

RESEARCH PAPER

BUDGET 2016-17 : A SERIOUS DEDICATION TOWARDS RURAL EQUITABLE GROWTH

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ABSTRACT

Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centered on the exploitation of land intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. No Union Budget in recent years had raised so many expectations about so many different things. Most of the Budgets have also tried to accelerate the socio-economic development of rural India. The 2016-17 Union Budget has a clear thrust for the rural economy; the numbers need to be read carefully to assess the government's intent. To boost the rural economy through financial inclusion, the government has broadened its focus from MGNREGA alone to various financial schemes.

Keywords: MNREGA, Rural Financial Inclusion, Inclusive Agriculture Approach, Equitable Growth.

1. INTRODUCTION

The 2016-17 Union Budget has a clear thrust for the rural economy while taxing urban and the top of the pyramid consumption. The thrust of the budget is to give boost to rural economy, incentivize agricultural activities, create employment opportunities, strengthen education and skill development and provide health-care to the poor and marginalized. It carries the highest ever allocation to MNREGA – remember, MNREGA expenditure had been coming down in the last 3 years adding to the rural stress. Allocation to the agriculture and allied sector has been increased but the subsidy route has been avoided (efficient spending) while thrust is on job creation. The good thing is that the government is sticking to its initial disposition of clampdown on black money, subsidy rationalization and push for job creation. Various estimates have put the black economy at par with and even higher than the real economy. The thrust on bringing back black money into productive use in the real economy can rejuvenate the economy and put us back in growth trajectory.

2. RURAL ECONOMIC TREATMENT

The budget for 2016-17 comes in the context of a fragile economic situation. It is not just the stress in the rural economy, which has seen a decline in real wages as well as lower farm incomes in the wake of back-to-back droughts. There's also the slowdown in manufacturing and the stress in public sector banks due to increasing non-performing assets. Together, they meant that the government was required to step up and deliver to revive the economy. While the budget speech gives the impression that the government is serious about reviving the rural economy, the numbers need to be read carefully to assess the government's intent.

3. MGNREGA - A DIVERSIFIED PROMOTION

The Finance Ministry has allotted Rs 87,765 crore for the development of the distressed rural sector and has increased funds for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to Rs 38,500 crore. In the last Budget session, rural development had got Rs 79,526 crore. Of this, Rs 34,699 crore was fixed for MGNREGA. Formation of Self Help Groups (SHGs) will be speeded up to promote multiple livelihoods. Cluster Facilitation Teams (CFT) will be set up under MGNREGA to ensure water conservation and natural resource management. These initiatives will help add jobs and put more disposable income in the pockets of the rural consumer, improving their standard of living and ensuring continued rural demand for branded consumer goods.

4. RURAL FINANCIAL INCLUSION

To boost the rural economy through financial inclusion, the government has broadened its focus from MGNREGA alone to various financial schemes like Jan Dhan Yojana and Micro Units Development Refinance Agency (MUDRA) Bank, rural infrastructure development plans and health and educational grants. In a step towards development, government aims to develop 300 rural urban clusters under the Shyama Prasad Mukherjee Rurban Mission and has announced 100 percent village electrification by 1st May, 2018. 8,500 crore has been provided for Deendayal Upadhyaya Gram Jyoti Yojna and Integrated Power Development Schemes. "Stand Up India Scheme" is to be initiated to facilitate at least two projects per bank branch. This will benefit at least 2.5 lakh entrepreneurs.

5. YOUTH & GROWTH CONCERNS

Electrification, meanwhile, will fuel the consumption of television media, giving wings to aspirations of rural consumers. These clusters will incubate growth centres in rural areas by providing infrastructure amenities and market access to the farmers. They will also expand employment an opportunity for the youth Also, a new Digital Literacy Mission Scheme has been implemented for rural India to cover around 6 crores additional household within the next 3 years. District Level Committees are established under Chairmanship of senior most Lok Sabha Member of Parliament from the district for monitoring and implementation of designated Central Sector and Centrally Sponsored Schemes.

