

The revised budget for fiscal 2021-22: High lights and issues

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On January 15, 2021, Thomas Isaac former finance minister presented a full-fledged budget for the fiscal year 2021-22. Subsequently contrary to the long-standing convention, spread over more than four decades, to elect alternatively the united democratic front (UDF), and the left democratic front the Kerala electorate voted a second term for the LDF in the legislative assembly election held in May 2021. Despite the fact that the LDF with the same Chief Minister assumed office the new Assembly has to approve a new budget. K N Balagopal the new finance minister dutifully presented on June 4, a 'revised budget'. While the vision and approach of the two finance ministers of LDF could arguably be the same, a new budget was inevitable. More over, the compulsions of the second wave of the pandemic and the lock-down that it induced, well exemplified in the Budget speech of Balagopal, could significantly affect the estimates of the new budget. I wish to raise five issues that are directly germane to the new budget. The first refers to the structure and integrity of the budget and all others to the development policy choices.

One, a budget is an estimate of income and expenditure for an year, called, fiscal year spanning April 1 of the current year to March 31 of the next year in India. A budget is judged best by its fiscal marksmanship. Its estimate whether it refers to a single item or an aggregate of several items, whether they refer to revenue or expenditure should be done with realism, prudence and integrity. In many parliamentary democracies there are Estimate committees to scrutinize these numbers later on. Fudging of numbers or window-dressing to make deficits look pleasing or acceptable to the public is a questionable practice. In this context the attempt to keep the revenue and fiscal deficit numbers of the January 15 budget (referred to as 'old' for convenience) and the revised budget estimate of June 4, 2021 in tact (which will

automatically maintain the ratios with the given GSDP) does not speak highly of the wisdom behind the exercise.

In the old budget estimate revenue deficit is Rs. 16,910.12 crore and fiscal deficit is Rs. 30,697.59 crore with the corresponding GSDP ratios placed at 1.93% and 3.50% respectively. Exactly the same numbers and ratios are maintained in the revised budget estimate (R.B.E) given in Table 1 of Budget at a glance. That 75 days were completed by March 31, at the close of the previous budget year (2020-21) and 140 days by June 4 cannot be heroically assumed away as static with no revenue inflow and expenditure outflow. The finance department ought to have shown better circumspection in such circumstances. They have kept the revised estimate for 2020-21 more or less the same as in the January 15 budget. With no change in the public debt and public account numbers in the revised budget estimate no change in the capital expenditure also could be envisaged. The fiscal deficit which is the difference between total expenditure (Rs 162032.39 crore) and revenue receipts(Rs 130981.06 crore) plus recovery of loans and other capital receipts (Rs 353.74 crore) in the revised budget is Rs.30697.59 crore which is exactly the same as in the old budget. Given the great promises announced in the budget speech of June 4, in the final reckoning the state public finance surely will have to witness drastic slippages in the fiscal deficit ratio maintained at 3.5% of the GSDP, not to speak of the revenue deficit. To be sure, unprecedented situations demand radical measures

Two, the new finance minister declared that double the Rs. 20,000 crore package for 2020-21 to contain the COVID pandemic has been spent. If this is true, it is something to write home about. Transparency demands that this is substantiated with an annexure to the Budget. Another fresh dose to the tune of Rs. 20,000 crore is also announced to stimulate the economy. Indeed a great and bold gesture. The budget speech declared that, out of this Rs. 8300 crore is earmarked towards interest subsidy for loans provided for economic rejuvenation. Budgetary propriety demands that this finds an entry into the estimate of revenue expenditure. But Rs. 21,940.20 crore provided for interest payments in the old budget is repeated in the revised budget estimate as well. Because you want to keep the revenue deficit figure undisturbed this surely was the only alternative.

Three, it is good that the ethos and priorities of the 'Kerala Model' are scrupulously maintained with the continuing emphasis on the triptych of health, education and social

security. The allocations in some cases have been stepped up and new programmes have been launched. The K-DISC (Kerala State Development and Innovation Council) a strategic think tank and advisory body has been given a 150 percent increase in allocation compared to the old Budget estimate. The efforts to transform Kerala into a knowledge society need much more structural transformation. The unplanned and linear expansion of higher education that influenced the social, economic and political character of Kerala in the past to be sure, needs substantial change. The issues of quality and social equity cannot be sidelined for long. This calls for bold policy choices.

Four, the emphasis given in the revised budget is in sync with the LDF government's election manifesto. But some of the issues either remain rhetorical or left unanswered. In 1961 the wetland paddy lands considered to be one of the most eco-sensitive and valuable spots in the world (acknowledged in a scientific paper in Nature (1997) comprised nearly 35 percent of the cultivated lands of the state. Today it is reduced to a little over 7% inflicting irreparable damage to the unique eco-system in the process, besides considerably jeopardising Kerala's food security prospects. Kerala Wet and Paddy Land Act, 2008 was a belated intervention. Even that was amended and made ineffective over the years. The data bank remains a sort of non-starter and several issues continue unaddressed. Similarly, the quarry mafia continue to wreak havoc in Kerala despite the ongoing protests. The sixteenth Legislative Committee on Environment in 2019 reported that the number of illegal quarries is "more than ten times" the legal. Instructively that their number keeps growing is an undeniable fact. Kerala is one of the richly endowed environment systems of the world. It is hoped that the new government will come up with a comprehensive project with budgetary support and place Kerala on a durable ecological foundation. Tourism indeed has a place in the economic development of Kerala. Even so her beauty and environmental charm deserve special management and care.

Five, despite the serious constraints of time K N Balagopal deserves kudos for some of the initiatives he launched. 'Health first' projects herald a new era in the context of the health emergency underway. A promising system of equitable health delivery from free vaccination to oxygen and ventilator provisioning is envisaged with budgetary backing. Kerala with the highest proportion of health workers to total employment among the major Indian states [See NSSO Report (2020) on Annual Periodic Labour Force Survey (July 2018-June 2019)] could successfully deploy them to reduce the fatality rate. Not only that, the Kudumbashree is

considerably strengthened to function as a subsystem of local governments in containing Covid -19, besides developing it as a support to care for the vulnerable sections in the crisis enveloping them. That a microfinance institution is converted to serve as a hub of local economy and livelihood is also something to be noted. Although the smart kitchen project is allocated only Rs. 5 crore, it is likely to emerge as a big event in the coming years. Another noteworthy initiative is the effort to address the problem of educated unemployment.

To conclude, I have been selective. A budget and the policies that it seeks to support is good only to the extent that it is implemented. Routine incantations have no value unless announcements become real activities meaningful to the people. Therefore it is desirable to have a progress report card attached to every budget that details the announcements made and the achievements realised.