THE HINDU

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A balanced budget: Chambers

Special Correspondent

(From left) B. Santhanam, managing director, Saint-Gobain Glass India; C.K. Ranganathan, chairman, CII-TN State Council; and C.R. Swaminathan, chairman, CII-Southern Region, at the budget viewing organised by CII on Friday.

CHENNAI: Chambers of commerce and industry welcomed the Union budget for striking a balance between GDP growth and fiscal deficit but expressed reservations about specific provisions, including the increase in the Minimum Alternate Tax (MAT) and the delay in implementing the Goods and Services Tax (GST) regime.

C.R. Swaminathan, chairman, Confederation of Indian Industry – Southern Region (CII-SR), expressed happiness that the Finance Minister had acceded to CII's request in regard to Tirupur by providing a one-time grant of Rs.200 crore for setting up a Zero Liquid Discharge (ZLD) plant. He also welcomed the move to augment the Skill Development Programme.

On the rollback of excise duty and imposition of excise duty on petroleum products, he said it was inevitable but had been kept to a minimal amount. However, he questioned the reason for increasing the MAT.

Pradipta K. Mohapatra, former chairman, CII-SR, said the reduction in fiscal deficit was "interesting" and hailed the budget for maintaining "stability."

C.K. Ranganathan, chairman, CII-Tamil Nadu State Council, said the budget was "good overall," and that the change in Income Tax slabs would help consumers save more money. He expressed disappointment over the outlay for agriculture.

B. Santhanam, managing director, Saint-Gobain Glass India, said industry had expected GST to be introduced in October 2010 itself. With the increase in excise duty, there were questions on what the base rate would be when GST was introduced. Construction industry representatives welcomed the outlay for infrastructure but said the roads development project had been hanging fire for some time and had to be implemented soon. The interest subvention for housing loans up to Rs.10 lakh would make developers build affordable houses.

The Tamil Nadu Council of the Federation of Indian Chambers of Commerce and Industry (FICCI) said, “Overall it is a balanced budget that addresses the needs of individual and industry.”

FICCI chairman M. Rafeeque Ahmed said the Finance Minister had raised allocations for infrastructure and agriculture while also being sensitive to the needs of the common man as reflected in his new income tax slab structure for individual tax payers.

While reducing corporate tax to 7.5 per cent is a welcome measure, increasing the MAT from 15 to 18 percent is a slight disappointment to industry, he said.

The Southern India Chamber of Commerce and Industry (SICCI) welcomed the liberalisation of FDI and the relief given to small scale industries but called for the formation of a committee to monitor the implementation of the various government schemes.

The Federation of Indian Export Organisations said with the introduction of the Direct Tax Code in April 2011, many concerns of exporters from Special Economic Zones would be addressed. The extension of interest subvention for exports would also help exporters. The Madras Chamber of Commerce and Industry said the allocation of 46 per cent of plan expenditure to the infrastructure sector was welcome but cautioned that increase in fuel prices and expanding the ambit of service tax could trigger all-round price rise.

The Andhra Chamber of Commerce said the exemptions given to Limited Liability Partnerships (LLP) would encourage the formation of more LLPs and that the exemption of service tax on movement of pulses and agro products was a welcome step in view of current price trends.

The Sindhi Chamber of Commerce welcomed the proposal to issue licences to non-banking finance companies to start new banks and increasing the automatic tax audit limits on company turnover to Rs.60 lakh.

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“Budget fails to address inflation, food security”

Staff Reporter

Commerce and economics students discuss budget

—Photo: S. James

Public affair:Public and students watching presentation of Union Budget in Madurai

MADURAI: A discussion on the 2010-11 general budget presented by the Finance Minister, Pranab Mukherjee, for the commerce and economics students and Head of Departments was initiated here on Friday by Tata-Dhan Academy.

Addressing the participants, K. Sheshadri, a Chartered Accountant based in Bangalore, criticised the Budget for lacking long-term initiatives to tackle inflation and agricultural productivity.

The area under cultivation had declined by 46 lakh hectares with the land under food grains cultivation falling by 6.5 per cent in the kharif season.

This supply side constrain was the main factor fuelling inflation, he said, adding that this also affected food security.

Business should also be concerned by this as increase in food spending would mean decrease in consumer purchasing power.

With consumer price index-based inflation hovering at 18 per cent and agriculture recording almost negative growth, the Budget does nothing to address these two vital issues.

While the common man will find some solace in the change in Income Tax slabs, the hike in petrol prices is bound to hurt him.

The increase in fuel prices would also have a cascading effect on economy and result in a spike in inflation, he opined.

The industry would also be upset with the hike in Minimum Alternative Tax (MAT) to 18 per cent from 15 per cent.

This Budget also does not do much to address the major issue of ballooning fiscal deficit.

In this regard, the Oil Pool deficit and public sector company losses and State deficits are not adequately addressed, said Mr. Sheshadri.

Students from Lady Doak College, Fatima College, Madura College, American College, Arulanandar College, and Madurai Kamaraj University, took part in the session.

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“No scheme to lower foodgrain prices”

Staff Reporter

MADURAI: The Agro Food Chamber of Commerce and Industry has said that the Railway budget was depressing and that Railway Minister had not incorporated any scheme or concession to lower food grain prices in her Budget. Association president S. Rethinavelu said that the reduction of Rs. 100 per wagon of food grains was only a token gesture as over 240 bags were transported in one wagon at a cost of Rs. 20,000. The cut should have been around 10 per cent, he opined.

With a considerable dip in agricultural output, the Railways should have increased their fleet of refrigerated wagons, which would protect perishable commodities, from the present strength of 20. However, no initiative for construction of additional refrigerated wagons has been announced. He lauded the Railway Minister's move to revive the “socially desirable project” proposals to connect backward areas that were earlier shelved owing to economic viability.

