## Union Budget 2015–16:
## What Is in It for the People?

Taking advantage of the people's anger against the UPA Government's economic policies, the BJP launched a slick propaganda campaign funded by corporate houses, promising the people 'achhe din', and swept to power in the 2014 Lok Sabha elections.

An analysis of Budget 2015–16 reveals that the BJP is not only implementing the very same policies of the previous UPA Government, it is doing so at an accelerated pace:

Last year, Jaitley gave away Rs 5.5 lakh crore in tax concessions to the country's rich. For this year, the budget has announced yet more tax concessions for corporate houses and the rich ...

On the other hand, when it comes to spending on essential welfare services for the poor, the Finance Minister, claiming 'fiscal constraints', has sharply reduced government spending on social sectors. The budget papers show that compared to last year, in 2015–16, the government has:

- Cut spending on schemes for women (Gender Budget) – by 19%
- Reduced outlays on schemes for welfare of children – by 30%
- Reduced allocations for SC/ST Sub Plans – by 38%
- Cut government's already low spending on health – by 16%
- Slashed the education budget – by 16%
- Reduced the allocation for rural development – by 12%
- Axed spending on Swachh Bharat Mission—a heavily publicised Modi scheme – by 59%
- Chopped spending on river rejuvenation—another much hyped scheme – by 69%.

The BJP is but a twin brother of the UPA, albeit with a saffron lipstick!

Socialist Party (India)

LOKAYAT

Contribution: Rs. 10/-

# Union Budget 2015–16:
# What Is in It for the People?

# INTRODUCTION

The Union Budget, which is a yearly affair, is a comprehensive display of the government's revenues and expenditures. It makes an estimate of the revenues from all sources for the next fiscal year, and outlines the expenditures that the government proposes to make in the next fiscal year under various heads.

Therefore, an analysis of the Union Budget reveals the basic orientation of the government, what are its priorities, how concerned is it about the welfare of the common people.

Most media intellectuals who commented on the BJP Government's Budget 2015–16 praised the budget, saying it was "reformist and growth-oriented", "pragmatic", "balanced", "reflects clear intent to put the economy on the path of double digit growth", contained "path-breaking proposals", and so on.

Let us analyse more closely to see what it really contains.

# THE FISCAL DEFICIT REDUCTION GOSPEL

A key aspect of budget making of the Government of India today is reducing the fiscal deficit. It is therefore important to explain to our readers the meaning of this term before we begin our analysis of Budget 2015–16.

## *Fiscal Deficit*

Fiscal deficit is just another term for government borrowings of various types. The government borrows when its expenditures exceed its receipts of all types.

- Fiscal Deficit = Government Expenditures – Receipts
- Receipts = Tax Revenues (Net to Centre) + Non-tax Revenues + Non-debt Capital Receipts

Receipts include tax revenues (Centre's share), non-tax revenues and non-debt capital receipts. Tax revenues include direct taxes (income tax, corporation tax, etc.) and indirect taxes (customs duties, excise duties, sales tax, etc.). Of the total (or gross) tax revenues of the Central government, it transfers a portion of it to the states; the remaining is what is included here. Non-tax revenues include profits of public sector enterprises, interest receipts on loans given by the government (to public sector enterprises, state governments, etc.), and



**Box 1: Some Definitions**

**Direct Taxes:** Taxes levied on the income of individuals or organisations (e.g. income tax, corporation tax, inheritance tax).

**Indirect Taxes:** Taxes paid by consumers when they buy goods and services (e.g. sales tax, customs duties, excise duties).

**Custom Duties:** Levies on goods imported to or exported from the country.

**Excise Duties:** Duties imposed on goods manufactured within the country.

income such as sale of spectrum. Non-debt capital receipts include disinvestment income and return of loans. (See Box 1 and Box 3 for an explanation of the various economic terms used here.)

