

*India's Budget:
Focus is on
growth with
a human face*

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For The Straits Times

Earlier this month, the Indian government presented its annual Budget for 2018-19, its fourth and the last full one in the current term.

As the last Budget before the general election due early next year, this one was not surprisingly scrutinised through the prism of electoral politics, with some describing it as a populist package because of the bold and sweeping measures that address the most pressing challenges facing the country's poor.

However, this Budget is the boldest statement yet of Prime Minister Narendra Modi's vision, articulated since 2014, of making economic growth an instrument for transforming the lives of ordinary citizens.

India's challenge is that two decades of rapid economic growth made little visible impact on the lives of its ordinary citizens. With the government now pursuing

growth through a regular injection of policy reforms and sustained high spending on infrastructure (this Budget raised federal spending on infrastructure by 20 per cent to US\$100 billion, about S\$131 billion), its principal fiscal priority and emphasis has shifted to providing universal access to basic needs, shelter and livelihood, to be achieved by 2022 when independent India turns 75 years.

This has been the consistent theme and thrust of every Budget since 2014-15. This Budget takes it to a new level. Its most visible manifestation is in the health sector. The centrepiece is the national health insurance scheme that will cover 100 million families - 40 per cent of the population - with annual coverage of US\$8,000 for secondary and tertiary care hospitalisation.

This scheme will be supplemented by 150,000 health and wellness centres across rural India that will be the foundation of the country's health system. About 3,000 public medical centres are already dispensing medicines at affordable prices to the poor. These initiatives embody the vision of the national health policy of May last year and build on the modest beginnings on health insurance coverage of the previous budgets.

Admittedly, the scale of financing and institutional arrangements presents formidable challenges. However, the goal is to take public expenditure from 1.15 per cent of gross domestic product to 2.5 per cent by 2025. Besides, the government draws confidence from the success of insurance schemes for the poor over the past three years.

More than 52 million families have been covered under the life insurance scheme and 135 million people have enrolled for the accident insurance schemes. There will also be synergies with the several successful health insurance schemes of state governments. As Finance Minister Arun Jaitley said: "We are taking health protection to a new aspirational level." The systems and structures will be worked out. However, the direction for the future has been set.

In a society in which medical expenditure is often the biggest burden of poverty and the main source of impoverishment, this initiative is potentially transformative in its human impact. To be deterred by the scale would be to strip progress of humanity and ignore basic public obligation.

There are success stories to inspire. More than 1.1 billion Indians have a biometric identity under the Aadhar programme. Over 300 million new bank accounts have been opened in three years. Rural roads are being constructed at 133km per day. Some 104 million Mudra micro credit loans of US\$70 billion in three years - 76 per cent to women - have exceeded targets. About 200 million rural residents in

250,000 villages are connected to a broadband network. And, skills development centres have been set up in 600 districts of the country.

The Budget's agenda for inclusive development also addresses agrarian distress and employment. The farm sector is receiving unprecedented attention on credit, price assurance, insurance, infrastructure and farm to market links.

A combination of skills training, tax incentives, special schemes and soft credit to small-and medium-scale units and start-ups is helping address the seemingly intractable challenge of gainful employment for the 800 million youth in India. The government's bold schemes are not founded on reckless spending or baseless ambitions. Fiscal conservatism remains strong, and the deficit is on a downward curve. In 2017-18, it slipped slightly from its target - 3.3 per cent of GDP instead of 3 per cent, but this is due mainly to the transition to the goods and services tax. India is expected to be back on course this year.

The revenue base is also growing with the expansion of the formal sector of the economy and improved tax regime, coverage and compliance. As a result, growth rate of tax collection in relation to GDP growth has increased. This gives India the confidence and necessary support to finance growth and its transformative agenda.

The extraordinary human focus of the Budget is not just a political, social and moral imperative. When the entire population moves forward in step, India will also reap the demographic dividends of 1.25 billion people and maintain high rates of growth in the long run. Above all, in an age of globalisation's discontent and disruptions, the Budget offers a path to the future: accelerating growth and remaining open to the world, while investing in human development and needs.