Mr. Rethinavelu welcomed the new three lines in southern Tamil Nadu as they would boost agriculture and agro-based industries in the region. However, he said that the allotment of Rs. 7 crore for the broad-gauge conversion of Madurai – Bodhinayakkanur was a paltry sum as the total cost was estimated as Rs. 167 crore.

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Thornless bamboos gain in popularity

Special Correspondent

In the past 2 years 250 ha have come under bamboo cultivation

— Photo: C. Venkatachalapathy

***Spot inspection:* National Bamboo Mission Deputy Director-General Kameshwar Oza inspecting a bamboo farm at Kadambur.**

VILLUPURAM: The cultivation of thornless bamboo varieties is picking up in Villupuram district. In the past two years 250 hectares have come under bamboo cultivation in the district, according to P.Dhandapani, Deputy Director of Horticulture Department.

Mr Dhandapani told *The Hindu* that the Deputy Director-General Kameshwar Oza of the National Bamboo Mission inspected the areas under bamboo at Vikkiravandi and Rishvandhiyam blocks on Monday.

The objective of the mission was to encourage bamboo cultivation among the farmers so as to augment their income. The farmers were given an incentive of Rs 8,000 spread over two years for taking to bamboo cultivation.

Subsidy was also given to them for putting up the fertigation system — mixing fertilizers with drip irrigation. Two years into the mission the horticulture department had brought 150 hectares under bamboo while the Forest Department and the Tamil Nadu Agricultural Department had covered another 100 ha.

Mr Dhandapani noted that four thorn-less varieties such as the bambusa vulgaris, bambusa bulcoa, bambusa nutans and bambusa tulda had proved to be ideal for cultivation.

These varieties could attain a height of 25—30 ft within two years and would attain maturity, with considerable girth, in four-five years. The farmers could obtain a yield of 50 tonnes of bamboo per hectare and because of their high-worth bio-mass they could get considerable income. These types of bamboos would fetch market prices ranging from Rs 2,000 to Rs 5,000 a tonne.

The conventional thorny varieties could yield only 10-15 tonnes per ha., and moreover their standard could not match the thornless varieties. The bulk consumers of bamboo were obviously the paper mills followed by the handicrafts sector.

Bamboos were also sought by banana growers for giving a prop to the trees to withstand gale and to avoid losses. Mr Dhandapani further said that bamboos had their utility value in household articles, though the market share of these objects was declining.

He noted that bamboos had their usage in the textile sector too. Filaments could be extracted from the bamboos for producing fabrics as was being done at the major textile centres such as Pune, Ahmedabad and Nagpur.

Since this sector would require high volumes it would take some time before the bamboo growers here capture the textile market. Under the mission it was proposed to extend bamboo cultivation to 100 ha a year, Mr Dhandapani added.

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Focus on water sources

Staff Reporter

— PHOTO: G. KARTHIKEYAN

***GRIEVANCES GALORE:* Farmers taking part in a meeting in Dindigul on Friday.**

DINDIGUL: Augmentation of drinking water and irrigation sources in the district will be taken up shortly. The district administration had sent proposals to the tune of Rs.16 crore for various projects for approval, said Collector M. Vallalar.

Presiding over an agriculturists' grievances meeting here on Friday, he said that the water level in several dams and tanks were very low owing to poor rainfall. The rainfall recorded in February was just 9 mm against the month's average of 44.7

mm. It was 200 mm below the annual average in the district.

Many of the 2,230 tanks in the district were drying up. Of the 97,354 irrigation wells, 85 per cent had water that could be pumped for one to five hours only and the rest of the wells had water that could be pumped for less than an hour only.

While Palar dam had 55 foot of water, Parappalar dam had 82 feet, Marudhanadhi 43 feet and Kudirayaru 64 feet only. Top priority would be given for drinking water supply. Farmers should use water judiciously to save the crops till harvesting, he said.

Many farmers complained that private fertilizer sellers in Nilakottai and Batlagundu areas had been selling fertiliser at more than the prescribed price.

Mr. Vallalar directed the agriculture officials to form a special wing and conduct surprise raid in these areas. If there were any irregularities in sale of fertilizers, the sellers' licence would be cancelled, he said.

Farmers from Sadayankulam demanded release of water from Parappalar dam to protect standing crops for the next 30 days. They alleged that the PWD officials refused to consider their plea. Mr. Vallalar assured to conduct a meeting of all farmers in the ayacut to find an amicable solution.

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Drinking water and irrigation sources to be augmented

Staff Reporter

DINDIGUL: Augmentation of existing drinking water and irrigation sources in the district will be taken up shortly.

District administration had sent proposals to the tune of Rs.16 crore for various projects for approval, said Collector M. Vallalar.

Meeting

He was presiding over agriculturists' grievances meeting held here on Friday.

Water level in several dams and tanks was very low owing to poor rainfall.

The rainfall recorded was just 9 mm against this month's average of 44.7 mm. It was 200 mm below the annual average rainfall in the district.

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While Palar dam has 55 feet of water, Parappalar dam has 82 feet, Marudhanadhi 43 feet and Kudirayaru 64 feet only.

Top priority will be given for drinking water supply.

Farmers should use water judiciously to save the crops till harvesting, he advised.

Farmers complained that private fertiliser sellers in Nilakottai and Batlagundu areas have been selling fertilisers more than the prescribed sales price.

Collector M. Vallalar, in his address, advised agriculture officials to form a special wing and conduct surprise raid in these areas to ensure that no irregularities were taking place as reported.

Irregularities

If there were any irregularities in sale of fertilisers, licences would be cancelled, he warned.

The NREGS workers will be engaged in desilting of tanks and supply channels identified through satellite mapping process, it was pointed out.

Farmers from Sadayankulam demanded release of water from Parappalar dam to protect standing crops for next 30 days.

