rural development, infrastructure, and digital connectivity besides social sectors. He also welcomed the continuity of the MNERGA & Aadhaar schemes and the doubling of the farmers' income by 2020.

The Madras Chamber of Commerce & Industry welcomed the following measures from the point of view of boosting trade related transactions: deferring payment of custom duties for large exporters in line with central excise duty procedure; implementation of single window clearances using the EDI platform for customs transactions with a view to reducing transaction time and cost; replacing physical control of bonded goods with technology to ease doing business.

Proposals salutary

Chambers president S G Prabhakharan said from the industry and business point of view, the following proposals are salutary: doing away with multiple and unproductive cess and the decision to have a relook into the Companies Act.

C. K. Ranganathan,chairman and managing director, Cavinkare Private Limited, said that the allocation of Rs. 35,984 crore for the agriculture sector would indirectly fuel the demand for FMCG and have a trickle-down effect. "The 100 per cent FDI in marketing of food products produced and manufactured in India would help avoidance of wastage of over 30 per cent of farm produce and higher realisation to farmer," he added.

At the budget viewing session organised by the Confederation of Indian Industry, E. S. Krishnamoorthy, founder and CEO, Neurokrish, appreciated the three-year tax-holiday for start-ups and the patent exemption scheme, which will boost the R&D and innovation.

He commended the renal dialysis scheme and suggested that government introduce similar schemes for other chronic illnesses.

S. Mahalingam, Chairman, CII National Committee on Sector Skill Councils, emphasised the importance of digital infrastructure (e-commerce) and Aadhaar.

Bengaluru’s growing pride

GO GREENNatural gourd-shell pots and organic producePhotos: Sudhakara jain

GO GREENNatural gourd-shell pots and organic producePhotos: Sudhakara jain

Garden city is grafted with IT city, to create the new-age urban farmer who harnesses technology and knowledge to grow a green organic spread. A quick look at Oota From Your Thota

Oota From Your Thota (OFYT) is a perfect phrase. It captures so much about Bengaluru — mingling of languages, aspirations to grow and eat fresh food from your garden, harking back to the Garden City, multi-pronged efforts towards the revival of that green status. It is also a great encouragement to get green-thumbed. It is becoming clearer that the idea of sustainable living, eating safe, knowing what you consume and put back into your planet have caught people’s imagination and attention.

The 16{+t}{+h}edition of OFYT, the organic gardening fair, hosted by the Garden City Farmers, was geared up towards the enthusiastic urban gardeners and farmers in the city — what to grow, how to grow, in what to grow, how to make sure your garden is watered when you're at work or away on vacation, how to make your own compost from your kitchen waste and in the process save your city from garbage, how to deal with pesky pests without spraying chemicals on the brinjals and tomatoes…the possibilities and ideas were endless, and neatly interlinked.

A whole lot of "smart" technology-driven solutions were on offer for inhabitants of the IT city — self-watering systems being the most common. New-age young enterprises with names such as Hariyalee, GreenMyLife, Soil And Soul, Brics, iGrow, TechMaali rubbed shoulders with the traditional Sri Krishna Farm & Nursery.

It was heartening to see, yet again, that this initiative brings out people in hoards, who braved the blazing sun to cart back pots, coir and coco peat blocks, saplings, seeds, watering cans, cloth bags, and organic manure, all in the hope of a good harvest. The number of organisations offering to set up a farm or garden in your house was amazing!

Inquisitive questions, from those in the know, and patient explanations for the uninitiated, seed exchanges, and information exchanges were aplenty. The terrace garden display attracted a whole lot of people who wanted to know how they could replicate it at home — anyone would, seeing the kind of brinjals, cabbage, and tomatoes on display to prove you don't really need a backyard or a farm on the outskirts of the city to grow your grub. Organic foods — desi cow milk, sweets, and buttermilk, cold pressed seed and nut oils, homemade jams and preserves, sherbets of roots and fruits, pizzas and breads, cakes and bisi bele bhath made from millets, all-natural ice-creams — were tantalisingly on offer.

OFYT was geared up towards enthusiastic urban gardeners and farmers

Sericulture farmers disappointed as import duty on raw silk remains untouched

At reduced import duty, the superior quality Chinese silk is available at low rates, which pushes indigenously produced silk's price further down.—fILE Photo: Bhagya Prakash K

Sericulture farmers in Karnataka, India's leading raw silk producing State, are disappointed over the Union Budget's failure to increase the customs duty on import of raw silk.

The customs duty on imported silk, which used to be around 30 per cent a couple of years ago to ensure that the price of indigenously produced silk remained competitive in the market, had been brought down to 10 per cent, affecting a large number of sericulture farmers.

At reduced import duty, the superior quality Chinese silk is available at a low rates, which pushes indigenously produced silk's price further down.

"Sericulture farmers are already facing a tough time. We were looking forward to an increase in customs duty to the earlier 30 per cent so that Chinese silk becomes expensive for the powerloom weavers," said Channegowda, a sericulture farmer in Kempayyanahundi village in Mysuru district's T. Narsipur taluk.

Not only is the cost of producing silk in China less, even the quality is superior, retired Deputy Director of Sericulture Department N.Y. Chigari told *The Hindu* .

Soon after the Narendra Modi government came to power, the import duty was brought down to 5 per cent, but it was increased to 15 per cent subsequently, only to be brought down to 10 per cent.

While Chinese raw silk, having a longer unbroken filament than Indian silk, is available at Rs. 3,000 a kg, indigenously produced silk varies from Rs. 2,100 to Rs. 2,400 a kg, Mr. Chigari further added.

“At current prices, the decrease in import duty from 30 per cent to 10 per cent has made Chinese silk cheaper by Rs. 600,” he added.

However, a large number of weavers and power looms in Uttar Pradesh, Rajasthan and Gujarat are dependent on Chinese silk for manufacture of silk products including garments.

Meanwhile, Director of Central Sericultural Research and Training Institute (CSR&TI) V. Sivaprasad said there had been no difference in the quantum of import and export of silk from India over the last year.

Silk production in India: 28,000 tonnes a year

Import of silk: 7,000 tonnes a year

New commodity derivative options likely from SEBI

Participants keen for new index trading options

Union Finance Minister Arun Jaitley has indicated that the Securities and Exchange Board of India (SEBI) will soon introduce new products in the commodity derivatives segment, which was brought under the Board’s regulatory purview in September last year.

Commodity market participants say that the government statement will only increase the pace at which SEBI will work toward introducing new products that may include options contracts, index-based products and also weather derivatives. Participants have been demanding more products to further deepen the segment that currently has only future contracts for trading.

“I think options contract is the most immediate product that SEBI could look at allowing. The regulator could start with a plain vanilla options contract. Thereafter, it could look at trading in commodity indices as well,” said Girish Dev, managing director and chief executive officer, Geofin Comtrade Ltd.Given SEBI’s track record, it will be safe to introduce products like options, weather derivatives and index-based trading products,” said Naveen Mathur, associate director with Angel Broking Ltd.P.K. Singhal, joint managing director, MCX, said he was hopeful that in the next financial year, SEBI will allow products such as options and trading in indices and intangibles.

Samir Shah, managing director and chief executive officer, NCDEX says that introduction of new derivative products is a positive step for the development of the commodity markets that will help expand the product basket and make it attractive for new participants.

Mr Singhal, however, added that he was disappointed that the government did not accede to the industry’s long pending request for reduction, if not the elimination, of commodity transaction tax (CTT), which is levied on all non-agricultural commodities. The CTT has increased the cost of trading in India , he said.

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Budget 2016: Krishi Kalyan and Infrastructure: New cesses to increase burden on individuals

Total collection from the three different cesses is expected to touch Rs 18,000 crore.

While Krishi Kalyan Cess will lead to an increase in outgo for individuals on all taxable services, the infrastructure cess is set to impact the price of cars and they may see a price increase of up to Rs 1 lakh. (Illustration by: C R Sasikumar)

In another move that will put additional tax burden of an aggregate of Rs 8,000 crore on the individuals across the country, the finance minister proposed to levy two now cesses — Krishi Kalyan Cess and Infrastructure Cess.

While Krishi Kalyan Cess of 0.5 per cent will be levied on all taxable services with effect from June 1, 2016, to finance and promote initiatives to improve agriculture, the government has projected to collect an aggregate of Rs 5,000 through this tax in the financial year 2016-17. Krishi Kalyan Cess on all taxable services will increase service tax rate by 0.5 per cent to 15 per cent.

In addition, the government has announced to levy infrastructure Cess at the rate of 1 per cent on small petrol, LPG, CNG cars, 2.5 per cent on diesel cars not exceeding 4m in length and engine capacity of up to 1500cc. The cess on all other higher engine capacity vehicles (SUVs and bigger sedans) would be levied at the rate of 4 per cent. The government has projected that it would collect an aggregate of Rs 3,000 crore through infrastructure cess in the financial year 2016-17.

