

A STUDY ON UNION BUDGET 2017-FOCUS ON AGRICULTURAL AND RURAL DEVELOPMENT

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ABSTRACT

Budget announcements were presented in the parliament by the finance minister on 1st February 2017. The impacts of demonetization were not that beneficial for the agricultural sector. The incomes of the farm were affected due to it. This study gain prominence and assess the union budget 2017 with regard to agricultural and rural development. The union budget 2017 provided a major thrust on the development of rural economy. It enhanced target for agricultural credit allocation, crop insurance and irrigation. These are significant positives for rural sector and would help in reducing volatility in rural income. The overall allocation of funds given to agriculture and rural sector shows that governments determination towards the welfare and wellbeing of these sectors. However some experts feel that the government has much more things to do in upcoming days and these allocations are merely the glimpse of that.

KEYWORDS: Budget; Finance; Agriculture; Rural Development; Social Security Schemes.

Budget announcements were presented in the parliament by the finance minister Arun Jaitley on 1st February 2017. The union budget 2017 was broadly focused on ten themes. The farming sector, the rural population, the youth, the poor and underprivileged health care, infrastructure, the financial sector for stronger institutions, speedy accountability, public services, prudent fiscal management and tax administration. The impacts of demonetization were not that beneficial for the agricultural sector. The incomes of the farm were affected due to it. Consequently it caused the reduction in the prices of fruits and vegetables. Whole sale prices of pulses have fallen below the rate of support prices which are set by the government following a very productive harvest. The government approach of increasing the financing capability of existing institutions by establishing dedicated funds is being seen by experts as a skillful move to secure funds for the government's farming initiatives without affecting the fiscal plan.

AGRICULTURE IN THE UNION BUDGET 2017

The union budget 2017 was opened the doors for market reforms in agriculture, set a higher target for farm credit and increased funding for crop insurance, as government stepped up to tackle distress in rural India. We have analyzed those budgetary allocations and their impacts on agriculture and rural sectors below. They are: (AFS, 2017) Development through National Bank for Agricultural and Rural Development (NABARD), (BH, 2017) Changes in agricultural laws (Gupta G., 2017) Schemes for the welfare of Farmers and (YTDR, 2017) Development schemes.

Development Through NABARD

Union budget sought to give farmer-friendly and rural push to the budget. The budget relied more on routing finances through financial institutions like NABARD, rather than increasing budgetary allocation for programs. This ensures the proper management and application of the funds allocated for targeted cause. The budget 2017-18 also opted for NABARD for implementing schemes to develop dairy sector and improve access to irrigation. To improve access to irrigation the budget allocated ₹20,000 crore for the long-term irrigation fund under NABARD. The government provides short-term crop loan up to ₹3 lakh at subsidized interest rate of 7 percent per annum. An additional incentive of 3 percent is provided to farmers for prompt repayment of loans within due date, making an effective interest rate for them at 4 percent. The budget allocated for ₹5000 crore for setting up of a dedicated micro-irrigation fund under NABARD. Additionally it is allocated of ₹8,000 crore for the setting up of dairy development fund under NABARD. Overall NABARD's refining capacity has been increased by almost ₹34,900 crores across various initiatives. Moreover union budget proposes to support NABARD for computerization and integration of all 63,000 functional PACS with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of ₹1,900 crores, with financial participation from State Governments. This will ensure flow of credit to small and marginal farmers.

Changes in Agricultural Laws

The Union budget is model on contract farming to help farmers to get better value for their produce. This model law will be circulated among states across the entire country. The budget elaborated the Government's earlier goal of bringing in more regulated agriculture markets on electronic national agriculture market platform. In the budget it is also expanded from the current 250 markets in to 585. At present farmers are obliged to sell perishable produces from agriculture produce marketing committees and allow farmers to sell such items directly to consumers to get a better price.