But the PWD officials refused to oblige, Mr. Vallalar assured to conduct a meeting of all farmers in the ayacut to find an amicable solution to this crisis.

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Farmers demand action against units polluting water bodies

Staff Reporter

Teams to be formed to conduct inspections in the shops selling pesticides

— Photo: M. Govarthan

District Collector R. Sudalaikannan speaking at the farmers grievances redressal day meeting in Erode.

ERODE: The discharge of industrial effluents into channels and rivers, irregularities in the sale of pesticides and various other farming issues were discussed in the farmers' grievances redressal day meeting held here on Friday.

A number of farmers expressed serious concern over the discharge of chemical effluents particularly from the textile processing units into the Cauvery River and various other water carrying channels in different parts of the district.

They urged the district administration to initiate concrete action against the units which were violating the rules and polluting the environment.

The administration should also remove all the encroachments along the channels in the district, they said.

Pesticides

Farmers complained that shops in many parts of Gobichettipalayam and Sathyamangalam were purchasing pesticides in bulk and selling them in small quantities, violating the rules.

The pesticides should be sold without breaking the package, they said. Collector R. Sudalaikannan who presided over the meeting, assured that teams would be formed to conduct inspections in the shops selling pesticides.

If violations were found, appropriate action would be initiated against erring shopkeepers, he assured.

Officials also said that steps would be initiated to prevent the industrial units from polluting the water bodies and water carrying channels in the district.

Senior officials were present in the meeting.

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Samba harvest completed

Special Correspondent

On 1.10 lakh hectares in Thanjavur

THANJAVUR: Samba harvest has been completed on 1.10 lakh hectares out of total coverage of 1.36 lakh hectares in the district, said M. Karunakaran, Collector incharge, here on Friday.

Presiding over the monthly grievances day for farmers, Mr. Karunakaran said that average yield per hectare was 5,200 kg.

Under System of Rice Intensification method, maximum yield of 9,350 kg per hectare and average yield of 7,500 kg per hectare have been got by farmers.

Farmers are engaged in raising pulses _ black gram and green gram _ in the district. Sowing of pulses has been completed on 24,000 hectares. Eighty tonnes of pulses seeds have been distributed by Agriculture Department.

Farmers have to pay Crop Insurance Scheme premium for black gram before March 31.

For farmers who want to raise summer crop, ADT 43 seeds are available in agriculture extension centres.

Fertiliser stock position is comfortable, Mr. Karunakaran said. It comprises 6,390 tonnes of urea, 1,914 tonnes of DAP and 4,073 tonnes of potash with co-operative and private parties.

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SWM project to be given to private sector

Special Correspondent

Open tender process to be adopted; resolution passed at Corporation Council meeting

Photo: D. Gopalakrishnan

Focus on waste management: **A meeting of the Vellore Corporation council under way on Friday. —**

VELLORE: The Vellore Corporation has decided to entrust the solid waste management (SWM) project to the private sector through an open tender process. A resolution was adopted at the ordinary meeting of the Corporation Council, held under the presidentship of Mayor P. Karthikeyan here on Friday.

The resolution said that 100 tonnes of solid waste is being generated every day in the Vellore Corporation area, of which 80 to 90 tonnes is being collected at the existing compost yard in Sadupperi. In view of the accumulation of solid waste in the Sadupperi yard, the Corporation is unable to continue the collection of daily waste in the same place. This has necessitated the Corporation to think of scientific ways of disposing of solid waste. The Corporation has decided to entrust the work of maintaining the existing compost yard and the compost yard coming up in the newly acquired land in Sathupalayam and the disposal of the waste in a scientific and hygienic manner to a private party through an open tender process as per the following conditions:

The project should be implemented in such a way that the profit realised through the production of compost and carbon credit should be divided between the Corporation and the project implementing agency. The land not exceeding eight acres, in which SWM is to be undertaken, would be given to the agency on a long-term lease by collecting rent on square metre basis through tenders. The Corporation would undertake the work of transporting the solid waste collected from the houses and the commercial areas (not less than 90 tonnes per day) through its own vehicles and dumping them in the compost yards, construction of weigh bridge, laying of internal roads and construction of compound wall.

The implementing agency would undertake the work of segregation of waste, disinfecting the waste, spreading it in a hygienic manner on the land, production of compost from the biodegradable waste, setting up of compost sheds, installation, operation and maintenance of machinery, installation, operation and maintenance of the treatment systems, conversion of waste into compost or other forms of energy through its own infrastructure facilities and staff, creation of a three-tier green belt around the compost yards, provision of all facilities for the staff involved in the SWM project, creation of other infrastructure facilities, and handing over the entire infrastructure to the Corporation at the end of the contract period.

G.G. Ravi (All India Anna Dravida Munnetra Kazhagam), councillor of the 10th ward, urged the Corporation to take steps to prevent the Sathuvachari Third Grade Municipality from drawing excess water from the Ponnai drinking water scheme to make available sufficient drinking water to the residents of Vellore. While Vellore, with a population of about 1.85 lakh, is the major beneficiary of the Ponnai scheme, it was improper on the part of the Sathuvachari Municipality with a population of 30,000 to draw excess water from the scheme, depriving the major beneficiary of sufficient water.

K.R. Selvaraj, Corporation Commissioner, said that out of the daily installed pumping capacity of about 135 lakh litres of water day (LLD) from the four water supply systems - at Karugambuthur (35 LLD), Palar (40 LLD), Ponnai (60 LLD) and Otteri (6 LLD) - Vellore Corporation was now getting only about 115 LLD. While the water table in the infiltration wells in Karugambuthur has gone down due to monsoon failure, the Ponnai scheme suffered from excess drawal by Sathuvachari Municipality. The Vellore Corporation would take steps to take over the valve operation of the Ponnai scheme from the Sathuvachari Municipality to prevent that municipality from drawing water in excess of its entitlement.