These come in addition to the Swachh Bharat Cess that the government levied at the rate of 0.5 per cent on the value of taxable services with effect from 15 November 2015. Therefore the government has levied a three cess on individuals across the country, within a period of last six months.

The government has projected to collect a sum of Rs 10,000 crore through Swachh Bharat Cess in the financial year 2016-17, taking the aggregate collection from the three cesses to Rs 18,000 crore in FY'17. This is equivalent to the total amount mopped up by the government through its disinvestment programme in the financial year 2015-16, till date. The government also decided to rename 'Clean Energy Cess' levied on coal, lignite and peat as 'Clean Environment Cess' and has increase its incidence from Rs 200 per metric tonne to Rs 400 per metric tonne. While Krishi Kalyan Cess will lead to an increase in outgo for individuals on all taxable services, the infrastructure cess is set to impact the price of cars and they may see a price increase of up to Rs 1 lakh. Even as the Supreme Court has already imposed a ban on registration of diesel vehicles with engine capacity of over 2000 cc in Delhi, citing rise in pollution levels, now the government has decided impose infrastructure cess between 2.5 per cent and 4 per cent. According to industry estimates, as a result of the cess the increase in prices could range from Rs 2,500 on entry level small cars such as Maruti Alto or Tata Nano and can go over Rs 1 lakh on high-end vehicles which are priced above Rs 30 lakh. In his Budget speech, the finance minister said: "The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess of 1 per cent on small petrol, LPG and CNG cars, 2.5 per cent on diesel cars of certain capacity and 4 per cent on other high engine capacity vehicles and SUVs." He also proposed "to collect tax at source at the rate of 1 per cent on purchase of luxury cars exceeding value of Rs 10 lakh". Rakesh Srivastava, senior VP Hyundai Motor India Ltd said it as a 'dampener' for auto industry. "The industry has been experiencing growth challenges and there was an expectation of a scrappage scheme to remove high emission and low mileage vehicles. The taxation has come as a dampener and will effect demand, creating challenges towards sustainable growth," he said adding that the price increase for HMIL's cars would range from Rs 3,000 on entry level cars to Rs 80,000 on the SUV SantaFe.

'Budget a step in right direction'

The Finance Minister's budget speech indicates the Centre's seriousness to fix problems facing the farm sector and put it on a trajectory of sustainable, stable growth.

The budget has accorded highest priority to agriculture infrastructure.

The agriculture sector and farmers are facing a difficult period. The average annual growth rate of value added in agriculture has dropped to 1.8% during the first four years of the 12th Plan, and prices of most of crops received by farmers have remained depressed despite poor harvest during 2014-15 and 2015-16.

The country is facing adverse weather, including deficient rainfall, for the fourth season in a row. This has led to a sharp slowdown in farm incomes, and also caused concerns about food security and the sector's future.

The sector needs reforms, new policy initiatives, increased private sector participation, higher investments, competitive markets, new forms of institutions and mechanisms, and science-based modernisation. This is a tall order for a single budget, but it can set the direction for change.

The Finance Minister's budget speech indicates the Centre's seriousness to fix problems facing the farm sector and put it on a trajectory of sustainable, stable growth. Major initiatives focus on irrigation, risk cover and compensation for crop losses, remunerative prices for farmers, enhanced supply of institutional credit, increase in market competitiveness, convergence of MGNREGA with PMKSY, promotion of organic farming, raising production of pulses, creation of rural infrastructure and linking agriculture to non-agriculture through Rurban growth clusters. The budget has accorded highest priority to agriculture infrastructure. It proposes to give a thrust to public investments to expand irrigation, harness traditional water resources, develop rural roads and electrification, create warehouses and develop and upgrade agri markets. The government has also announced that the Pradhan Mantri Fasal Bima Yojana will be implemented from kharif 2016-17. The new scheme involves lesser premium by farmers, expansion in coverage of loss, higher claims and increased penetration. Agriculture markets in India are fragmented and suffer from poor competitiveness, low efficiency and low scale. A unified agricultural marketing e-platform requires states to undertake major market reforms. This will modernise market operations and bring competitive prices to farmers. Benefits to farmers are already evident from markets in Karnataka operating under the e-platform. In tune with concerns raised in the Economic Survey, the budget recognises the need to break stagnation in production of pulses and announces incentives in the form of price guarantee for pulses such as paddy and wheat. That the solution to many agricultural problems lies outside agriculture has been ignored till now. There is a need to take agri-business investments as well as agro-based industry and services to rural areas to provide employment to farm workers outside of agriculture. This is the only way to double income of farm workers. The budget has included major initiatives to transform agriculture and raise farm income, but it seems to have missed some small but key aspects such as agricultural R&D and technology, extension system, seeds sector, farm mechanisation and land lease reforms. The biggest challenge to implementing budgetary proposals and getting desired results is active participation from states. Agricultural marketing, digitisation of land records, implementation of crop insurance and development of irrigation comes under the purview of states, while public investments, resource allocation, credit, investments, trade policy and MSP are decided by the Centre. Unless the Centre and states work together in the true spirit of cooperative federalism to achieve agricultural transformation, the goal will remain half met.

Budget 2016: Subsidy reforms remain on paper in rural sector

Low global prices for oil and fertilisers help contain total outgo at Rs 2,50,000 crore

No attempt has been made to increase farm gate prices of urea. (Express Photo)

Arun Jaitley's budget hardly has anything to offer as far as rationalisation of farm subsidies and their replacement with targeted direct benefit transfers (DBT) goes.

There is only a token announcement proposing introduction of DBT "on pilot basis for fertiliser in a few districts across the country, with a view to improve the quality of service delivery to farmers".

At the same time, no attempt has been made to increase farm gate prices of urea, which the latest Economic Survey had recommended in order to prevent diversion of the nutrient for non-agricultural applications, mainly at the expense of small and marginal farmers. The maximum retail price of urea has been at Rs 5,360 per tonne since November 2012.

The Budget has provided Rs 70,000 crore for 2016-17 towards fertiliser subsidy. Satish Chander, director-general of the Fertiliser Association of India, said that the amount would suffice to meet the requirement for the coming fiscal, if international prices of urea, di-ammonium phosphate (DAP), muritate of potash (MOP) remain at current low levels.

But we will be starting the new fiscal with outstanding subsidy dues of Rs 45,000 crore payable to the industry. The Rs 70,000 crore provision may take care of the subsidy for 2016-17 per se, but it will not cover the arrears built up from past years," he told The Indian Express.

THE CENTRE'S SUBSIDY BILL

	2013-14	2014-15	2015-16(RE)	2016-17(BE)
Food	92,000.00	1,17,671.16	1,39,419.00	1,34,834.61
Fertiliser	67,338.77	71,075.62	72,437.58	70,000.00
Petroleum	85,378.16	60,268.82	30,000.00	26,947.00
Interest	8,137.19	7,632.28	13,808.27	15,523.29
Others	1,777.72	1,610.01	2,136.32	3,128.03
TOTAL	2,54,631.84	2,58,257.89	2,57,801.17	2,50,432.93

Figures in Rs crore; BE: Budget Estimates; RE: Revised Estimates

Landed prices of imported urea are now around \$250 per tonne (against \$310 a year ago), while falling from \$520 to \$400 for DAP and from \$320 to \$285 per tonne for MOP. A much bigger saving for the Centre from low global commodity prices is, however, on account of petroleum subsidy. From a level of Rs 85,378.16 crore in 2013-14, this subsidy is expected to fall to Rs 30,000 crore this year and further to Rs 26,947 crore for 2016-17. The only petro-products to be subsidised in the coming fiscal are LPG (Rs 19,802.79 crore) and kerosene (Rs 7,144.21 crore). Diesel and petrol, on the other hand, have gone from being subsidised to net-taxed fuels. The Centre has, since June 2014, raised the specific excise duty on diesel from Rs 3.56 to Rs 17.33 per litre and that on petrol from Rs 9.48 to Rs 21.48 per litre. The annual revenue bonanza to the exchequer from these hikes — hence not allowing consumers to fully benefit from the slide in international crude prices —is estimated at around Rs 150,000 crore. The one subsidy head that has recorded a substantial jump in the last three years — unlike petroleum and fertiliser — is food. The reason for this is PDS issue prices for rice and wheat, which have remained unchanged for well over a decade, even as procurement prices paid to farmers have gone up alongside mounting volumes. For 2016-17, the Food Corporation of India's 'economic cost' for procurement, storage and distribution of wheat has been assessed at Rs 23.45 per kg, while being Rs 32.67/kg for rice. Against this, the central issue price for below poverty line consumers has been kept at Rs 4.15/kg for wheat and at Rs 5.65/kg for rice since July 2000. Even for above poverty line consumers, prices were last raised in July 2002, when they were fixed at Rs 6.10/kg for wheat and at Rs 7.95/kg for common rice. "The Centre has managed to contain its overall subsidy bill within Rs 250,000-260,000 crore. The existing low global prices of oil and fertilisers mean there is no pressure to reform either. And the chances of it are even more remote when the government has entered its third year, which is the case now," an economist pointed out.

