



Budget focuses on social sector, sees economic growth at 8.7%



Union Finance Minister P. Chidambaram arriving at Parliament House to present the General Budget 2008-09, in New Delhi, on February 29.

With a major step-up in allocations in education, health and agriculture, Finance Minister P. Chidambaram concluded Part I of his budget speech on February 29, hoping for an 8.8 percent growth in this fiscal-end-March 2008.

Chidambaram proposed additional allocation in the fiscal year 2008-09 for several social sector schemes, including those for education, health, job guarantee, urban renewal and rural development. In education, he said, the outlay was being stepped up by 20 percent, even as new Indian Institutes of Technology (IITs) were proposed in Andhra Pradesh, Bihar and Rajasthan.

He also announced an allocation of Rs. 312 billion for the Bharat Nirman programme, Rs. 344 billion for education and Rs. 131 billion for the Sarva Siksha Abhiyan.

On the farm front, he said that the growth of just 2.6 percent expected this year in agriculture was disappointing and was responsible for the retardation of the overall expansion of the Indian economy, which was otherwise on a high-growth trajectory. "The economy is expected to grow by 8.7 percent," he said, referring to the projections of the Economic Survey tabled by him on February 28. "But I personally think, the growth would be slightly higher at 8.8 percent."

The Finance Minister began his speech with concerns over inflation, on account of both domestic and global factors, and said that the intention of his government was to make growth "more inclusive" with a focus on social sectors and agriculture.

He said that some areas within the broader farm sector, such as irrigation, would get a heavy dose of investments, even as 500 new soil-testing laboratories would be set up across the country over the next five years. He said agriculture credit would have doubled by March this year, even as he announced a complete waiver of loans for small and marginal farmers holding up to two hectares under a rural debt waiver scheme. "In respect of other farmers there will a one-time settlement scheme," he said, adding that some 30 million farmers were expected to benefit from the announcement.

Chidambaram said that the weather-based crop insurance scheme would continue, along with an allocation of Rs. 200 billion for irrigation, Rs. 400 million for a special tea fund.

The Minister said the country's finances were also in good shape and noted that the revenue deficit for the current fiscal would be 1.2 percent, against budget estimates of 1.5 percent, while fiscal deficit was 3.1 percent, against 3.3 percent.

Highlights of Budget-2008-09

- No income tax on annual earnings of Rs.150,000
- No income tax for women with annual income up to Rs.180,000
- Over 8 percent growth for 12 successive quarters starting January 2005 till December 2007
- Government and Reserve Bank of India to manage capital inflow
- Government to raise additional resources worth Rs.100 billion
- Education gets 20 percent more at Rs.344 billion from Rs.286.8 billion
- Six new central universities
- Three new Indian Institutes of Technology
- Midday meal scheme for schoolchildren to get Rs.80 billion
- School enrolment scheme Sarva Shiksha Abhiyan to get Rs.131 billion
- Rural infrastructure scheme Bharat Nirman to get Rs.312.8 billion
- National Rural Employment Guarantee Scheme (NREGS) extended to all 596 rural districts
- NREGS to get Rs.160 billion, more money will be provided on need
- Jawaharlal Nehru Urban Renewal Mission to get Rs.68.66 billion, up from Rs.54.82 billion
- National health insurance for poor introduced
- Rs.5.5 billion for minority dominated districts
- Complete loan waivers for farms up to 2 hectares
- Loan waiver to benefit 40 million farmers
- Weather based crop insurance scheme to continue
- Farm debt waiver scheme to cost Rs.600 billion
- Farm debt scheme to be completed by June 30, 2008
- Additional 10,000 MW power generation by March 2009
- Government to create national fund for power transmission and distribution
- Foreign direct investment in April-December 2007 at \$12.7 billion
- Banks to open 250 rural household accounts every year in rural branches
- Defence spending to rise 10 percent
- Rs.80 billion for accelerated power development programmes