Ayub Khan (DMK) wanted the Corporation to constitute a committee comprising the Mayor, Municipal Commissioner and councillors, which should visit Sathuvachari Municipality daily and monitor the drawal of water by the Municipality.

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Sugarcane farmers upset

L. Renganathan

Collector assures to look into collection charges

Demand to return collection charges

Farmers call for planned power cut

KULITHALAI: Sugarcane growers in Karur district have lambasted collection of Rs. 900 per lakh by the Tiruchi District Central Cooperative Bank and the respective Primary Agricultural Cooperative Societies as collection charges from the money the sugar mills pay to growers for the cane procured.

Giving vent to their ire at the farmers grievances day meet held here on Friday, sugarcane growers, including Valayapatti Farmers' Discussion Group convener R. Satheesh, S. Prabhu from the same village and the Pettaivaithalai Sugarcane Growers' Association president K. Anabalagan of Nachalur, pointed out that the TDCC and the PACS charged Rs. 450 each towards collection/clearing, service and postal charges.

Under strain

The cane-growers were under severe strain and the additional burden should not have been imposed, they said.

There has been instruction that such additional charges should not be levied on the growers and there was also the case of the farmers suffering charges twice.

Norms flouted

The TDCC and the PACS flouted collection norms, the farmers said.

They demanded that the amounts thus collected should be returned immediately and collection stopped.

Responding, Collector J. Uma Maheswari said that she would ask the officials to look into the matter immediately and, if any anomaly was found, that would be set right accordingly..

Heeding her counsel, the farmers agreed to discuss the issue with Joint Registrar of

Cooperative Societies R. Uma Maheswari for a solution.

Power supply erratic

Farmers also expressed their unhappiness at the erratic manner in which the power was supplied, especially in the Kulithalai-Nachalur-Nangavaram belt.

“We don’t know when power supply would be given and how long it would last. The personnel at the power stations too do not seem to be in the know of things and we are forced to keep our fingers crossed. What we need is a planned schedule of power cut,” the farmers said.

Display power cut schedule

Dr. Maheswari directed the Tamil Nadu Electricity Board officials to display the schedule of power cut prominently in the offices and power sub-stations.

A large number of farmers, including working president of the Cauvery Delta Farmers’ Welfare Association Mahadanapuram V. Rajaram, deputy secretary Kavandampatti R. Subramanian, Farmers’ Discussion Group convener Kulithalai A.V. Gopaladesikan and Kulithalai M. Rajeswari, participated in the deliberations.

Joint Director of Agriculture Jagadeesan, Lead District Manager K. Chandrasekaran, Personal Assistant to Collector (Agriculture) Kandasamy, and officials from various departments were present.

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Mettur level

The water level in the Mettur dam stood at 74.89 feet on Friday against its full level of 120 feet. The inflow was 1,493 cusecs and the discharge, 1,800 cusecs.

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Water level

MADURAI: The level in the Periyar dam on Friday stood at 110 feet (full level 136 feet) with no inflow and a discharge of 250 cusecs. The level in the Vaigai dam was 37.73 feet (71 feet) with an inflow of 31 cusecs and a discharge of 60 cusecs. The combined Periyar credit stood at 596 mcft.

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Beauty, joy in full display at Japanese flower arrangement

Staff Reporter

Three-day exhibition as part of the Japan cultural festival

— Photo: S. R. Raghunathan

Enchanting:Bharatanatyam exponent Alarmel Valli looks at a display at the Ikebana exhibition held at the Lalit Kala Akademi, Chennai, on Friday.

CHENNAI: Dried plants and tree branches hold utmost beauty to them, while spaces, lines, mass and surface are important features of their arrangement. Students from the Sogetsu School of Ikebana showcased their creativity in the Japanese art of flower arrangement, which was inaugurated by Bharatanatyam exponent Alarmel Valli at the Lalit Kala Akademi here on Friday.

The three-day exhibition is being organised as part of the Japan cultural festival by ABK-AOTS Dosokai, Sogetsu Study Circle in association with the Consulate General of Japan.

In Meenakshi Sarin's arrangement Asia lily, ginger lily and aesthetically cut cane swirls merged to stand out in a ceramic vase.

Ambika Chandrasekar went a step further by making her exhibit eco-friendly. Eucalyptus leaves took shapes when arranged on the recycled paper basket.

Besides learning a new hobby, participants said how the art has helped them add a new dimension to their personal and professional life. Ashoka Bhupathy who has a boutique is among the few men who have been learning Ikebana from Malathi Pandurang.

"In my store I match a new outfit with the arrangement. It stands out as well as brings in more curious customers," says Mr. Bhupathy, who makes a new Ikebana style every three days.

Chitra Thyagarajan has completed her basic and advanced course in Ikebana and says the art makes one explore further, even when driving. “I have around 25 ceramic, glass and other containers at home where I try different arrangements. It is the beauty and joy that this art brings out for the entire household,” she says.

Others like Seethalakshmi Asaithambi specially placed order for a granite vase to coordinate with her flower arrangement.

Earlier Alarmel Valli recalled her memories of Japan, her association with Malathi Pandurang and how Ikebana, dance and poetry come together.