No Gamechangers For Farmers

Budget makes the right moves on agriculture, but they may not be bold enough.

In the last two weeks, Prime Minister Narendra Modi addressed three rallies of farmers, one each in MP, Karnataka and UP. Although it was late in the game, as farmers have been reeling under acute distress for two years, yet better late than never. Addressing the rallies, the PM thundered he would like to see farmers' income double by 2022. It was a prologue to the budget. With agri-growth having collapsed to less than half a per cent per annum (average) in the last two years, the political writing on the wall was loud and clear. In his “Mann ki baat” on Sunday, the PM said this budget is his exam and he was confident of doing well.

How far has the budget addressed rural distress? Can it put agri-growth back on track, say, at 4 per cent per annum sustainably?

Some of the highlights: First, the allocation for the Department of Agriculture, Cooperation and Farmers’ Welfare (DoA), is raised from the revised estimate (RE) of Rs 15,809 crore in FY16 to a budgeted estimate (BE) of Rs 35,983 crore for FY17, a whopping increase of 127 per cent! This would make anyone jump and conclude what a wonderful stroke the finance minister has played for farmers. But hold on. There’s a catch. Much of the increase (Rs 15,000 crore) is due to interest subsidy on short-term credit. Earlier, this subsidy was Rs 13,000 crore and was shown under the Department of Financial Services. Now, it’s transferred to the DoA. So, more a sleight of hand than real increase in allocation. Also, it’s important to note that already this interest subvention scheme is being criticised for its misuse by large farmers who borrow large amounts of credit at subsidised rates and put it in fixed deposits or lend it to those who don’t have access to institutional credit at higher rates. So this isn’t going to redress rural distress much, and can’t turn around agriculture growth.

Second, the Pradhan Mantri Fasal Bima Yojana, which the PM had been calling a game-changer, gets Rs 5,500 crore. If implemented quickly, and with high technology, to assess crop damages and directly put the compensation in farmers’ accounts, this can give some relief to farmers. However, the infrastructure to do this isn’t yet in place. Thus, we have to keep our fingers crossed for at least another two years before it starts showing some positive gains.

Third, on irrigation, surely there’s some focus through the Pradhan Mantri Krishi Sinchai Yojana. However, the budgeted amount under its four components (Rs 7,392 crore) isn’t very different from the RE of FY16 (Rs 7,589 crore). But focus on irrigation also calls for completing quickly some ongoing schemes (23 out of 89). Besides, there’s a provision to create a long-term dedicated fund under the Nabard for Rs 20,000 crore for irrigation and another proposed one of Rs 6,000 crore for groundwater. The augmentation of irrigation facilities and proper water management holds the key for turning around Indian agriculture. But the allocations are still not enough to make a dent in the next two-three years. There’s also an indication to use MGNREGA funds for five lakh farm ponds. The gains may be coming by 2019, if one is lucky.

Fourth, allocation under Pradhan Mantri Gram Sadak Yojana has gone up from Rs 15,187 crore (RE, FY16) to Rs 19,000 crore (BE, FY17), an increase of 25 per cent. This is a good move that will provide connectivity to hinterlands and can contribute to growth with jobs.

There are many other smaller but positive steps from organic farming to 100 per cent FDI in food processing to the e-national market. But all of these will take time for concrete results. They aren't game-changers.

Where the budget has disappointed is the lack of any bold move to rationalise the biggest resource guzzlers — food and fertiliser subsidies (more than Rs 2,00,000 crore, plus more than Rs 1,00,000 crore of pending bills). That's where the biggest scope for savings was. The budget stopped at just doing some pilots in fertiliser subsidy for DBT — not enough to make much difference to the farm sector. Overall, the budget makes the right moves as far as farming is concerned, but these moves aren't as bold as one would have imagined to get the farming community out of distress. Farmers will have to keep praying and relying on rain for many more years.

Agri stocks gain as govt gives Rs 36,000 cr to farm sector

Aiming to double farmers income by 2022, Finance Minister Jaitley announced an allocation of nearly Rs 36,000 crore for the farm sector while raising the agri-credit target to Rs 9 lakh crore for the next fiscal.

Finance Minister Arun Jaitley arrives at the Parliament to present the federal budget for the 2016/17 fiscal year, in New Delhi. (Reuters) Shares of companies related to agriculture business rose by up to 7 per cent on Monday after Finance Minister Arun Jaitley announced an allocation of nearly Rs 36,000 crore for the farm sector and higher credit target, aimed at doubling farmer incomes in 5 years. Jain Irrigation Systems soared 7.13 per cent, PI Industries surged 5.5 per cent, Kaveri Seed Company (4.28 per cent), Monsanto India (3.24 per cent) and Rallis India (2.46 per cent) on BSE.

Aiming to double farmers income by 2022, Finance Minister Jaitley announced an allocation of nearly Rs 36,000 crore for the farm sector while raising the agri-credit target to Rs 9 lakh crore for the next fiscal. –

He also allocated Rs 15,000 crore for interest subvention on the farm credit, Rs 5,500 crore for the new crop insurance scheme and Rs 500 crore to boost pulses output. "Our total allocation on agriculture and farmers welfare is Rs 35,984 crore," Jaitley said. Stating that irrigation is critical for increasing the agricultural production and productivity, he said," the Pradhan Mantri Krishi Sichai Yojana has been strengthened and implemented in mission mode."

hindustantimes

Cheap agriculture loans to cushion impact of weather shocks, droughts

An aggressive farm credit policy is aimed at putting cash into stressed farmhands and cushioning the impact of weather shocks and crippling droughts. (Abhinav Saha/HT Photo)

Farmers can continue to get cheap farm loans with finance minister Arun Jaitley raising the target for loan disbursal to them to Rs 9 lakh crore.

Special focus has been given to ensure adequate and timely flow of credit to farmers, Jaitley said, adding, “Against the target of Rs 8.5 lakh crore in 2015-16, the target of agricultural credit in 2016-17 will be an all-time high of Rs 9 lakh crore.”

An aggressive farm credit policy is aimed at putting cash into stressed farmhands and cushioning the impact of weather shocks and crippling droughts.

In fact, the target for farm loan disbursal has been raised consistently. For example, in 2010-11, the loan target was raised by more than 15% at Rs 3.75 lakh crore, as against Rs 3.25 lakh crore in 2009-10.

To reduce the burden of loan repayment on farmers, the finance minister said a provision of Rs 15,000 crore has been made in the budgetary estimate of 2016-17 towards interest subvention.

Jaitley said the government has provided a path-breaking crop insurance scheme — Prime Minister Fasal Bima Yojana — for which Rs 5,500 crore has been allocated for effective implementation in 2016-17.

The new farm insurance scheme does away with clumsy procedures of existing plans that are so complex that they have only served to chase farmers away. Only about 5% farmers take insurance in areas where it is available, a low penetration that shrivels farm incomes during droughts, hailstorms and unseasonal rains.

The new scheme fixes farmers’ share of premium at 1.5% for winter-sown crops and 2% for summer-sown crops. For cash crops and horticulture crops, it is 5%. The rest will be borne by the government. This is cheaper than current rates.

THE HINDU BusinessLine

Major push to farm sector through new schemes, higher outlay

Amidst rising rural distress induced by two successive droughts, the Modi Government has stepped up its focus on the farm sector with higher allocation and announced its intent to re-orient its interventions with an aim to double the farmers income by 2022.

Finance Minister Arun Jaitley made an allocation of Rs. 35,984 crore for agriculture and farmers welfare, and raised the farm credit target to an all time high of Rs. 9 lakh crore for the financial year 2016-17. The farm sector focused announcements assume significance ahead of the upcoming Assembly elections in five states.

“We are grateful to our farmers for being the backbone of the country’s food security. We need to think beyond food security and give back to our farmers a sense of income security,” Jaitley said.

Other major allocations include - the Rs. 15,000 crore for interest subvention on agriculture credit, Rs.5,500 crore for implementing the new crop insurance scheme - Pradhan Mantri Fasal Bima Yojana andRs. 900 crore for creating a price stabilisation fund for pulses.

Jaitley said his government intends to address the issues of optimal utilisation of water resources, augment irrigation infrastructure and enhance the market access to the farmers.

FDI in marketing of food products

Besides announcing 100 per cent foreign direct investment (FDI) in the marketing of foods products manufactured in the country, the Finance

Minister said the unified agriculture marketing scheme that envisages a common e-market platform will be launched on April 14, and soil health cards will be provided to all 14 crore farm holdings by March 31, 2017.

