

Siddaramaiah's brand of sense and sensitivity in an election year

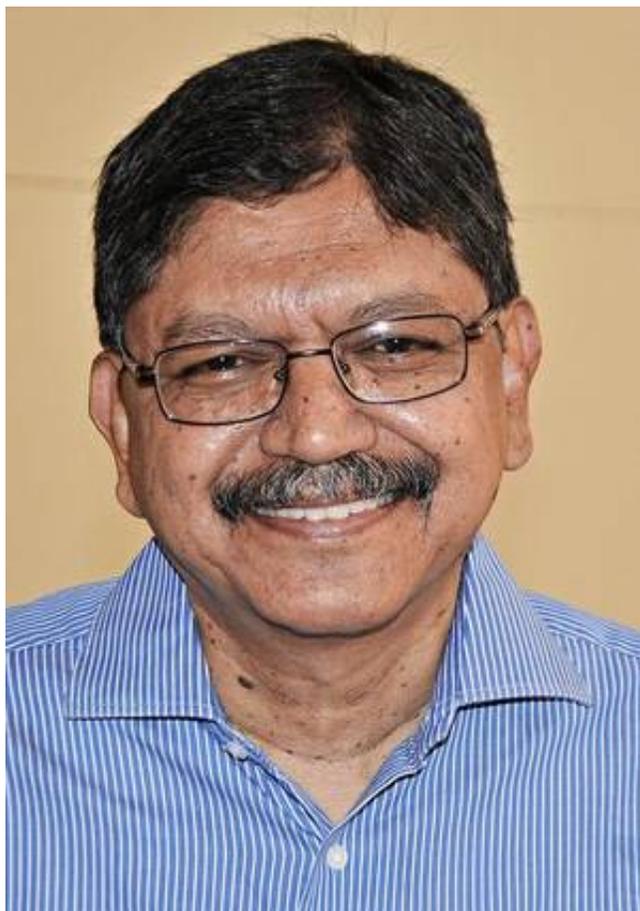


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Budget is all about strengthening his pro-poor credentials with an eye on the polls

A striking aspect of Chief Minister Siddaramaiah's State Budget for 2017-18 is his assertion of a point politicians have long believed even if others do not: it is possible to have a welfare-based economic

policy that also generates growth. In words politicians do not always use, Mr. Siddaramaiah termed as 'juvenile and narrow-minded' the impression that 'pro-people government means anti-development government'.

Armed with this belief, Mr. Siddaramaiah has left no stone unturned to strengthen his pro-poor credentials in an election year. He has extended his earlier programmes such as Ksheera Bhagya, by providing milk five days a week instead of the existing three days. Following in the footsteps of the late Tamil Nadu Chief Minister Jayalalithaa, he promised to set up 'Namma Canteens', offering breakfast at Rs. 5 and lunch at Rs. 10. And, he has taken the reservation argument to new domains by promising to take steps to initiate 100% reservation for Kannadigas in Class C and D jobs in the private sector.

His sensitivity to an election year is also reflected in his support for elected local body leaders. It is widely recognised that in a State like Karnataka, which does not have too many mass leaders, elections are won and lost by relations with local politicians. Mr. Siddaramaiah has substantially increased the honorarium for members of Panchayat Raj institutions.

In keeping with his welfare-with-growth claim, his budget has a number of infrastructure initiatives. He appears to have recognised that Bengaluru, with its high costs, need not always be the most attractive destination for investors. He has provided Rs. 400 crore for land acquisition for the Tumakuru Industrial node on the Chennai-Bengaluru-Chitradurga corridor, and has proposed to set up a machine tool industry park in Vasanthanarasapura near Tumakuru.

In order to provide welfare alongside infrastructure for industry, Mr. Siddaramaiah has taken two nimble fiscal steps. First, he has made the revenues from alcohol — traditionally one of the major sources of revenue for Karnataka governments — GST proof. He has done this by replacing the VAT on alcohol products, which would have been replaced by GST, with an additional excise duty on alcohol.

Second, to further keep finances under control, he expects State-owned boards and corporations and local bodies to mobilise Rs. 11,279 crore from their own resources and borrowings. This is a substantial amount that can be spent on the direction of the State government, without directly putting pressure on the State's fiscal deficit.

With this buffer in place, Mr. Siddaramaiah has managed to present a healthy overall financial picture. The fiscal deficit is expected to be 2.61% of GSDP, total liabilities would amount to 18.93% of GSDP, and there is a revenue surplus of Rs. 137 crore. All three figures are well within the limits set by the Karnataka Fiscal Responsibility Act. Mr. Siddaramaiah has reason to be pleased with the budget as an economic exercise, but whether its political dimension will be equally rewarding, he will know only next year.

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