Schemes for the Welfare of Farmers

At the time of sowing, farmers should feel secure against natural calamities. The Fasal Bima Yojana launched by our Government is a major step in this direction. For 2017-18, it is proposed to provide a sum of ₹9,000 crores. The sum insured under this Yojana has more than doubled from ₹ 69,000 crores. It also proposes to integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction also propose to integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses. Dairy is an important source of additional income for the farmers. Availability of milk processing facility and other infrastructure will benefit the farmers through value addition. A large number of milk processing units set up under the Operation Flood Programme have since become old and obsolete. A Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of ₹ 8,000 crores over 3 years. Initially, the Fund will start with a corpus of ₹ 2,000 crores.

Issuance of Soil Health Cards has gathered momentum. The real benefit to farmers would be available only when the soil samples are tested quickly and nutrient level of the soil is known. Government will therefore set up new mini labs in Krishi Vigyan Kendras (KVKs) and ensure 100% coverage of all 648 KVKs in the country. In addition, 1000 mini labs will be set up by qualified local entrepreneurs. Government will provide credit linked subsidy to these entrepreneurs.

Development Schemes

There is increase in funding for the rural and agriculture sector in fiscal 2017-18. The government

has made efforts to provide the crop insurance to all farmers. For this budget increased the allocation from ₹5,500 crore to ₹9000 crore in 2017-18. The union budget increased the allocation of the Pradhan Kantra Krishi Sinchai Yojana by 42.1 percent in the 2017-18 budget estimates which means ₹7,375.92 crore from ₹5,187 crore. This was done with the propose to accomplish pending projects and take up new ones. It is also proposed to increase the allocations for Deendayal Antyodaya Yojana- National Rural Livelihood Mission for promotion of skill development and livelihood opportunities for people in rural areas to ₹ 4,500 in 2017-18. The allocation for Prime Minister's Employment Generation Programme (PMEGP) and credit support schemes has been increased more than 3 times.

THE POOR AND UNDERPRIVILEGED

The union budget 2017 provided scope for Mahila Shakti Kendra will be set up an allocation of ₹ 500 crores in 14 lakh Integrated Child Development Services (ICDS) Anganwadi centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition. The allocation of increased fund will take steps to ensure participation of women in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA). Under maternity benefit schemes ₹6,000 each will be transferred directly to the accounts of pregnant women who undergo institutional delivery and vaccinate their children. Owing to surplus liquidity, banks have started reducing lending rates for housing. Swachh Bharat Mission has made tremendous progress in promoting safe sanitation and ending open defecation. Sanitation coverage in rural India has gone up from 42% in October 2014 to about 60%. Open Defecation free villages are now being given priority for piped water supply. Our Government is giving special importance to implementation of the schemes for welfare of Scheduled Castes, Scheduled Tribes and Minorities. The allocation for the welfare of Scheduled Castes has been stepped up from ₹38,833 crores in 2016-17 to ₹ 52,393 crores in 2017-18, representing an increase of about 35%. The allocation for Scheduled Tribes has been increased to ₹31,920 crores and for Minority Affairs to ₹4,195 crores. Aadhaar based smartcards will be issued to senior citizens to monitor health. Budget proposes to undertake structural transformation of the regulator framework for medical education.

From the table it can be inferred that National Social Assistance Programme(NSAS) has not gained any development while compared with past fiscal. Well, among all other core of the core schemes MGNREGS gained prominence. Moreover, it has been given focus since it is the only scheme which assures hundred or more days of wage employment to the rural households of needy poor.

Table 1: Outlay on major schemes

Comparison of Major schemes with previous fiscal	Outlay on Major Schemes		
	Core of the core schemes	Estimate 2016-17 ₹ in crores	Estimate 2017-18 ₹ in crores
1	National Social Assistance Programme	9,500	9,500
2	MGNREGS	47,499	48,000
3	Programme for Development of SC	4,883	5,114
4	Programme for Development of ST	3,332	3,490
5	Programme for Development of Minorities	3,791	4,072
6	Development of other vulnerable groups	1,536	1,580

Source: Extracted from Budget proposal Feb.2017

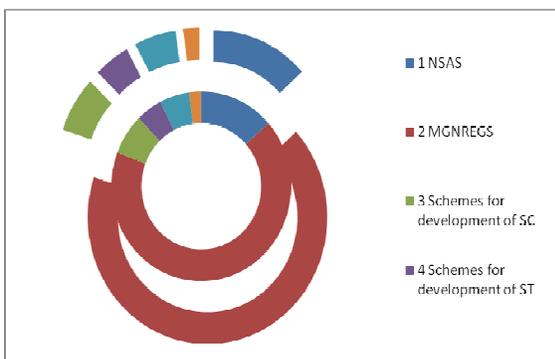


Figure 1: Outlay on major schemes.