## *Jaitley Vows to Bring Down the Fiscal Deficit*

Soon after taking over the reins of the Finance Ministry in May last year, Finance Minister Arun Jaitley declared that the immediate focus of the new government would be on curbing the fiscal deficit. His predecessor, P. Chidambaram, had brought down the fiscal deficit from 4.8 percent of the GDP in 2012–13 to 4.5 percent in 2013–14; and had set a target for further reducing it to 4.1 percent for the year 2014–15 in his interim budget presented just before the 2014 Lok Sabha elections. Jaitley, in his first budget speech in July 2014, vowed to adhere to this "daunting" fiscal deficit target.[1]

While presenting the first full budget of the new government on February 28, 2015, the Finance Minister proudly announced that the government had succeeded in sticking to the fiscal deficit target of 4.1 percent of the GDP for the year 2014–15. He further declared that in the financial year 2015–16, the fiscal deficit would be brought down to 3.9 percent, and then further to 3.6 percent and finally to 3 percent in 2016–17 and 2017–18, respectively.[2]

**Box 2: GDP, or Gross Domestic Product**

GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time (usually a year). GDP also includes some non-market production, such as defence or education services provided by the government.

That India must bring down its fiscal deficit to near zero if it wants to become an economic superpower in the near future has become an economic gospel today. All the leading establishment economists, each and every economist associated with international financial institutions, every renowned management guru—all are in agreement that high levels of fiscal deficit relative to GDP adversely affect growth. For the last more than two decades, ever since India began globalisation in 1991, controlling the fiscal deficit has been a key aspect of budget making of the Government of India. In seeking to bring down the fiscal deficit to 3 percent of the GDP by 2017–18, Finance Minister Arun Jaitley is only walking down the path set by his predecessors in the Finance Ministry.[3]

**Box 3: Understanding the Budget Terms**

i) Union Budget = Total Receipts = Total Expenditures

- Union Budget for 2015–16 = Rs 1,777,477 crore

ii) Gross Tax Revenues

- Gross Tax Revenues include direct taxes (income tax, corporation tax, etc.) and indirect taxes (customs duties, excise duties, sales tax, etc.).
- Total Gross Tax Revenues, 2015–16 = Rs 1,449,500 crore

*Of the total gross tax revenues of the Central government, a portion is transferred to the states. The remaining is what shows in the Union Budget (Centre's Net Tax Revenue).*

- Gross Tax Revenues = Tax Revenue (Net to Centre) + States' share of Central Tax Revenues + Transfer to National Calamity Fund
- Centre's Net Tax Revenue, 2015–16 = Rs 919,842 crore
- States' share of Central Tax Revenues, 2015–16 = Rs 523,958 crore

iii) Total Receipts (in Union Budget) = Total Revenue Receipts + Total Capital Receipts

- Revenue Receipts = Tax Revenue (Net to Centre) + Non-tax Revenue
  - Non-tax revenues include profits of public sector enterprises, interest receipts on loans given by the government (to public sector enterprises, state governments, etc.), and income such as sale of spectrum.
- Capital Receipts = Non-debt Capital Receipts + Debt Receipts
  - Non-debt capital receipts include disinvestment income and return of loans.
  - Debt receipts are government borrowings. The government borrows when its total expenditures exceed its receipts (revenue receipts + non-debt capital receipts). The borrowings are also called the fiscal deficit.



**Box 3: Understanding the Budget Terms** (*continued*)

iv) Total Expenditure (in Union Budget)

Two different sets of classifications are used:

<u>Revenue vs Capital Expenditure</u>

- *Capital Expenditure*: Expenditure used to create assets or to reduce liabilities, e.g. building a road, or paying back a loan.
- *Revenue Expenditure:* Expenditure that does not create assets, e.g. expenses on salaries or other administrative costs.

<u>Plan vs Non-plan Expenditure</u>

- *Plan Expenditure:* Expenditure on schemes and projects covered by the Five Year Plans. These Plans are developed by the Planning Commission after consulting individual ministries. Plan expenditure can have both revenue and capital components. For instance, under the Sarva Shiksha Abhiyan, salaries of teachers could be classified as revenue expenditure, while expenditure on the building a school might be classified as capital expenditure.
- Plan Expenditure can also be classified as:
  Plan Expenditure = Total Budget Support for Central Plan + Central Assistance for State and Union Territory (UT) Plans
- *Non-plan Expenditure:* Ongoing expenditure by the government not covered by the Plans. These include interest payments on government debt, expenditure on organs of the state such as the judiciary and the police and even expenditure on the maintenance of existing government establishments such as schools and hospitals. Non-plan expenditure too, has revenue and capital components.