6. A BIG BOOST FOR PANCHAYAT RAJ INSTITUTIONS

A sum of `2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission. This is a quantum jump of 228% compared to the previous five-year period. The funds now allocated, translate to an average assistance of over Rs`80 lakh per Gram Panchayat and over Rs. `21 crore per Urban Local Body. Panchayat Raj Institutions need to develop governance capabilities to deliver on the Sustainable Development Goals. It is, therefore, proposed to launch a new restructured scheme, namely, Rashtriya Gram Swaraj Abhiyan, for which `655 crore is being set apart in 2016-17. These enhanced allocations are capable of transforming villages and small towns. Ministry of Panchayati Raj will work with the States and evolve guidelines.

7. INCLUSIVE AGRICULTURE APPROACH

While the budget of the Ministry of agriculture has been enhanced from Rs. 17,000 crore in the last budget to Rs. 36,000 crores now, most of this increase has been in the Pradhan Mantri Fasal Bima Yojana and interest subsidy on short-term credit to farmers. Excluding these two programs, the ministry's budget has been increased only marginally. While the fertilizer subsidy has been cut by Rs. 2,438 crores, the amount of expenditure budgeted on irrigation is only Rs. 2,340 crore. While most of these budgeted estimates in agriculture appear to be improvements over the last year, it should be noted that the last budget had also managed to cut spending on many agriculture-related schemes including the Rashtriya Krishi Vikas Yojana and many irrigation-related schemes. The least that was expected from the government was that it would restore the budgeted expenditure on some of these heads to levels existing before last year's budget. While this has not happened in this budget, the commitment of the government to increase spending on agriculture will certainly come as a relief to millions of farmers in rural India in the long run.

8. WOMEN, INSURANCE & HEALTH PRIORITIES

Government has approved the path breaking Crop Insurance Scheme, namely, Prime Minister Fasal Bima Yojana. For effective implementation of this Scheme it is

provided a sum of `5,500 crore in the Budget 2016-17. A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about `20,000 crore. To achieve all these, a total provision of 12,517 crores has been made through budgetary support and market borrowings in 2016-17. Budget has made provision of Rs. 2,000 crores for providing cooking gas connections to 1.5 crore. Women in urban and rural households at concessional rates, this will provide women to access to clean, affordable cooking fuels which will be beneficial to their health and will be environmental friendly as well.

9. INFRASTRUCTURE & IRRIGATION-A PROMINENCE

Finance Minister promised new infrastructure for irrigation. Currently, only 46% of the net cultivated area in India is covered by irrigation. Under the Pradhan Mantri Krishi Sinchai Yojna, he promised to bring 2.85 million hectares (ha) under irrigation and said other irrigation projects will also be fast-tracked. He further announced an allocation of Rs. 19,000 crores in 2016-17 for rural roads. Roads will also make the hinterland more accessible to firms to spread their distribution and help rural folk to move from unbranded to branded goods. As a whole Rs 87,765 crore is allocated for rural development in the Budget for 2016-17.

10. CONCLUSION

Union Budget is aimed at improving rural infrastructure and increasing rural income as the biggest challenge to the economy is agrarian distress. But what is required at the time of rural distress is not just long-terms plans of rural rejuvenation and crop insurance but also policies to provide relief in the short run. While concerns will remain on the ability of this budget to deliver on the promise to revive the rural economy, this budget has certainly shifted the focus of government policy to the crisis in the countryside. This budget may avert the crisis in rural areas and may stop it from worsening, but prudent government policy also requires that some of these measures are backed up with long-term measures to insulate the rural economy from such episodes. This requires re-energizing the rural economy as an engine of growth at a time when other parts of the economy are not doing well. It is truly a transformative budget that sets the stage for a sustained inclusive and equitable growth in Rural areas in the days to come.

11. REFERENCES

- [1] Budget text
- [2] Views of experts
- [3] News papers

