



Press Release on Union Budget 2017-18

“Several good steps, but institutional reforms missing in the Budget”, Pradeep S Mehta, Secretary General, CUTS International

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Finance Minister Arun Jaitley presented the Union Budget 2017-18 earlier today. The central theme for the budget was ‘Transform, Energise and Clean’ India. Unsurprisingly, there was a push on agriculture, infrastructure and transport sectors. The total allocation for rural, agriculture and allied sector was Rs. 1.87 lakh crores. Rs. 10 lakh crore have been allocated for agriculture credit. The transport sector was allocated to Rs. 2.41 lakh crore. This was the first time in independent India that the railway budget was merged with the Union Budget. The capital and development expenditure on railways was proposed at Rs. 1.31 lakh crore.

While appreciating the increased allocation to key sectors, Pradeep S Mehta, Secretary General, CUTS International noted that the opportunity to introduce long term institutional and process changes has been missed. “We need to good decision making processes to ensure good outcomes. Decision to reform the budget making process through adopting ex-ante impact assessment, stakeholder consultation and greater transparency would have gone a long way in this regard. Without these, we run the risk of whimsical decision making and intentions not resulting in their logical outcomes.”

It is a relief to note that tax on income up to Rs. 3 lakh has been done away with, and the tax burden on small and medium enterprises has been reduced. The income tax declaration form is proposed to be simplified. Also, political donations in cash have been capped to Rs. 2,000. The emphasis on clean energy is also commendable. It will be important that these reforms are swiftly implemented and closely monitored. Else, these will just remain intent on paper.

“The government has decided to abolish Foreign Investment Promotion Board and usher foreign investment policy reforms. These steps were essential to reduce entry level bottlenecks. However, ease of doing business should not be limited to reforming entry/ establishment related approvals but reforming the interaction between mid-level government officials and industries post establishment is critical. In this regard, structural bureaucratic and administrative reforms were essential, which are missing.” Mehta added.

The government has also decided to provide a boost to digital payments by capping cash transactions to Rs. 3 lakhs and reduction in taxation of payments acceptance infrastructure. It has also been decided to set up a Payment Regulatory Board within RBI to regulate payments.

Mehta appreciated the intent to formulate the Payments Regulatory Board and hoped it to be the first step in separating regulation and operation in digital payments sector and introduce regulatory certainty and predictability. He added that there is a need to enable effective competition and interoperability between banks and non-banks to give real push to digital India and achieve the dream of less cash society.

The decisions to reform Airports Authority Act to allow monetisation of land, disinvestment and listing of public sector enterprises, creation of railway safety fund, full electrification of 18452 villages, will require time bound implementation and monitoring.

“The government has launched schemes for employment generation in textile, leather and footwear sectors. However, job creation requires a clear vision and multi-pronged approach to deal with existing and future challenges and leveraging the economic strengths. There is not mention about interface between job creation and digital economy, impact of automation and electronic commerce, which is surprising”, concluded Mehta.

Consequently, while budget has a lot of positives, it could have been a vehicle to introduce long term institutional reforms, which is missing.

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