<u>Union Budget 2015–16</u>

- Plan Expenditure, 2015–16 = Rs 465,277 crore
  - Total Budget Support for Central Plan = Rs 260,493 crore
  - Central Assistance for State and UT Plans = Rs 204,784 crore
- Non-plan Expenditure, 2015–16 = Rs 1,312,200 crore

v) Central Plan Outlay: This is essentially this year's instalment of the Five Year Plan. The funding for this is raised through:

- Central Plan Outlay = Total Budget Support for Central Plan + Internal and Extra Budgetary Resources (IEBR) of Public Enterprises
- IEBR, 2015–16 = Rs 317,889 crore
- Central Plan Outlay, 2015–16 = Rs 578,382 crore

*Source for all figures: Union Budget documents, 2015–16.*

## *Humbug of Finance*

The fact is, the economic theory that the government must balance its expenditure with its income, that is, must bring down its fiscal deficit to near zero, is plain humbug. John Maynard Keynes, considered by many to be the greatest economist of the twentieth century, had demonstrated way back in the 1930s that in an economy where there is poverty and unemployment, the government can, and in fact should, expand public works and generate employment by borrowing, that is, enlarging the fiscal deficit; such government expenditure would also stimulate private expenditure through the “multiplier” effect.[4] Even the governments of the developed countries like the United States and Japan, when faced with recessionary conditions, have resorted to huge levels of public spending and high fiscal deficits.

Then why is the Government of India so keen to reduce its fiscal deficit? Because this gives it an excuse to reduce its expenditures on the poor and transfer the savings to big corporate houses!

This would sound amazing to many of our readers. But that is indeed the stupefying truth about the propaganda regarding the need to reduce the government’s fiscal deficit. All the facts clearly show that none of our Finance Ministers, from P. Chidambaram to Arun Jaitley, have really been / are really interested in reducing the fiscal deficit. This is obvious from the way they have been handling the various components of the fiscal deficit. The fiscal deficit is the excess of the government's expenditures over receipts. Even a cursory look at the policies being pursued by these gentlemen reveals that they have been doling out lakhs of crores of rupees as subsidies to the rich. Had they really been concerned about the fiscal deficit, they could have easily reduced these mind-boggling give-aways. But these concessions are dubbed as 'incentives' and are justified in the name of promoting growth–development–entrepreneurism. On the other hand, the concessions given to the poor, which are aimed at making available essential welfare services like education, health, food, transport, electricity, etc. to them at affordable rates, are given the derisive name 'subsidies' and are being drastically reduced in the name of containing the fiscal deficit. Not only that, these essential services are also being privatised—resulting in fabulous profits for the private sector.

A closer look at the Modi–Jaitley Government's 2014–15 budget figures will make our point clear.



### Budget 2014–15: Tax Concessions to the Rich[5]

Every year, for the past several years, the budget documents have included a statement on the estimated revenue forgone by the government due to exemptions in major taxes levied by the Centre.

The 2015–16 budget documents reveal that for the year 2014–15, the Modi Government gave away Rs 5.49 lakh crore in tax exemptions/ deductions/ incentives to the very rich. (The write-offs as mentioned in the budget are actually Rs 5.89 lakh crore. From that, we have deducted the Rs 40,434 crore forgone on personal income tax, since this write-off benefits a wider group of people.)[6] These major write-offs are in corporate income tax, customs duties and excise duties.

To put this amount in perspective, these tax concessions to the country's rich equal nearly one-third of the Union Budget. They actually exceed our fiscal deficit for 2014–15 of Rs 5.13 lakh crore (see Table 1)! Had Jaitley really been concerned about reducing the fiscal deficit, he would have reduced these concessions given to India's richie rich.

**Table 1: Comparison of Tax Concessions to Rich in 2014–15 with Other Budget Figures**

| | |
|---|---|
| Tax Concessions to Rich, 2014–15 | Rs 5.49 lakh crore |
| Fiscal Deficit, 2014–15 RE* | Rs 5.13 lakh crore |
| Size of Union Budget, 2014–15 RE | Rs 16.81 lakh crore |
| Tax Concessions to Rich, 2014–15, as % of Union Budget, 2014–15 RE | 32.7% |
| Gross Tax Revenues, 2014–15 RE | Rs 12.51 lakh crore |
| Tax Concessions to Rich, 2014–15, as % of Gross Tax Revenues, 2014–15 RE | 43.9% |

* RE – Revised Estimates; see Box 4 for explanation.

