

TAMIL NADU

Reforms, delivering on promises will be watched

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DMK had promised aid for housewives among other things

The DMK government's first Budget after the election, to be presented today, will be keenly watched for measures to fix the issues raised in the White Paper, and for announcements on its poll promises.

The White Paper released on Monday had shown that the State's finances are in a bad shape. It called for course correction to reform the processes and systems.

Finance Minister P.T.R. Palanivel Thiaga Rajan has ruled out immediate steps to tax the rich more and increase the property and motor vehicle taxes as proposed in the White Paper. However, he has hinted at some structural changes, and to look at things like revenues from mining.

Plugging leakages

Mr. Rajan has also called for better targeting of subsidies and measures to plug revenue leakages.

Amid a stressful state of finances, the way the DMK fulfils its poll promises too will be keenly watched. As part of its vision statement for 10 years, the party had promised ₹1,000 a month for housewives. A waiver on jewel and education loans are among its other promises.

The Finance Minister has also ruled out an immediate cut in VAT on petrol and diesel, another poll promise, citing that the State is getting a lower share from the Central taxes.

However, he has said the points made in the White Paper will not, in any way, dilute the commitments made to the people by the DMK during the recent Assembly election.

The forecast made in the interim Budget 2021-22 was prior to the impact of the second wave of COVID-19. So the revised Budget will show how deep the impact of the second wave has been on the economy. The interim Budget had estimated a debt of ₹5,70,189 crore as on March 31, 2022.

Cause for concern

Any upward revision in the revenue deficit, fiscal deficit and debt numbers will be a cause for concern.

Tamil Nadu has already borrowed ₹36,000 crore so far in 2021-22, and is the top borrower among the States.

With local body elections on the cards, it has to be seen how many reforms are announced in the Budget.

“Overall, the changes in the revised Budget may not be significant, and will be more towards setting the tone for the future. There could be a roadmap for fiscal consolidation, that is, for reducing the revenue deficit and debt levels of the State, accompanied by structural reforms,” Kavita Chacko, senior economist, CARE Ratings, said.

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