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A delicate balance

Union Finance Minister Pranab Mukherjee's strategy of a partial rollback of the fiscal stimulus package in his Budget is not without its risks, given particularly the uncertainty over the external environment. Yet it is a measure of the government's confidence that the move to a higher growth path of 7.2 per cent this year and to a projected 8.2 per cent next year is sustainable even in the absence of the stimulus that it has reversed course and sought to raise Rs.46,500 crore through indirect taxes. Though this is offset partially by the direct tax concessions totalling Rs.26,000 crore, the net revenue raised, together with the expected buoyancy in a year of robust growth, has enabled the Finance Minister to keep the fiscal deficit down to 5.5 per cent next year. The real story of this budget then is not of any big idea or innovative strategy, but one of fiscal consolidation. There is the recognition that a sound and prudent fiscal management — with the deficits under control, and subject to gradual and targeted reduction over the medium term — has provided an enabling environment for the move on to a high growth trajectory. In a milieu where fiscal consolidation would be impossible while simultaneously increasing social sector spending and holding taxes down, the tax area had inevitably to yield. Overall, while an additional tax burden of Rs.20,500 crore is not too much for the economy to absorb, the impact of specific increases as, for instance, on diesel and petrol — the main target of protest by the opposition — is bound to be reflected in the price level.

Structural reform of the income tax system has been delayed with the new income tax code still in its formative stage. Meanwhile, income tax payers have gained significant relief from the broadening of the income slabs and from tax deductions for investing in infrastructure bonds and contributing to the Central Government Health Scheme. The cut in the surcharge on corporate tax from 10 per cent to 7.5 per cent is balanced with the raising of the minimum alternate tax to 18 per cent. Among the specific sectors, real estate that has been hit the most by the slowdown has been provided some concession. So have the medical equipment and mobile phone manufacturers, and the cinema industry. The restoration of the general excise duty to its original level of 10 per cent and of the duty on large cars and multi-utility vehicles from 20 per cent to 22 per cent would not be much of a burden. More significant from the point of view of impact are the revival of the customs duty of 5 per cent on crude and of 10 per cent on petroleum products and the hike in the excise duty on petrol and diesel by Re. one a litre. Even while it is reluctant to decide on raising the prices of petroleum products as recommended by the Kirit Parikh Committee, it has collected more in taxes and may well let the oil companies live with under-recoveries of the product prices.

As in the earlier budgets, much of the focus on the expenditure side is on social sector spending that now accounts for 37 per cent of the total plan outlay for 2010-11, while another 25 per cent is to be spent on rural infrastructure. The United Progressive Alliance's flagship Mahatma Gandhi National Rural Employment Guarantee Scheme has been allotted Rs.40,100 crore and the Bharat Nirman programme of building rural infrastructure Rs. 48,000 crore. In addition, the allocations for health and housing — rural and urban — have been increased. Higher allocations are no doubt needed in all these sectors, but what is missing is the effort to strengthen the delivery mechanism at the ground level though the institutional weaknesses in the government structure have been identified over and over again. The suggestion made in the Economic Survey for moving away from subsidising the foodgrain prices in the public distribution system and instead providing coupons directly to the families below the poverty line so that they can buy food from the open market is no doubt too radical for the budget. Yet, in the case of fertilizers, the government has adopted the nutrient-based subsidy scheme and it even talks of moving towards a system of direct payment of subsidies to the farmers. This is an area in which it has to move with caution lest the inevitable increase in fertilizer prices should prompt the farmers to use less of the nutrients, thereby affecting farm production. The right to education bill passed last year is still to make its impact felt and the Finance Minister has increased the allocation for upgrading the quality of school education, to which every child in the 6-14 age group would be entitled. The right to food, the big idea that emerged from the last budget, is still in its formative stage, with the draft bill almost ready for circulation and debate. The government's dilemma on how inclusive that right should be — whether to adopt the conventional poverty line with its lower figure of poverty or the higher estimates that expert committees have come up with more recently — and the attendant cost seem to be holding back its roll out.

Notable in this budget are the moves on reforming the financial sector. New banking licences are to be issued by the Reserve Bank and eligible non-bank finance companies are to be allowed to convert themselves into banks. The global financial crisis has shown up the systemic weaknesses of financial regulatory institutions the world over. Drawing a lesson from this experience of the advanced financial markets, the Finance Minister has proposed a Financial Stability and Development Council to exercise macro prudential supervision over the economy including over large financial conglomerates, and to coordinate the functioning of multiple regulatory agencies. Overall, the budget has had a positive impact on business sentiment and the animal spirits of the market.

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How the experts have been fooled

S. Gurumurthy

The Finance Minister's budget speech intends to conceal more than it reveals.

“The Finance Minister has done a fantastic job.” “Very good budget.” “See the takeaways.” “See the positives.” “Fiscal deficit controlled to 5.5 per cent.” “Government borrowings reduced to just Rs. 3.45 lakh crores.” “Road map laid for oil sector reform.” “Infrastructure boosted.” “Consumer demand to rise on tax cuts.” “Bonanza for the middle class.” “Yet an inclusive budget.” “ I would give 10 on 10 for the Budget” …

Thus went the comments even as this writer was browsing through the Budget papers running to hundreds of pages to see what the Finance Minister had left unsaid in his speech. Those who eulogised the Budget and the Finance Minister seemed to have nothing in their hands other than what he claimed in his speech, and most of them would not have had even a cursory glance at the Budget papers which were put on the website almost an hour after the speech concluded.

Thanks to the euphoria of the experts, the Sensex rose by 400 points by the time the speech ended. But as the facts contained in the Budget documents were slowly becoming known, the Sensex was moderated, with the rise being confined to 175 points by the close of the day. But the Budget and the Finance Minister had won approval thanks to the well-structured speech that was long on words — including quotes from Kautilya — and hugely short on numbers. By now, taking the Finance Minister's words as gospel truth, the opinion of ‘elite India' has been sealed in favour of the Budget. Of course, the ‘other India' has no instant opinion to express; already reeling under high inflation, to counter which there is no measure in the Finance Minister's speech, it has only to experience in the days to come what the Budget will actually do to them. Look at the facts and numbers that lie buried in the documents.