A dedicated long-term irrigation fund will be created in Nabard with an initial corpus of Rs. 20,000 crore to build irrigation facilities.

Stating that irrigation was critical in increasing agriculture productivity, Jaitley said the Pradhan Mantri Krishi Sichai Yojana has been strengthened and implemented in mission mode. About 28.5 lakh hectares will be brought under irrigation under this scheme.

Further, Jaitley also said that 89 irrigation projects, that have been languishing, will be fast tracked that will help irrigate 80.6 lakh hectares.

"These projects require Rs. 17,000 crore next year and `86,500 crore in the next five years. We will ensure that 23 of these projects are completed before 31st March, 2017," Jaitley said.

On foodgrain and pulses procurement, Jaitley announced three new initiatives, including the start of online procurement system by the Food Corporation of India.

"This will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement," Jaitley said. States will be encouraged to take up decentralised procurement.

Organic farming

The budget also made a provision of Rs. 412 crore for promoting organic farming in the rain-fed areas, which account for nearly 55 per cent of the country's arable land. The ‘Parmparagat Krishi Vikas Yojana’ will bring 5 lakh acres under organic farming over a three-year period.

Also, a value chain based organic farming scheme called 'Organic Value Chain Development in North East Region' will focus on the value addition so that organic produce grown in these parts find domestic and export markets.

Budget: Mixed bag for fertiliser companies

The change

The Budget has been a mixed bag for the fertiliser makers. The Union government has outlined three key initiatives which should spell some relief for players in the tightly-regulated fertiliser industry.

First, the long wait for direct subsidy transfer to the farmer seems to be over. After testing the Direct Benefit Transfer (DBT) model for LPG subsidy, the government has now proposed to do a DBT pilot for fertiliser subsidy. The pilot will be done in a few districts across the country. This, once implemented commercially, will not only improve the quality of service delivery to farmers, but will also benefit fertiliser companies by way of cutting out the role of the government and improving their working capital cycle.

Second, an allocation of ₹368 crore has been made in the budget for National Project on Soil Health and Fertility. This scheme will enable farmers obtain information about soil nutrient level. The government targets to cover all 14 crore farm holdings across the country by March 2017. The Government has also approved a policy for converting city waste into compost under Swachh Bharat Abhiyan and fertiliser companies will co-market the compost.

Third, excise duty on micronutrients which are used in addition to chemical fertilisers has been reduced from 12.5 per cent to 6 per cent. Likewise, physical mixture of fertilisers which are made using chemical fertilisers will no longer attract excise duty.

While the above measures are positive for the sector, come April 2017, the investment-linked deduction under section 35AD of the Income-Tax Act for companies that are into production of fertilisers will be reduced from150 per cent to 100 per cent.

The background

In India, fertiliser production and sales is regulated by the Essential Commodities Act. Urea is the most widely used fertiliser and its pricing is completely controlled by the Government. Phosphatic fertiliser prices were decontrolled by the government in 2010 through introduction of nutrient based subsidy scheme (NBS). The overall fertiliser consumption has been skewed towards Urea – the cheapest fertiliser – thanks to the massive subsidy provided by the government.

The verdict

Direct subsidy transfer, once implemented commercially, will benefit urea and phosphatic fertiliser makers such as Chambal Fertilisers, Tata Chemicals, National Fertilisers, GSFC and Coromandel International. The reduction of excise duty on micro nutrients is positive for companies such as Coromandel International that produce and sell micronutrients. The reduction of investment-linked deduction for fertiliser production units may reduce the IRR on new expansion projects.

DBT in fertiliser sector to plug leakages

After successfully implementing the direct benefit transfer (DBT) in LPG, the Union government is now eyeing the fertiliser sector to roll out the concept on a pilot basis to plug the leakages.

“We propose to introduce DBT on pilot basis for fertiliser in a few districts across the country, with a view to improving the quality of service delivery to farmers,” Finance Minister Arun Jaitley said.

The outlay for the Fertiliser Ministry has been reduced to ₹70,039 crore for 2016-17, down marginally from the 2015-16 revised estimate of ₹73,465.27 crore.

Placing emphasis on boosting soil health, Jaitley has provided ₹368 crore for National Project on Soil Health and Fertility.

Besides, 2,000 model retail outlets of fertiliser companies will be provided with soil and seed testing facilities during the next three years.

The fertiliser companies will also co-market city compost which increases the efficacy of chemical fertiliser.

A policy for conversion of city waste into compost has also been approved by the government under the Swachh Bharat Abhiyan.

However, the fertiliser industry expressed concern over the reduction in allocation as it would result in further build-up of arrears.

“There’s hardly any reference to the outstanding payments, which are to the tune of ₹45,000 crore since 2008,” said Satish Chander, Director-General of Fertiliser Association of India.

Also, referring to the pilot announcement on DBT, Chander said it would have no implication for the sector.

Ushering in another dairy boom

Projects for animal wellness and breed development announced with ₹850-cr outlay

Finance Minister Arun Jaitley’s emphasis on dairy sector would lead to introduction of technology for promoting animal wellness and boosting productivity.

In his speech, Jaitley announced four projects namely ‘Pashudhan Sanjivani’, an animal wellness programme and provision of animal health cards; ‘Nakul Swasthya Patra’, an advanced breeding technology; ‘E-Pashudhan Haat’, e-market portal for connecting breeders and farmers; and ‘National Genomic Centre’ for indigenous breeds. A provision of ₹850 crore has been made to implement these projects over the next few years.

“These are some brilliant ideas to improve productivity. Projects like National Genomic Centre should give us the much-needed push to develop indigenous breed. For animal health, Nabard has a programme covering all areas of health and productivity enhancement of animal. With the new project on animal health, our programme will further get expanded,” said T Nandakumar, Chairman, National Dairy Development Board. However, Jaitley skipped some crucial issue of cheap imports of milk products into India.

“There is nothing that the Finance Minister has left unaddressed. But, there is still a need to make dairy farming more profitable by reducing costs and with better use of technology. If profitability is there, young generation will get employed in it,” Nandakumar said.

On the 100 per cent FDI in marketing of food products manufactured here, Rs. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation (GCMMF), which markets Amul brand of milk products, said, “This step will encourage processing and value-addition in dairy products. Therefore, more money will flow from urban to rural India. The Budget has encouraged investment for Make in rural India.”

The move is aimed at benefiting farmers, and give impetus to food processing industry and create vast employment opportunities.

A fresh boost for food processing sector

Move seen as encouraging entry of foreign players, bring in more investments and better price for farmers

In a bid to bring in more efficiency in the farm sector, it has been proposed to allow 100 per cent foreign direct investment (FDI) through the Foreign Investment Promotion Board route in marketing of food products produced and manufactured in India. The government claims this move will ensure that the FDI policy also addresses the requirements of farmers as well as the food processing industry, citing that a lot of fruits and vegetables grown by farmers do not fetch the right price or fail to reach the market in time.

To promote use of refrigerated containers, the government has also reduced basic customs duty on such containers to 5 per cent from the existing 10 per cent, and excise duty to 6 per cent from the current 12.5 per cent. This will help boost setting up cold chains needed for efficient supply chains in the country, said the Finance Minister.

Piruz Khambatta, Chairman and Managing Director, Rasna, and Chairman, CII-National Committee on Food Processing, said, “While FDI in food manufacturing has always been there, FDI in marketing will be a boost for retail companies like us and even international majors like Walmart. It is going to be an indirect entry of FDI for food retail companies which had been opposed by the BJP in the past. It will boost agriculture and supply chain efficiencies of food retail companies."

The move to allow FDI in marketing of fruits and vegetables will also help companies realise their true value.

Sumit Saran, Head of International Foods, Future Consumer Enterprise, said, "The Centre is finally applying the Make in India policy on food and there will now be more sourcing from the country.''

Yogesh Bellani, CEO, FieldFresh Foods, said, "I believe this will help farmers get the right kind of remuneration, reduce wastage of produce and help consumers get good quality products. This will help to bring in new techniques that will lead to efficiencies in the supply chains."

Industry estimates say only about 10-11 per cent of fruits and vegetables grown in the country actually get used by the food processing industry.

However, Dhanraj Bhagat, Partner at Grant Thornton India LLP, said more clarity was needed on whether this would be permitted for retail or only wholesale marketing. "In the event that this applies to retail marketing, it could be a prelude to opening up of multi-brand retail, beginning with the food sector. The opening up of this sector for food would be beneficial to the farmer, which is one of the key directions in this Budget," he added.

Long-term solutions to rural woes, but no quick fixes

Allocations for farmers' welfare and rural development have been increased

Agriculture and rural development are areas on which this otherwise frugal Budget has bestowed a great deal of largesse.

