



Budget Directionless and Confusing-Yashwant Sinha II Greater Noida , July 09,2009 II

The Budget 2009-10 not only fell drastically short of expectations of the common man but also confusing and directionless, according to Mr. Yashwant Sinha, former Finance Minister. He was interacting with students and faculty of the Birla Institute of Management Technology (BIMTECH) yesterday in the evening at the Institute's campus at Greater Noida.

"Finance Minister is taking credit for surging expenditure, which grew from a modest figure to mammoth 10 lakh crore now. But what is disturbing is that 60 percent of the expenditure is going towards non-plan revenue expenditure, which is a euphemism for expenditure, which do not create any capital assets," Mr Sinha said adding that the system of governance fuels wasteful expenditure and it should be curbed. When pointed out that successive governments were

responsible for this fiscal profligacy, the bureaucrat turned politician said that accountability could be fixed only by strengthening the local-self governments. Expenditures incurred at Panchayat level should be scrutinized by committees set up at the local level and all functionaries should be made accountable to that body.

Pointing out that the Budget lacked inner coherence inter-generational equity, Mr. Sinha said that the assertion of the Finance Minister that the bank nationalization carried out in 70's had helped the country to insulate partially from the global economic meltdown, goes against the grain and direction set by the Economic Survey, which aggressively endorsed further reform process. "Be it disinvestments or reforms in the insurance and banking sector, the treatment being given in the Budget is lackluster and sketchy, defying the expectations of the people from all walks of life," he said, adding that Raghuraman Committee's Report on Financial Sector Reforms set up by his (Finance Minister's) immediate predecessor seems to have been given a total slip.. "With the left being left out from the Government, one expected the Government to be bold, but it seems that they continue to be 'cold' on the reform process," he added.

The former Finance Minister referred to the mounting budgetary deficit, which climbed to the danger zone of 6.8 percent of the GDP. Taken together the deficits of the states, the total national fiscal deficit figure would be upwards of 13 per cent or so. But Budget seems to be non-committal in reining in the galloping deficit, which can shake the foundation of the economic structure. Similarly, the reference made by the Finance Minister in his speech to the Competition Commission was too sketchy and inadequate creating doubts among the experts and economists whether the Government would abandon the reform path and settle for a less aggressive policy towards creating entrepreneurs. He also criticized the government's approach towards inclusive growth and called it as a lip service, since no scientific effort has gone into identifying people below poverty line.

Responding to a question from the floor as to what would be the major policy planks, if he were the Finance Minister, Mr. Sinha said that road construction

and inter-linkage of rivers would have engaged his active consideration since these could create gainful employment to millions, besides economic capacity building. He also questioned the merit of not abolishing the surcharge on corporate Income Tax, since that would have helped modernization and expansion of programs at the difficult times.

Mr Sinha pitched for reduction in interest rates to make access to finance cheaper and international rates. "Interest rates ruling at high levels will put the pressure on the tempo of investment and household consumption, which are necessary conditions for faster economic growth," he added.

The former Finance Minister expressed his concern about the balancing of Budget since the expenditure contemplated by the Government has grown up considerably without any commensurate means for financing them. This would lead to further deficits through printing currencies and heavy borrowing. According to him, the government has to address to bridging the gap of a whopping Rs 4 lakh crores as deficit, which can leave its strain on the fiscal management. Further, he obliquely referred to the FDI, which could bring in resources to fund the newer projects as something the Finance Minister forgot to mention in the Budget speech. "I tried to google search the expression FDI in the Budget speech, but I could not find any mention. If any one of you succeeds in that, I stand corrected," he added.

Earlier in his Welcome Address, Dr H Chaturvedi, Director, BIMTECH referred to the rationale of organizing the interactive session with Mr. Sinha. "His is the most fertile mind, which can scourge through data mines and ferret out a scoop or two," he added.