



ECONOMY & BUSINESS

More incentives for revitalizing exports sorely needed

J. D. Agarwal

WILL THE 2000-01 budget meet the challenges of the Indian economy in the first year of the new millennium? Would it help develop India's global competitiveness, target the problems of mass poverty alleviation, satisfy minimum basic needs of those below the poverty line, provide water, sanitation, housing, and mass illiteracy? Will it curb the menace of "black money" and the enormous corruption by establishing the rule of law through good governance?

Probably not. It may be another exercise focusing on revenue collection and its unscrupulous spending by allocating such revenue as well as non revenue receipts to the various categories of governmental wasteful expenditure without providing the over delayed relief to Indians.

The new budget would be an extension of the trend set by the past one and the policy pronouncements made in the last 120 days of the government, keeping in view the second phase of economic reforms. The government has several achievements to its credit in the last 120 days. These would include the sensex touching an all time high, reduction in interest rates, clearing the insurance regulatory bill, a 7.5% industrial growth signaling industrial recovery. Besides these, reaching a near consensus on uniform sales tax, power and airports privatization, inflation control, subsidy cuts, revamping

PDS and granting Rs 10,600 crore to the northeastern region, besides meeting the cost of Kargil and the cyclone are also no mean achievements.

However, to what extent has the finance minister been able to fulfill the announcements made in his last budget? He may not be able to do anything about the fiscal and revenue deficit targets of last year, despite the buoyant tax collections. Most of the schemes announced particularly to revitalize and redirect human development programs encompassing food, security, healthcare, education, employment and shelter have not made

ister to present a hard budget as the government an alliance of parties.

There is an urgent need to improve the external sector, to improve the balance of payment situation by revitalizing exports and also encouraging more non debt inflows in the form of foreign direct investment. Some incentives in this regard might be announced, instead of curbing the capital flight due to the abnormal pricing mechanism.

The government may also target raising the number of assesses to 25 million, by widening the base rather than the revenue yield by intensifying revenue collection, targeting the bigger tax evaders and controlling both the demand and supply side of corruption. In the process, it might impose the presumptuous agriculture tax and target the rural rich, bring under the tax net the sugar cooperatives, financial institutions, extend

the service tax to some more areas. Alongwith these, it could also rationalize the excise and customs duties, in the wake of WTO discussions, demands from the powerful industrial lobbies and address the genuine needs of the economy.

The government may once again fail to make the budget achievement and performance oriented, by maintaining its status quo for being expenditure oriented. After all, whatever is collected and spent by the government in whatever way is done in public interest.

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enough progress. The government has also been unsuccessful in controlling wasteful expenditure and introducing zero base budgeting. This budget might focus on the programs for human development rather than industry and the capital market.

The first phase of economic reforms concern these two areas:

When the economy is looking up and the sensex is galloping along with a good industrial recovery, satisfactory agriculture growth, low inflation rate and stable exchange rate, there is no need to present a hard budget. Moreover, it appears to be difficult for the finance min-