Unlike in the past, where budget measures to uplift rural India usually stopped with writing out bigger cheques for irrigation, MGNREGA and other usual suspects, this Budget also looks at a score of other non financial-interventions for a holistic solution to the ongoing rural distress. Therefore, disclosures tagged to the Budget speech show allocations for Agriculture and Farmer's Welfare doubling (₹44,485 crore in 2016-17 against ₹25,917 crore in revised estimates for 2015-16) and those for Rural Development up by 10 per cent (₹87,765 crore for 2016-17 against ₹79,279 crore). These numbers have again doubled in three years.

Needed: a lifeline

The rural economy is in dire need of a lifeline this year, after two consecutive years of poor monsoon (which have dented agri output), a meltdown in global farm prices, measured increase in minimum support prices and low rural wage growth as well. Such distress had contributed not just to agricultural GDP averaging a measly 0.4 per cent in the last four quarters; it has also led to rock bottom realisations for farmers and a resulting compression in rural spending on everything from fertilisers to tractors.

Budget proposals to jolt the rural economy out of its rut are three-fold. One, while allocating funds, care has been taken to bump up funding specifically for those programmes which have succeeded in reaching benefits to the last mile, in the past.

Link to rural areas

Therefore, the Pradhan Mantri Gram Sadak Yojana, which has managed to deliver on-road connectivity to the most under-developed States, has bagged a massive ₹19,000 crore in 2016-17, more than doubling its share of ₹8,000-9,000 crore in previous years. This will allow hitherto unconnected rural folk in villages and hamlets to travel and find a market for their produce in more affluent markets than their own. Schemes dedicated to irrigation (Krishi Sinchai Yojana) and agricultural development (Krishonnati Yojana) have bagged a combined ₹18,697 crore, with specific targets on the arable land to be covered laid down in black and white.

These initiatives, taken with the rebooted crop insurance scheme (allocation ₹5,500 crore), strive to ring fence Indian agriculture from the vagaries of the monsoon.

Rural job scheme

Two, monetary allocations apart, the Budget seeds a host of other ideas to conserve water (ponds and rainwater harvesting), promote balanced fertiliser use (through soil health cards and organic manure) and enable easier credit access. MGNREGA has seen an 11 per cent increase in allocations to ₹38,500 crore with some of these allocations to be used in water conservation projects.

Finally, there are other interventions to ensure that farmers get better prices for their produce through free agricultural markets and a safety net in the form of government procurement. So, individual States and not just the Centre will take up procurement of foodgrains and pulses at MSPs, ensuring that farmers across the States and not just affluent ones up North are able to benefit from the MSPs. The push to rural electrification and roads arms farmers with both the information and market access necessary to drive a better bargain with the all-powerful middlemen.

Hopes on La Nina

Overall, this package of measures may succeed in delivering a boost to agricultural output, crop prices and farm incomes over a 3-5 year timeframe. But to expect them to immediately revive rural prosperity or trigger a spending binge on tractors and two-wheelers would be unrealistic.

For a quick kicker to rural consumption, one just has to pray that India is blessed with a La Nina event in 2016 which (the Economic Survey asserts) usually leads to a bumper harvest in India. Survey data shows that India's agri output in La Nina years has averaged an 8 per cent growth versus 3 per

Turmeric traders await upcountry demand

The turmeric traders are waiting for fresh demand from North India.

On Monday, 4,800 bags of turmeric including 2,000 bags of new turmeric arrived and 70 per cent were sold. The buyers quoted ₹10,000 and odd for local hybrid turmeric and purchased at ₹9,800 a quintal for local turmeric. The price of the turmeric was down ₹100 a quintal.

At the Erode Turmeric Merchants Association, the finger turmeric was sold at ₹7,850-9,800 a quintal and the root variety at ₹7,210-9,700. Of the arrival of 2,040 bags, 1,410 were sold.

Big target: Doubling farm incomes by 2022

Budget rolls out new schemes; turns focus on irrigation and market access to farmers

Amidst rising rural distress induced by two successive droughts, the Narendra Modi government stepped up its focus on the farm sector with higher allocation and announced intent to re-orient its interventions to double the farmers' incomes by 2022.

Finance Minister Arun Jaitley has made an allocation of ₹35,984 crore for agriculture and farmers welfare, and raised the farm credit target to a record high of ₹9 lakh crore for 2016-17. The farm sector-focussed announcements assume significance ahead of the upcoming Assembly elections in five States.

Slew of allocations

To fund a slew of new initiatives in the farm sector, it has been proposed to impose the Krishi Kalyan Cess of 0.5 per cent on all taxable services, besidesa duty cut on components used in irrigation pumps and micronutrients.

"We are grateful to our farmers for being the backbone of the country's food security. We need to think beyond food security and give back to our farmers a sense of income security," Jaitley said. Other major allocations include ₹15,000 crore for interest subvention on agriculture credit, ₹5,500 crore for implementing the new crop insurance scheme – Pradhan Mantri Fasal Bima Yojana – and ₹900 crore for creating a price stabilisation fund for pulses.

Jaitley said his government intends to address the issues of optimal utilisation of water resources, augment irrigation infrastructure and enhancing the market access to the farmers. Besides announcing 100 per cent foreign direct investment in the marketing of food products manufactured in the country, he said the unified agriculture marketing scheme that envisages a common e-market platform will be launched on April 14, and soil health cards will be provided to all 14 crore farm holdings by March 31, 2017.

"This is the first such Budget in India that has really cared for the poor people, farmers and those who live in the villages. A lot of money has been provided to the agriculture and rural development sector," Agriculture Minister Radha Mohan Singh told reporters after the Budget. A dedicated long-term irrigation fund will be created in Nabard with an initial corpus of ₹20,000 crore to build irrigation facilities.

Irrigation projects

Stating that irrigation was critical in increasing agriculture productivity, Jaitley said the Pradhan Mantri Krishi Sichai Yojana has been strengthened and implemented in mission mode.

About 28.5 lakh hectares will be irrigated under this scheme.

Further, Jaitley also said that 89 irrigation projects that have been languishing, will be fast tracked that will help irrigate 80.6 lakh hectares. "These projects require ₹17,000 crore next year and ₹86,500 crore in the next five years. We will ensure that 23 of these projects are completed before March 31, 2017," Jaitley said.

On the foodgrain and pulses procurement, Jaitley announced three new initiatives, including the start of online procurement by the Food Corporation of India.

"This will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement," Jaitley said. States will be encouraged to take up decentralised procurement.

Organic farming

The Budget also made a provision of ₹412 crore for promoting organic farming in the rain-fed areas, which account for nearly 55 per cent of the country's arable land. The 'Parmparagat Krishi Vikas Yojana' will bring 5 lakh acres under organic farming over a three-year period.

Also, a value chain-based organic farming scheme called 'Organic Value Chain Development in North East Region' will focus on the value-addition so that organic produce grown in these parts find domestic and export markets.

Business Standard

Budget 2016 to achieve fiscal deficit target, focus on agriculture & rural economy

The total expenditure in the Budget for 2016-17 has been projected at Rs 19.78 lakh crore, consisting of Rs 5.50 lakh crore under Plan and Rs 14.28 lakh crore under Non-Plan

Finance Minister Arun Jaitley

Finance Minister Arun Jaitley presented budget 2016-17 with an aim to give boost to agriculture, rural economyand employment generation. The total expenditure in the budget for 2016-17 has been projected at Rs 19.78 lakh crore, consisting of Rs 5.50 lakh crore under Plan and Rs 14.28 lakh crore under Non-Plan.

Major focus on agriculture and farmers' welfare, massive mission to provide LPG connection to poor households, a new health protection scheme, increased outlay for infrastructure, Rs 2.87 lakh crore grant in aid to gram panchayats and municipalities, setting up of 1500 multi skill training institutes and incentives for jobs creation are major highlights of the budget.

Announcing a number of new schemes and increasing the allocation in various sectors Jaitley underlined that the Government is firm on its course towards fiscal consolidation without compromising on its development agenda. He said 3.5 percent fiscal deficit is targeted for FY 2016- 17.

The financial years 2015-16 and 2016-17 have been and will be extremely challenging for Government expenditure. The next financial year will cast an additional burden on account of the recommendations of the 7th Central Pay Commission and the implementation of Defence OROP. Stating that the Government has to prioritise its expenditure, Jaitley said the Government wants to enhance expenditure in the farm and rural sector, the social sector, the infrastructure sector and provide for recapitalisation of the banks.

The Finance Minister said that the government will undertake three major schemes to help the weaker sections. While it has already launched Pradhan Mantri Fasal Bima Yojana, this budget has proposed a health insurance scheme aimed at protecting one-third of India's population against hospitalisation expenditure and a new initiative to ensure that the BPL families are provided with a cooking gas connection, supported by a government subsidy.