Examine the claim that it is an inclusive Budget. The additional provision for rural development is just Rs. 3,936 crore — a rise from Rs. 62,201 crore in the current year to Rs. 66,137 crore for the coming year. This translates to a rise of 6.3 per cent for the coming year over the current year. The estimated rise in GDP for the coming year over the current year is estimated at 12.5 per cent. It means the rural sector does not even get half the rise in the country's prosperity in the coming year. The rise in the allocation for the MGNREGS in the coming year is just 2.5 per cent. Contrast this with the rise by – believe it – 146 per cent in the MGNREGS for 2009-10 over 2008-9. The tax cut for the middle class amounts to some five times the extra provision for rural development. Still the Budget is claimed as being an aam aadmi effort.

Move on. The additional provision for agriculture is a pittance — Rs. 900 crore. So much for the Finance Minister's claim of inclusive growth. So, what was an inclusive agenda in budgets from 2004 onwards and until the last Budget seems to have become a mere slogan. The Finance Minister was unconcerned about how the stock markets reacted to his Budget last time. And he was the only Finance Minister who said he could not care less for what the stock markets felt about his Budget.

Now look at the sleight of hand involved in the Finance Minister's claims on infrastructure. See the provision for the road sector. It is an additional Rs. 2,374 crore — just a 13 per cent rise in the coming year over the current year, against a 23 per cent rise in the current year over the previous one. The additional provision for the Railways is Rs. 950 crore — the rise of a mere 6 per cent for the coming year over the current year against the rise of — believe it, 46.3 per cent — in the current year over the previous year. In 2009-10 the additional provision for urban infrastructure was 87 per cent.

There is more. The Finance Minister had claimed in his Budget speech for 2009-10 that India Infrastructure Finance Company Limited (IIFCL), along with the banks, was in a position to support infrastructure projects of — again believe it — Rs. 100,000 crore. Against that claim, he admits in his speech now that the disbursement and refinance by IIFCL so far has been to the extent of just Rs. 12,000 crore. It will rise to Rs. 25,000 crore in the next three years. How did the Finance Minister dare say one thing in his previous speech and another thing now? He was confident that the experts who would give instant opinions on his product would hardly have the time to check what he had claimed some eight months ago. The claim by the Finance Minister that the infrastructure provision of Rs. 172,552 crore is 40 per cent of the Plan allocation is definitely less than honest. Acting cleverly, here he does not give the comparative figures for the current year.

Indeed, there was no appreciable improvement in the coming year over the current year, and yet the experts continued to eulogise the infrastructure boost in the Budget.

Deficit reduction

What, then, is the secret of the reduction in deficit? The Finance Minister simply refused to spend this year. And that is perhaps correct. But he has concealed that fact and said something to the contrary. The income will increase in 2010-11, but the expenditure will not. The increase in non-Plan expenditure in 2009-10 over 2008-09 was 37 per cent; in 2010-11 over 2010-11 is just 6 per cent. The non-Plan expenditure was Rs. 6,42,000 crore in 2009-10, and in the coming year it will be just Rs. 6,44,000 crore. That is, there will be just no increase at all. If the Finance Minister had increased non-Plan expenditure for 2010-11 in proportion to the estimated GDP rise of 12.5 per cent, the deficit would have risen by Rs. 199,000 crore to Rs. 580,000 crore-plus. It would have meant that the deficit would have been up by — believe it — almost 2.9 per cent to some 8.4 per cent.

If this had happened, would the experts have gone gaga over the Budget? Would the stock market have risen? Obviously not.

See how faulty the comment that the Budget puts extra money in the hands of the consumers is. Non-Plan expenditure is a straight injection of money into the system. If that does not grow next year as it did in the previous year, how will the consumer get extra money over the last year? The Finance Minister's claim that he had cut taxes to put extra cash into the consumer's pocket is less than honest as the amount in the consumer's hands will be actually less by Rs. 180,000 crore as compared to the last year. It is not a bad thing that the Finance Minister has cut the non-development expenditure. But his claim that he was putting money into the hands of the people through tax cuts is only one side of the story.

The other side of the story, which is the biggest fact concealed in this budget, is the cut in non-Plan expenditure. See more. The biggest component of the rise in non-Plan expenditure in the current year was the Pay Commission dues, which was extra money straight into the pockets of the people to spend. That was the reason why, despite the downturn in the economy in 2009-10, private consumption, which was expected to fall according to the Economic Survey 2008-09, did not fall. Private consumption powered by the Pay Commission dues sustained the GDP growth in 2009-10, and that was the secret of the growth in 2009-10. This factor is absent in 2010-11. How will the aggregate demand rise more than last year when the amount of additional money in the hands of the people is far less in the coming year than in the year that is closing? So the claim that the tax cut will put huge money in consumers' hands and activate the domestic demand is less than honest.

In sum, the Finance Minister's speech intends to conceal more than it reveals – in fact it cheats. The Finance Minister has trusted of the propensity of the instant commentators of the TV channels to rely on ornamented words in the budget speech and won the day against the experts and the market.

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Budget 2010-11: the true picture

C.P. Chandrasekhar

A combination of inflationary taxation, significant revenue optimism and a modicum of window dressing.

In a budget speech which was tiresome in parts and often filled with trivia that was almost meant to distract, Finance Minister Pranab Mukherjee claimed that he was delivering a growth-oriented but inclusive budget that was within the bounds of fiscal prudence. If true this does signal the emergence of a new form of economic governance. The Economic Survey had earlier argued that the time had come for a shift to an “enabling” rather than an interventionist state. That shift was supposed to deliver non-intrusive governance that only seeks to help those who cannot manage to do well for themselves. In the process it was supposed to ensure fiscal consolidation through a reduction in the fiscal deficit.