From the depicted figure it is nevertheless to say that MGNREGS has its own focus while compared to others moreover current budget proposal also shown its importance by increasing allocation. To put India as developed nation it is necessary to develop our villages.

That is the way budget laid emphasis on agriculture and positives for rural development in the budget. Our priority is to set up infrastructure needed for the overall development of the rural areas. Government has made a conscious effort to reorient MGNREGA to support our resolve to double farmer's income. While providing at least 100 days employment to every rural household, MGNREGA should create productive assets to improve farm productivity and incomes. The target of 5 lakh farm ponds and 10 lakh compost pits announced in the last Budget from MGNREGA funds will be fully achieved. In fact, against 5 lakh farm ponds, it is expected that about 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up. This single measure will contribute greatly to drought proofing of gram panchayats. Increased allocation under MGNREGA would help in strengthening social safety net in the rural economy.

PUBLIC SERVICE

The Government e-market place which is now functional for procurement of goods and services has been selected as one of the winners of the South Asia Procurement Innovation Awards of the World Bank. At present our citizens, especially those belonging to the poor and unprivileged sections, go through cumbersome procedures of Government recruitment. There are multiplicity of agencies and examinations. Hence the budget proposes to introduce a system of single registration and two tier system of examination. To utilise the Head Post Offices as front offices for rendering passport services. A Centralised Defence Travel System has been developed through which travel tickets can be booked online by our soldiers and officers. Web based interactive Pension Disbursement System for Defence Pensioners will be established. To rationalise the number of tribunals and merge tribunals wherever appropriate.

Government's services will continue to remain committed to improve the standards of public service and transparent governance. Service to the people was the life-long commitment of the Father of the Nation, Mahatma Gandhi. As we approach, the 150th Birth Anniversary of the Mahatma, Government will take all steps to celebrate it in a befitting manner. A High Level Committee under the Chairmanship of Honourable Prime Minister is proposed to be set up for the same. They will also commemorate the centenary year of Champaran Satyagrah this year. Government of India will support Government of Gujarat to

commemorate 100 years of Sabarmati Ashram in 2017, in appropriate manner.

The increased construction of rural roads would create a further demand for two-wheeler, especially gearless scooters in the rural areas. With a better monsoon, agriculture is expected to grow at 4.1% in the current year. The entry level passenger vehicle sector also extracts 30% of its demand from the rural market and likely it will be able to maintain it in future. The government's plan of enhancing roads in rural areas would be beneficial for the commercial vehicle sector. The focus of the government on farmer welfare and rural development would be positive for the two-wheeler and tractors as entry level motorcycles have a sizeable dependence on the rural segment.

The increased investments will also support sales of vehicles used for providing last mile connectivity and they will also be positive for sales that constitute approximately 25% of truck sales in India and have registered healthy growth during the current fiscal. For fulfilling the basic need of electrification the government has pledged to achieve 100% village electrification by May 1, 2018. And for fulfilling another basic need of housing, 1,00,00,000 houses will be constructed by 2019 for those living in kachcha huses. The union budget announced an extension of tenure of loans under credit linked subsidy scheme of Pradhan Awas Yojana from 15 to 20 years. The government also pledged to double the income of farmers in 5 years. It would be a brave step taken for the welfare of farmers if it gets implemented successfully.

The overall Agricultural and rural budget gives a glimpse of government's motive to develop agriculture and rural sector of the country. The overall allocation of funds given to agriculture and rural sector that government's determination towards the welfare and well being of these sectors. However some experts do feel that the government has much more things to do in upcoming days and these allocations are merely glimpse of that.

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