The government will undertake significant reforms such as the enactment of a law to ensure that all government benefits are conferred upon persons who deserve it, by giving a statutory backing to the AADHAR platform. He added that significant changes will be brought in the legislative framework relating to the transport sector so as to free it from constraints and restrictions.

Other important reforms, the Finance Minister announced included incentivising gas discovery and exploration by providing calibrated marketing freedom; enactment of a comprehensive law to deal with resolution of financial firms; providing legal framework for dispute resolution in PPP projects and public utility contracts; undertaking important banking sector reforms and public listing of general insurance companies and undertaking significant changes in FDI policy.

The Finance Minister said the agenda for the next year will be to 'Transform India' in this direction. He highlighted that the budget proposals are built on this transformative agenda with nine distinct pillars which include: agriculture and farmers' welfare; rural sector; social sector including healthcare; education, skills and job creation; infrastructure and investment; financial sector reforms; governance and ease of doing business; fiscal discipline and tax reforms.

Regarding rural sector, Jaitley announced that a sum of Rs 2.87 lakh crore will be given as grant in aid to gram panchayats and municipalities. It will translate to an average assistance of over Rs 80 lakh per gram panchayat and over Rs 21 crore per urban local body.

In the area of education, the Finance Minister said allocation under Sarva Shiksha Abhiyan will be increased and a Higher Education Financing Agency (HEFA) will be set up with initial capital base of Rs 1,000 crore.

Laying special emphasis on infrastructure, budget has allocated Rs 55,000 crore for roads and highways which will be further topped up by additional Rs 15,000 crore to be raised by NHAI through bonds. The total investment in the road sector including PMGSY allocation would be 97,000 crore during 2016-17. He said together with the capital expenditure of the Railways, the total outlay on roads and railways will be Rs 2,18,000 crore. The Government will enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment.

In the power sector, he said the government is drawing up a comprehensive plan, spanning next 15 to 20 years to augment the investment in nuclear power generation. To augment infrastructure spending further, the government will permit mobilization of additional finances to the extent of Rs 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds.

The Minister announced reforms in FDI policy in the areas of insurance and pension, asset reconstruction companies, stock exchanges etc. He said 100 percent FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India.

Expressing concern over problem of stressed assets in public sector banks, the Minister said to support the banks, an allocation of Rs 25,000 crore is being proposed towards recapitalisation of public sector banks.

On the fiscal situation in the country the Minister said the fiscal deficit in RE 2015-16 and BE 2016-17 have been retained at 3.9 percent and 3.5 percent of GDP respectively. He added a redeeming feature of this year’s budget is that the revenue deficit target has been improved upon from 2.8 percent to 2.5 percent of GDP in RE 2015-16.

Budget 2016: Jaitley focuses on rural economy

Rural jobs programme allocated Rs 38,500 cr; target of agriculture credit at Rs 9 lakh crore

Finance Minister Arun Jaitley arrives at the parliament to present the budget for the 2016/17 fiscal year, in New Delhi (pic: Reuters)

Finance Minister Arun Jaitley unveiled a budget for the poor on Monday, announcing new rural aid and health programmes in a strategy shift that could boost his ruling party in coming state elections.

Presenting his third budget, Jaitley reiterated a forecast that it would grow by 7.6 percent in the fiscal year that is drawing to a close. But he said the government wanted to ensure that the benefits of growth were more widely shared among India's 1.3 billion people.

"We have a shared responsibility to spend prudently and wisely for the people, especially for the poor and downtrodden," the 63-year-old finance minister said in his opening remarks to lawmakers.

Here are the highlights of Jaitley's budget for the fiscal year that begins on April 1.

RURAL ECONOMY

* Rural jobs programme allocated Rs 38,500 crore ($5.61 billion) in 2016/17

* Farmer welfare budget to total Rs 35,984 crore

* Rural road development to get Rs 19,000 crore

* Target of agriculture credit at Rs 9 lakh crore

* Interest subvention towards farm loans at Rs 15,000 crore

POLICY REFORMS

* Bankruptcy code for financial firms to be introduced in parliament in 2016/17

* RBI act is being amended for implementing monetary policy framework

* To list general insurances companies on stock exchanges

BANKING REFORMS

* Government to infuse Rs 25,000 crore capital into state-run banks in 2016/17; will find resources for additional capital for banks if required

INFRASTRUCTURE

* Allocates Rs 2.21 lakh crore for infrastructure development for 2016/17

* Allocation for roads and highways development at Rs 55,000 crore

* Capital expenditure on roads and rail development at Rs 2.18 lakh crore

INVESTMENT

* 100 percent foreign direct investment to be allowed in food processing industry

* Promises further reforms in foreign direct investment policy in insurance, pension, asset recast companies

DIVESTMENT

* To encourage central public enterprises to divest own assets for raising resources for new projects

($1 = 68.6700 Indian rupees)

THE TIMES OF INDIA

Budget 2016: Suit gets boot, govt sings 'Jai Kisan'

NEW DELHI: It was late CPI member A B Bardhan who had disdainfully dismissed the panic in the stock markets after the shock defeat of the BJP-led government in 2004, saying he did not give two hoots to what happened on the bourses. Congress did not allow the sentiment of the veteran Communist leader to become UPA's reigning philosophy, with finance ministers during its decade-long rule often appearing to be overly concerned about the feelings of investors, reinforcing the angst in many quarters that after 1991 markets had acquired a disproportionate share in economic planning. It fell to the Modi government to come up with a Budget which appears to be unsentimental about market sentiment.

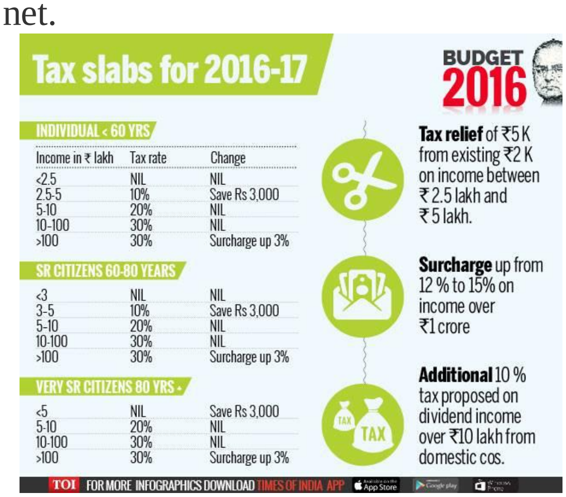
For a government accused of being beholden to top industrial houses and branded as "suit-boot ki sarkar", the Modi administration's third Budget marks a tilt towards the farm sector, rural and semi-urban areas, middle and small enterprises and the underprivileged. Enhanced allocations for irrigation, consecration of the new crop insurance scheme as a symbol of the government's commitment to 'kisan', a big step-up in spend on rural roads and electrification, with other components of the package for Bharat, should help alleviate farm and rural distress.

The contrast with higher taxes on luxury cars and mineral water is stark and constitutes a statement that can serve the political purpose of blunting the "pro-rich" insinuation, earn goodwill among electorally vital sections and suggests the government may have started preparing for polls even before reaching the midway point of its tenure. This appeared to have caught opponents off guard as was evident when a Left representative complained that the Budget had nothing for corporates.

The ambitious scheme to provide cooking gas to BPL households can perform the same function, while the scheme for direct fertiliser subsidies to farmers through Aadhaar can, po tentially, earn goodwill.

The bias is towards old school entrepreneurs in the transport business who chafe at the "permit raj" which cramps them, as well as those among Dalits and tribal communites who are confident enough to dream of being an entrepreneur. The Centre earmarked Rs 100 crore for establishment of the Ambedkar International Centre and Rs 17 crore for the Ambedkar National Memorial. Seen with the reverence for Ambedkar, the Budget reflects BJP's desire to create new constituencies, even as old ones like SMEs are catered to.

The health insurance scheme, cheap generic medicines and National Dialysis Services Programme take off from where Arun Jaitley left off in his previous Budget and brings out in sharper relief the PM's desire to lay the foundation of a social security net.



But in focusing on rural economy, the Budget has not brushed aside the concern for growth. The thrust on highways, energy, housing, the effort to buffer industry against "tax adventurism", promoting FDI in food processing and financial services can help speed up the economy. More so, if the global headwinds abate: something which will also give the Centre resour ces to appease those among the middle classes who may be feeling neglected.

Thrust on agriculture a positive move

MBAI: Industrialists across the board have given their reactions to the Budget.