The difficulty of course is that in a country where as much as 40-50 per cent of the population is poor, properly financing even this "minimalist" role for the state needs a substantial sum of money. If in addition the government, given its fiscal conservatism, wants to exit its fiscal stimulus and reduce its fiscal deficit, a substantial increase in revenues is necessary. There are, therefore, two questions that arise. To start with, how far has the Finance Minister gone in sustaining expenditures and pushing his objective of being more inclusive? And, to the extent he has, how has he mobilised the requisite resources and what are the resulting implications?

If we examine total expenditure in the budget, it has risen by just 8.5 per cent in nominal terms. Adjusting for inflation at current rates this amounts to a stagnation of real expenditures. But given the fact that financial year 2009-10 was one in which expenditures did rise noticeably because of the implementation of the Pay Commission's recommendations and because of the fiscal stimulus in response to the slowdown in growth, this stagnation in real expenditures cannot be dismissed as wholly inadequate. Moreover, if we examine the central plan outlay and aggregate expenditures in two social sector areas — education and health — which the Finance Minister has chosen to draw attention to in his speech, we find that they are indeed projected to rise significantly. Gross expenditure on Literacy and School Education is slated to rise from Rs. 39,553 crore to Rs. 47,773 crore and on Higher Education from Rs. 14,376 crore to Rs. 16,690 crore. In addition, the Central plan outlay on Health and Family Welfare is projected to rise from Rs. 18,283 crore to Rs. 22,300 crore. But, all this is partly the result of a reallocation of expenditures. Thus, non-plan expenditures on all social services are slated to fall from Rs. 35,146 crore to Rs. 29,483 crore or more than Rs. 5,500 crore. To boot, a planned cut in subsidies on food and fertilizer, which would impact on the poor and sectors like agriculture that house a majority of the poor, is reflected in the budgetary figures.

These trends aside, it is true that the budget provides for an increase in aggregate expenditures in nominal terms. This rise is accompanied by some direct tax concessions in the form of substantially "broadened" income slabs for different levels of income taxation and a reduction in the surcharge on corporate taxes. Yet, the budget expects a reduction in the revenue deficit from 5.3 to 4 per cent of GDP and the fiscal deficit from 6.7 to 5.5 per cent of GDP. How has the Finance Minister ensured this transition? To start with, even though direct tax concessions are expected to result in a decline in Income Tax receipts of around Rs. 4,400 crore between the revised estimates for 2009-10 and the budget estimates for 2010-11, Corporation taxes are projected to rise by as much as Rs. 46,255 crore. The latter occurs despite the fact that the surcharge on corporate taxes is to be reduced from 10 to 7.5 per cent. There are only two ways in which the substantial increase in Corporation taxes can be explained. One is an assumption that the increase in the Minimum Alternate Tax to be paid by corporations from 15 to 18 per cent would substantially increase revenues. The other is that corporate profits would display strong buoyancy in the aftermath of the recovery.

But even this Corporation tax bonanza is inadequate to explain the Finance Minister's "achievements." There are three other features of the budget that are of relevance. First, through an "across-the-board" hike in non-oil excise duties, adjustments in customs duties, higher duties on oil and petroleum products and expanded taxes on services, the Finance Minister expects to garner an additional Rs. 70,000 crore of indirect tax revenue. This is a reversal of the practice of relying less on indirect and more on direct taxes in recent years. Indirect taxes are known to be inflationary in nature, hurting the poor in the process. So this trend goes contrary to the claim that the budget aims to be more inclusive. In fact, in the run up to the budget, with the evidence pointing to a recovery in GDP growth, the close to 20 per cent inflation in food prices had emerged as the principal problem to be addressed. The decision to rely on inflationary indirect taxes (including on universal intermediates like oil products that would raise costs and prices across the board), which would push up prices further, points to the fact that inclusiveness is less of an objective than the Economic Survey and the Budget proclaim. This perception is supported by the fact that in a context of food price inflation the budget seeks to curtail food and fertilizer subsidies.

A second noteworthy feature of the budget is the unusual fact that an item called "Other Non-tax Revenue" is slated to rise from Rs. 36,845 crore to Rs. 74,571 crore between the revised estimates for 2009-10 and the budget estimates for 2010-11. This huge revenue windfall is to come largely from receipts from 'Other Communication Services', which consist of licence fees from telecom operators and receipts on account of spectrum usage charges. Receipts under this head were budgeted for Rs. 48,335 crore in 2009-10, but yielded only Rs. 13,795 crore. The budget for 2010-11 again provides for Rs. 49,780 crore from this head of "revenue", suggesting that what is being calculated is the receipts from the auction of spectrum. If this is the case, it would be wrong to treat this as a revenue receipt. If it is not, the revenue and fiscal deficits would go up substantially.

Finally, the budget provides for "Miscellaneous capital receipts" of Rs. 40,000 crore in 2010-11, which refer to receipts from disinvestment and privatization. This head is reported to have yielded Rs. 26,000 crore in 2009-10. If not for this sale of public wealth, the borrowing required to finance the government's expenditures would have been much more, necessitating higher commitments for interest and amortization payments in future. That would have made it difficult for the Finance Minister to claim that he was not merely delivering inclusive growth, but doing so while remaining fiscally "prudent".

In sum, it does appear that a combination of inflationary taxation, significant revenue optimism and a modicum of window dressing have helped craft a budget that appears growth oriented, partially inclusive and fiscally prudent. We need not wait till the revised estimates come next year to conclude that this is by no means the true picture.

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Climate change: wetlands play an important role

Experts said here on Friday that wetlands can greatly help Vietnam cope with the impacts of climate change. The remarks were made at a conference on wetland conservation held here by the Vietnamese General Department of Environment under the Ministry of Natural Resources and Environment, with the participation of many Vietnamese and foreign experts. At the conference, the experts said mangrove forests growing in wetlands are able to accumulate carbon dioxide which can reduce green house effect, the main factor of climate change.

