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PRESS STATEMENT OF SELVI J JAYALALITHAA, HON'BLE CHIEF MINISTER OF TAMIL NADU - 16.3.2012

The Union Budget presented in Parliament today (16.3.2012) by Thiru Pranab Mukherjee, Union Minister of Finance, only demonstrates the continued policy paralysis gripping the Union Government. The Budget does not provide any tangible solutions to the problems crippling the Indian Economy. The Indian Economy is at the cross-roads facing insurmountable problems of growth slow-down, dwindling investment activity, high inflation, fiscal stress, and the weakening Indian rupee. This calls for some bold measures to stem the price rise, build investor confidence, enhance the purchasing power of the common people and put the Indian economy back on track. But it is disappointing to note that the Budget has not made any serious attempt to address the grave concerns afflicting the Indian economy. It has turned out to be 'Business-as-usual' with some tinkering here and there with excise and customs duty, income tax, etc.

The Union Finance Minister has announced some marginal concessions to the middle class Income Tax payers in the hope of garnering their support. The threshold for Income Tax has been increased by a meager Rs.20,000/- from the existing Rs.1,80,000/- to Rs.2,00,000/-. The minor concessions in the higher slabs of income are negligible. The relief announced hardly compensates for the run-away inflation the country has been witnessing in the last few years. The small concessions do not really help even the middle class whose purchasing power has been eroded considerably. It has been acknowledged world-wide, including by the United States of America, that the rich need to be taxed more since they have the capacity to pay.

While there has been a lot of tall talk of bringing back the black money stashed in foreign countries for more than three years now, nothing tangible has been done on that count. This Budget has not spelt out any concrete action plan on how the Government plans to do so or how the Government proposes to check the generation of black money. The Finance Minister has merely stated that a White Paper on Black Money will be placed in the current session of Parliament and has listed various Bills which are at various stages. The announcement of certain measures like compulsory declaration of assets abroad and double taxation avoidance agreements with some foreign Governments will hardly help in either checking the generation of black money or bringing it back.

Unchecked fiscal deficit has been ailing the country for quite some time now. Though all revenue expenditure cannot be considered as being unproductive, unchecked excess revenue expenditure on current consumption leads to high fiscal deficit which in turn spills over into Current Account deficit. A large fiscal deficit and Current Account deficit will only lead to a vicious cycle of higher inflation affecting the masses. The fiscal deficit which was 4.8% of the GDP in 2010-11 is projected in this Budget to rise to 5.9% of the GDP. Though it is projected that this will be brought down to 5.1% in 2012-13, the Budget does not have any concrete measures to contain the fiscal deficit. When the Government does nothing to contain the high level of fiscal deficit by appropriate fiscal policies, it only leads to a stringent monetary policy by the Reserve Bank of India leading to a tight money policy. This is manifested in the high interest rates adopted by the RBI which in turn affect investments and capital formation.

The Finance Minister has insulted the common people by stating in the Budget that the fiscal deficit would be reduced by a reduction in the subsidies which are essential for the common people. He has indicated that except Food Security all other subsidies will be in accordance with what the economy can sustain. Even though there is a mention about the Food Security Bill in the Budget, my Government has already opposed it tooth and nail saying it will distort the universal Public Distribution System of Tamil Nadu. Direct transfer of subsidy on fertilizers to retailers and then to the farmers will only cause great harm to the farmers.

Perhaps considering the Stock Market as the parameter of economic growth, the Finance Minister has reduced the STT on delivery by 20%. The introduction of the new scheme "Rajiv Gandhi Equity Savings Scheme" giving tax relief to retail investors up to Rs. 50,000/- is uncalled for.

The Budget presented today has not offered any solution to check the slowing economic growth. The economic survey presented in Parliament yesterday pegged down the growth rate to 6.9% against the growth of 8.4% witnessed in the preceding two years. The growth rate projected for 2012-13 in the Budget is a modest 7.6%. Even this rate of growth will be difficult to achieve since the Budget has not provided any real stimulus for growth and encouragement to private investment. The propensity for high savings by Indians has not been utilized for investment in productive assets by appropriate policy measures which would stimulate growth. The savings of individuals now being used in investment in land and gold could have been channelised into investment in productive assets. The Budget has not proposed adequate support for these and has thus lost an opportunity to help capital formation.

The requisite focus on infrastructure has not been provided in this Budget. The Planning Commission has estimated the requirement of funds for the 12th Plan to the extent of US $ 1 trillion. A large extent of this investment is required in the Power Sector, which is a critical need for development. Similarly, the need for investment in roads, bridges, irrigation, etc. is also huge. As the Government by itself cannot invest in these infrastructure projects, there is a need for larger private investment and PPP mode projects. The Finance Minister has estimated an investment of Rs. 50 lakh crores in the 12th Plan Period and has estimated that 50% of it would come from the Private Sector. However, the Budget has not come out with any rational forward looking policy for private investment and public-private partnership in these areas of infrastructure while adding a few more sectors in viability gap funding.

With regard to agriculture, the increase of about 18% in allocation of funds in the Budget proposals is not adequate to bring in the expected 4% growth in agriculture. The new Central Scheme of National Mission in Food Processing is inadequate for promoting agricultural production.

The increase of the pension amount from Rs. 200 to Rs. 300 under the National Pension Scheme is very meager and will not provide even a modicum of social security for the marginalized people who depend on this pension. It is necessary to mention here that my Government in Tamil Nadu is giving a pension of Rs. 1000/- per month.

Bringing in a number of items under the Services Tax fold by broad basing it and enhancing it to 12% will only stoke inflation. Increased Services Tax will also affect the progressive State Governments which implement schemes such as Health Insurance Scheme.

The much talked about Rajiv Awas Yojana and JNNURM-II have been totally ignored in this Budget. There is no mention of urban poverty reduction which is the need of the hour.

It is disappointing that under the Rashtriya Madhyamik Sikksha Abhiyan (RMSA), the allocation for the entire country is only Rs.3124 crores which is quite absurd and grossly inadequate to deal with the problems being faced in the secondary sector.

Though the allocations under PMGSY and AIBP have been increased, Tamil Nadu is not going to get any benefit because of the rigidity in guidelines.

The Budget of the Central Government grossly overshoots the FRBM norms of fiscal deficit and revenue deficit with the Fiscal Deficit at 5.10% and effective Revenue Deficit at 1.8% for which the Central Government proposes an amendment to the Fiscal Responsibility and Budget Management (FRBM) Act. On the other hand, State Governments have not been permitted any relaxation which squeezes the resources available to the States. Further, the Central Government proposes to adopt the concept of effective revenue deficit which includes grant. But the States are not allowed such concessions.

In the R.E. projection, the downward revision of tax projection will result in a loss of around Rs.400 crores for the State's resources for 2011-12 substantially squeezing Tamil Nadu's welfare programmes.

There is no announcement to enable the States to directly raise resources to implement infrastructure projects. The Central Government could have created an instrument for raising debt funds to provide support to State Government projects similar to the infrastructure debt fund to finance Central Government projects.

In short, the Budget presented today in Parliament is a poor reflection of the commitment of the Central Government to take the economy forward on a growth trajectory. This Budget is an exercise in futility, 'an ill-wind that blows nobody any good', and to top it all, "anti-people".

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Chief Minister of Tamil Nadu

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