Chairman and Managing Director of Eco Recycling Limited B.K. Soni said, "This is one of the finest Budgets where the importance is given to circular economy by increasing the power of buying, in hands of the poorest of the poor farmers, other low income group and the increase in the opportunities for the employed and unemployed youth by having an access to the financial and other resources, thereby creating more thrust will give E-Waste more boost to the industry, environment and employment"

Metal Recycling Association of India (MRAI) president Sanjay Mehta said, "The Budget has brought down the customs duty on imports of brass scrap from 5% to 2.5%, which will help the brass scrap users for metal recycling. But the duties on imports of other categories of scrap such as steel scrap, stainless steel scrap, zinc scrap, lead scrap, aluminum scrap, copper scrap have not been reduced. For instance, Indian metal recycling industry imports 100% of its stainless steel scrap requirements and the industry was demanding to reduce the duty from the current rate of 2.5% to nil, which has not been considered. The Metal Recycling Industry could have received a major boost had the duties been rationalized, as these are vital raw material for secondary metal producers and are not available in India in required quantity."

Pramoud Rao, Promoter Managing Director, Zicom Group, said, "The highlight of the Budget was its special thrust on agriculture and measures taken to double the income of farmers. In this Budget we can see a lot of focus on rural areas. The crop insurance scheme and other allocations show the government's tremendous thrust on improving farmers welfare. The linking of rural roads, 100% electrification by 2018 and a lift in farmers income are positive signs. I feel, even if you double the farmers income, it would stand less than 20,000. It could have increased more. But whatever that has been announced for rural improvement should be welcome".

Farmers welcome 'pro agriculture' provisions of Budget

ra: The Union Budget has allocated Rs 35,984 crore to improve the situation of farmers, with finance minister Arun Jaitley saying the aim was to double the income of farmers by 2022. Farmers in the region are happy about the allocation of Rs 5,500 crore for crop insurance scheme, the agricultural credit target of Rs 9 lakh crore and the aim, under Paramparagat Krishi Vikas Yojana (PKVY) to bring 5 lakh acres under organic farming.

An amount of Rs 86,500 crore has also been announced for irrigation networks under the Pradhan Mantri Krishi Sichaai Yojana. "The Budget is highly favourable for farmers. The most important aspect is that it has given a lot of hope and confidence to them. Insurance scheme will prove to be a boon for farmers across the country. Government has laid emphasis on use of organic fertilizers which will be beneficial for farmers as well as common citizens. Budget allocation for irrigation will directly benefit farmers. It has benefitted all sections of the agriculture sector and has something for every farmer," said Mohan Singh Chahar, district head of Bharatiya Kisan Sangh, talking to TOI.

"Schemes are good but implementation will determine transfer of benefit to the farmers. There is no doubt that insurance scheme and irrigation loan scheme are good announcements. I will give 75% marks to the Budget," said Suresh Kumar Singh, a farmer of Bah block.

Shyam Singh Chahar, district head of Kisan Union said the dedicated irrigation fund worth Rs 20,000 crore, a major Rs 60,000 crore project to develop safe groundwater sources and a Rs 500 crore programme for enhanced pulses production as well as Rs 5,500 crore to the PM Fasal Bima Yojana were pro-farmer announcements.

"The finance minister has assured farmers that the government intended to double their income in five years which is possible if budget provisions are properly implemented. Rs 8,500 crores is being allotted towards rural electrification, targeting 100 percent rural electrification by May 1, 2018, which is a welcome step," said farmers' rights activist Manoj Sharma.

Finance Minister sows seeds of hope for farmers

ipur: Finance minister Arun Jaitley has opened up coffers for agricultural schemes. He has also announced irrigation projects and incentives for boosting production of pulses. These will certainly benefit the farmers in Rajasthan.

Encouraging farmers to grow more pulses, the finance minister has allocated Rs 500 crore under the National Food Security Mission. The farmers are upbeat over the announcement.

"We are already a leading producer of kharif pulses in the country for the past 7-8 years. If Centre provides incentives, chances are that the total acreage under pulse production will increase in Rajasthan," said Ramdev Jat, a farmer from Merta city in Nagaur.

The announcements regarding irrigation projects are likely to make a major impact on Rajasthan.

Only about 20-25% of the farmland in the state is under irrigation system, while the rest depends on monsoon and groundwater. "We have witnessed changes in Hanumangarh and Sri Ganganagar and in parts of Bikaner as fields are now under irrigation system. If the network is strengthened, the area under farming in the state will surely increase," said Nagendra Khangarot, an agricultural expert.

DECCAN Chronicle

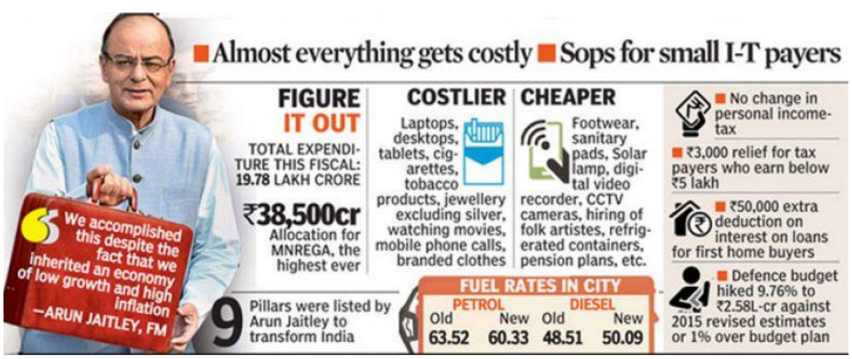
Union Budget 2016: Jai Kisan is FM's tune, goes on rural overdrive

While thrust on rural sector in particular will boost growth, the industry is concerned over higher taxation on super-rich.

Union Finance Minister Arun Jaitley (Photo: PTI)

New Delhi: With an eye on the Assembly elections looming in several states in the coming months, finance minister Arun Jaitley unveiled a pro-poor and pro-farmer Union Budget here on Monday to boost the ruling BJP's prospects, specially after the drubbing it got in Delhi and Bihar over the past year. The finance minister also tried to give a extra push to growth through increased investment in the infra sector, pegged at Rs 2,21,246 crores, liberalising foreign direct investment and trying to bury the ghost of retrospective taxation by offering not to charge penalty and interest on Vodafone and Cairn if they withdrew from international arbitration proceedings against the government.

Mr Jaitley stuck to the fiscal deficit target for FY17 at 3.5 per cent to bring credibility to the country's finances and continued macro stability. He choose not to push growth by increasing borrowing as recommended by sections of industry. The Economic Survey had already indicated that growth in FY17 will be more or less as in the current fiscal. Sticking to the fiscal deficit target will put pressure on RBI governor Raghuram Rajan to cut interest rates to give the economy a further boost.



While industry circles are hopeful that the thrust on rural sector spending in particular will boost growth, it also has concerns over higher taxation on the super-rich by raising the surcharge on them by three per cent, calling it the "Robin Hood" effect.

After the failure of the black money compliance scheme last year for those who have assets abroad, Mr Jaitley unveiled a new scheme for those who have undisclosed income within the country, albeit with a lower rate of taxation, to make it successful this time. But it would be interesting to see how the Supreme Court will react to this as it has by and large been against amnesty schemes.

There were no major measures for the middle class reeling under slow economy growth and rising expenditure. Trying to maintain a tight fiscal deficit at a time of falling tax revenue and due to implementation of the Seventh Pay Commission meant the finance minister had to look at alternative sources of revenue generation. The axe fell on the middle class, who now face an increase in service tax. Bringing PF and EPF under the tax net and no increase in the income-tax exemption limit has added to their woes.

Mr Jaitley announced plans for the strategic sale of PSUs. Increased spending on the social sector left scant cash over to recapitalise state banks. Seen by economists as a "Budget for Bharat", Mr Jaitley's exercise marked a strategic shift by addressing rural distress, and going for an overdrive to woo the rural population by promising to double farm incomes in six years, raising allocations for the agri-sector to Rs 44,485 crores, unveiling aggressive irrigation plans, giving a whopping Rs 38,500 crores for MGNREGA in 2016-17 and a new health insurance plan for the poor. Mr Jaitley announced a grant of Rs 2.87 lakh crores for gram panchayats and municipalities, vowed to bring more BPL families under LPG coverage and total electrification of villages in next few years. He announced initiatives for SC and ST businessmen and tax exemptions to start-ups as well.

Participating in the post-Budget "Hackathon" on Monday, Mr Jaitley reiterated that the government would reach out to the Congress in the current session of Parliament to resolve the deadlock over the GST Bill. "As far as GST is concerned, every political party claims to be in favour of it. The Congress Party had put some conditions. I think one condition still remains there. I will try to talk to them in the remaining part of the Budget Session of Parliament, and try to move ahead with the GST Bill," he said.

The finance minister said the GST Bill was the “need of the hour” and had the capability to strengthen the Indian economy. “It is simple, will help in expansion of revenue, states will get benefit out of it, business will have ease and it will facilitate seamless transfer of goods and services... GST will help to make the whole country one single market, it means one-sixth of the world market is one market. You won’t get a bigger market than this elsewhere”, Mr Jaitley added.