Being one of the worst affected countries by climate change in the world, Vietnam needs international assistance in establishing the programme for the conservation and sustainable development of wetlands to reduce the climate change impacts, said the experts. — Xinhua

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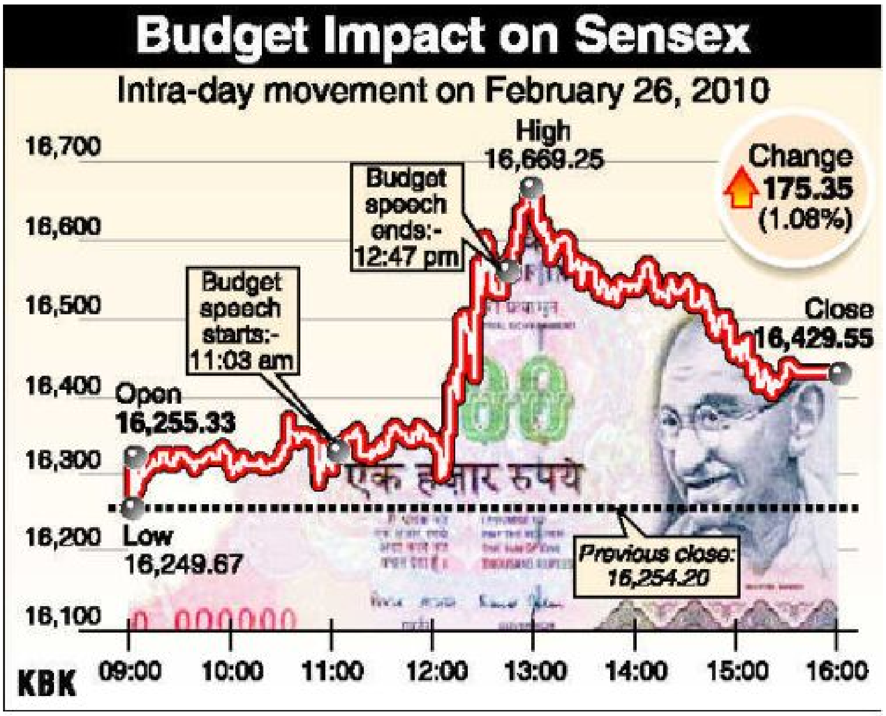
Markets greet budget

Oommen A. Ninan

Will now focus on cues from global trends



MUMBAI: The stock markets cheered the efforts of the Union Finance Minister Pranab Mukherjee for setting the trend for the next four years by announcing the fiscal consolidation road map and the continuation of fiscal stimulus measures.

The Bombay Stock Exchange sensitive index, Sensex, closed up 175.35 points or 1.08 per cent at 16429.55 on Friday against 16254.20 on Thursday. It shot up by 420 points initially when the Finance Minister announcd a slew of investor-friendly measures. A broader 50-share Nifty of the National Stock Exchange closed 62.55 points or 1.29 per cent up at 4922.30 against 4859.75.

“The stimulus measures helped stocks in sectors such as real estate and auto, said Sukumar Rajah, Managing Director and CIO-Asian Equities, Franklin Templeton Investments. Banking stocks also got a boost — the government is providing a grant to PSU banks to ensure that Tier-I capital is at 8 per cent. Sectors such as infrastructure development could be impacted by the MAT increase and excise duty hikes would affect cigarettes and cement.

The biggest gainer was the BSE auto index which has moved up by 4.74 per cent. This was followed by metal (2.58 per cent) and banks (2.26 per cent). On the NSE too, bank stocks gained by 2.17 per cent.

Other broader indices also gained smartly. The BSE midcap stocks were up by 1.47 per cent, smallcap by 1.08 per cent and BSE-500 by 1.33 per cent.

The stock indices remained in the positive territory throughout the day. The Sensex which was around 50 points up at the beginning of the budget presentation, shot up by around 420 points as Finance Minister announced a slew of investor-friendly measures. However, it pared more than half of its gains in the last hour profit booking by investors.

“We remain positive about the medium to long-term direction of the markets, as India's growth momentum increases and companies benefit from the higher demand for goods/services. However, short term direction depends on global liquidity situation and risk appetite given the recent developments on the sovereign front,” Mr. Rajah added. “Earnings growth has been positive and while valuations are closer to long term averages, we believe that India's growth potential warrants a valuation premium. Our interactions with long term global investors clearly indicates a growing appetite for India and this along with a large savings pool could provide liquidity support to the market,” said Mr. Rajah.

“The budget is aimed at strengthening the pillars of Indian growth story which are consumption and infrastructure build up,” said Navneet Munot, Chief Investment Officer, SBI Mutual Fund. The government stimulus has partially been rolled back while paving the way for fiscal consolidation.

Markets were also enthusiastic with the announcements made by the Finance Minister which would be helpful for individual investors. “While the market reacted positively to the budget announced, common man (“aam aadmi”) should be happy with the proposed relief to individual tax payers following the changes in income tax rates. This will provide them with more disposable income. Finance Minister also extended income tax exemption to investment in infrastructure bonds by up to Rs. 20,000 over and above the existing limit of Rs. 1 lakh, which would again benefit the income tax payers,” said A. Balasubramanian, CEO, Birla Sun Life Mutaul Fund.

Rupee gains 30 paise

PTI reports:

The rupee spurted by 30 paise against the dollar and closed at 46.10/11 on Friday to snap the three-day fall on signs of increased capital inflows as the stock market rallied by 420 points after Finance Minister Pranab Mukherjee presented a market-friendly budget. The rupee closed at 46.41 on Thursday.

Sentiment was also helped by Mr. Mukherjee's announcement of increased borrowing in the next fiscal, forex dealers said.

The Reserve Bank of India fixed the reference rate for the dollar at Rs. 46.23 and for the euro at Rs. 62.81.