Budget 2016: Krishi Cess to jack up tax on services

Arun Jaitley on Monday proposed to impose a 0.5 per cent Krishi Kalyan Cess on “all taxable services” from June this year.

New Delhi: You will have to pay more for mobile phone calls, eating out at restau

rants, air tickets, cable and DTH services, among others, as finance minister Arun Jaitley on Monday proposed to impose a 0.5 per cent Krishi Kalyan Cess on “all taxable services” from June this year.

Buying new cars will be costlier too, as Mr Jaitley plans to levy an infrastructure cess of one per cent on small petrol, LPG and CNG cars, of 2.5 per cent on diesel cars (of length not exceeding 4 metres and engine capacity not exceeding 1,500cc) and of four per cent on higher engine capacity vehicles and SUVs.

Krishi cess to make services dearer

With this, car prices are set to shoot up, ranging from Rs 2,000 on mass market vehicles to over Rs 1 lakh on big diesel SUVs and sedans. In addition, all cars priced above Rs 10 lakh will also attract a tax of one per cent at source.

The Krishi Kalyan Cess will be exclusively used for financing initiatives relating to improvement of agriculture and the welfare of farmers. It will make a host of services costlier, including visits to beauty parlours, courier delivery, credit and debit card usage, employing chartered accountants, architects, insurance and demands raised by real estate builders for housing projects, among others.

Mr Jaitley had imposed a similar Swachchh Bharat cess on services last year. Mobile phones and tablets too will become dearer as the government proposes to raise levies on components like PCBs and peripherals like batteries and chargers.

Smart watches will also be dearer as they will now be subject to retail sales price-based assessment of excise duty with abatement of 35 per cent.

Soft drinks and mineral water will also be dearer as the finance minister proposed to hike excise duty on “water, including mineral water, aerated water containing added sugar or sweetening matter” to 21 per cent from 18 per cent earlier.

Branded readymade clothes that cost Rs 1,000 or more will become costlier as the excise duty on them has been increased to two per cent without Centvat credit from nil earlier.

THE ECONOMIC TIMES

Budget 2016: FM Arun Jaitley announces slew of measures to end rural distress

However, experts say it may take time for these steps to end rural distress that has risen after the monsoon failed in the past two years.

Farmers are expected to gain from investment in irrigation, agri-markets, dairies and a more transparent procurement of grain by official agencies, but experts said it may take time for these steps to end rural distress that has risen after the monsoon failed in the past two years.

Companies in the sector were upbeat about growth of output as well as rural demand, although farmers were circumspect after FM Arun Jaitley announced measures to help farmers double their incomes in the next five years.

The series of steps in the Budget, along with crop insurance schemes already announced and the high probability of good monsoon this year, are expected to help farmers ahead of crucial assembly elections, analysts said.

Kwality chairman RS Khanna found many reasons to cheer. "First is the government's initiative towards doubling farmer income, second is the much-required connectivity from farm to market, third is the 100% electricity by 2018 and most important, the investment in animal husbandry, livestock breeding and cattle," he said.

Dhanuka Agritech managing director MK Dhanuka said the sector will gain from 28.5 lakh hectares to be brought under irrigation and 23 projects to be completed by March 2017. "The launch of e-platform for marketing will enable the farmer to get the right price for his crop," he said.

However, farmers wanted more clarity. "The government has finally realised the extent of rural distress, but this ruralcentric budget should not be expected to end the distress soon," said Ajay Vir Jakhar, chairman of Bharat Krishak Samaj, a farmers' association

Air Deccan founder captain GR Gopinath, who is now involved in farming, said bolder steps could have been taken. "Fertiliser subsidy should have been transferred through direct transfer to farmers holding 5 acres and less, and fertiliser subsidies to corporates and cooperatives should be eliminated," he said.

Some experts said farmers, who had seen three crops damaged by bad weather, needed immediate relief. "Over the next one month, farmers will not get any benefit when they start harvesting crop or when they go for planting operation of summer crops," said Sudhir Panwar, president of the Kisan Jagriti Manch.

The decentralisation of the procurement policy of grains, online purchases by the Food Corporation of India and procurement of pulses with enhanced allocation were welcome steps, said Sukhpal Singh, a professor at the Centre for Management in Agriculture at the Indian Institute of Management, Ahmedabad.

Food analyst Devender Sharma asked why farmers should wait for five years to double their income. "At present, average income of a farmer in 17 states is just Rs 1,700 per month. Why can't we give him an economic bailout?" he asked.

Domestic cotton output to be 353 lakh bales in 2015-16: CAI

Country's cotton output is estimated to be 353 lakh bales for the 2015-16 season, which began on October 1, according to industry body CAI.

MUMBAI: Country's cotton output is estimated to be 353 lakh bales for the 2015-16 season, which began on October 1, according to industry body CAI.

The total output for the 2014-15 crop year stood at 382.75 lakh bales, Cotton Association of India (CAI) said here.

Crop damage in the northern region due to the white-fly attack this year remains a cause of concern, it said.

The total crop estimated in the northern zone during the season 2015-16, is 42.25 lakh bales, down from 53.50 lakh bales last year, it added.

The projected balance sheet drawn by the CAI estimated total cotton supply for the season 2015-16, at 440.60 lakh bales while the domestic consumption is estimated at 315 lakh bales, thus leaving an available surplus of 125.60 lakh bales.

Budget 2016 provisions for pulses may help if implemented properly

Agricultural experts and industry veterans think that the budget provisions for pulses announced when the prices are at historic high levels.

PUNE: Agricultural experts and industry veterans think that the budget provisions for pulses announced when the prices are at historic high levels and the world is celebrating year 2016 as the international year of pulses, will help the sector, provided they are implemented properly

The Union Budget has provided for Rs 500 crore under the National Food Security Mission for increasing the productivity and production of pulses. "There are some good components of the NFSM scheme, which if implemented properly can help boost production of pulses," said a high level government official, who did not want to be identified.

The budget has also proposed to increase the provision for the Price Stabilisation Fund to Rs 900 crore, which will go for creating buffer stock of pulses. "If the government wants to procure 50,000 tonne pulses as it had announced, the provision of Rs 900 crore under the Price Stabilisation Fund seems to be inadequate looking at the current rate of whole tur beans," said Nitin Kalantry, a dal miller from Maharashtra.

However, the announcement of the finance minister to increase the scope and efficiency of minimum support price (MSP) operations may be helpful for pulses in the long term. The budget proposed to increase scope of decentralised procurement and to take up online procurement through Food Corporation of India. "If farmers are assured that pulses will be procured at MSP without any hassle, they will not reduce area under the crop," said Kalantry.

Budget 2016: Farmers want concrete measures for organic farming's success

PUNE: As the 2016-17 union budget revealed its emphasis on organic farming by allocating Rs 412 crore for organic farming and announcing to bring 5 lakh acre under organic farming in next 3 years, farmers want concrete measures to implement it successfully.

"Considering that the yield per acre is very low in organic farming, we want the government to give minimum support price for organic produce," said Jayapal Reddy, secretary, Confederation of Kisan Organisations.

The finance minister also announced to develop organic value chain in the North East.

Reddy said that for success of organic farming, we need to increase the carbon content in the soil. "For increasing the carbon content in the soil, we had requested the finance minister to give free seeds of green manure to the farmers," said Reddy.

While, a section of farmers want the government to help farmers with modern technology rather than advocating the 'things mentioned in the traditional texts'. "The focus on organic farming is okay. But what we want urgently is the access to modern technology like that in the developed countries," said Sadabhau Khot, regional head of the Swabhimani Shetkari Sangathana, the farmers' organisation from Maharashtra, mainly working for the rights of the sugarcane farmers.

Budget 2016: Farmers welcome focus on expansion of irrigation

NEW DELHI: Industry and farmer bodies have welcomed the budget's focus on expansion of irrigation across the country, which is likely to irrigate an additional lakh hectares.

Currently, over 60 % of the total 142 million hectares of farm land in the country is not covered under irrigation.

The former horticulture director from the Agriculture ministry said that in 2003, the government had targeted to at least get 30 million hectare under micro irrigation. "We have only reached 7 million hectare," he said.

Singh was however confident that more states were realizing that agriculture land area was being lost due to floods. "We need to move to pipeline systems and this is being promoted by Gujarat and no even by Punjab," he said.

Government has earmarked Rs 86,500 crore for irrigation under the Pradhan Mantri Krishi Sichaai Yojana. Total allocation for agriculture for the coming fiscal is to be Rs 35,984 crore. Further the government has said that 89 irrigation projects are to be fast tracked by the on a priority. Out of this 30 projects are to be completed by 2017.

Sunita Narain said that the focus on irrigation, MNREGA, crop insurance was important. "Now the need is implementation for assets that work," she said.

Reacting to the news Jain Irrigation sector spiked up in trade by 5 per cent quoting Rs 58.45 by noon.