These tax concessions are being given to some of the richest people in the world. *Forbes*, the oracle of business journalism, puts out a list of the world's billionaires every year. Its 2014 list included the names of 56 Indians, with a collective net worth of $191.5 billion.[7] That is equivalent to Rs 11.8 lakh crore, more than double our fiscal deficit for 2014–15 (calculated assuming $1 = Rs 62).

The obscenity of these tax concessions becomes evident from just

**Box 4: Some More Definitions:**
**Budget Estimate (BE), Revised Estimate (RE) and Actual**

The 'budget estimate' for any ministry or scheme is the amount allocated to it in the budget papers for the following year. For instance, in his budget speech of February 2015, the Finance Minister presented 'budget estimates' for the financial year 2015–16 which runs from April 2015 to March 2016. Once the financial year gets underway, some ministries may need more funds than was actually allocated to them under the 'budget estimates'. The government approaches Parliament with such 'supplementary' requests for funds during the course of the financial year. These supplementary demands are reflected in the 'revised estimates' for the current year. Thus along with 'budget estimates' for 2015–16, the Finance Minister also presented the 'revised estimates' for 2014–15. 'Actual' expenditures are the final amounts spent under different heads and may exceed (or fall short of) the 'revised estimates'. Since the 'actual' expenditure can only be assessed once the financial year is over and final accounts have been prepared, the 'actual' expenditures presented in the budget papers are for the earlier financial year, i.e. for the year 2013–14.

a single statistic: in 2014–15, the single biggest chunk of customs duties forgone was on diamonds and gold, accounting for Rs 75,592 crore.[8]

It is because of these huge tax concessions to the rich that the government's gross tax revenues for the year 2014–15 have fallen short of target. Jaitley had set a target of collecting gross tax revenues amounting to 10.6 percent of the GDP for the year 2014–15 (itself a huge fall from the peak of 11.71 percent reached in 2007–08). The revised estimates for 2014–15 show that there has been a shortfall in tax revenues to the tune of Rs 1.13 lakh crore, and hence the gross tax revenues as a percentage of the GDP have been revised downward to 9.9 percent of the GDP.[9]

### Budget 2014–15: Yet, Fiscal Deficit Target Achieved

Despite this fall in gross tax revenues, how has the government succeeded in achieving the fiscal deficit target of 4.1 percent of the GDP for 2014–15?

It has achieved this mainly by making huge cuts in government expenditure. For 2014–15, the total government expenditure was budgeted at Rs 1,794,892 crore. However, the revised estimates show that there was a decline in both Plan and Non-plan expenditure, and



hence the revised budget expenditure was less than the budgeted estimate by Rs 113,734 crore (Table 3).[10]

**Table 2: Union Budget, 2014–15 and 2015–16:**
**Reduction in Expenditures on Vulnerable Sections**[11] (*Rs crore*)

| | *2014–15 BE* | *2014–15 RE* | *Reduction: BE – RE (%)* | *2015–16 BE* | Reduction: {2014–15 BE}–{2015–16 BE} (%) |
|---|---|---|---|---|---|
| **Scheduled Caste Sub Plan** | 50,548 | 33,638 | 33 | 30,851 | 39 |
| **Tribal Sub Plan** | 32,387 | 20,536 | 37 | 19,980 | 38 |
| **Schemes for Welfare of Children** | 81,075 | 69,888 | 14 | 57,919 | 29 |
| **Gender Budget** | 98,030 | 81,984 | 16 | 79,258 | 19 |

Where were these cuts made? The revised estimates for 2014–15 show that the Central government made huge cuts in its spending on social sectors. The government slashed its budgetary spending on schemes for the most vulnerable and marginalised sections of the Indian society by as much as 14 to 37 percent, to meet its fiscal deficit target! (See Table 2, fourth column; the various heads are explained later in this booklet.)

# ANALYSING BUDGET 2015–16

## Yet More Tax Concessions to the Rich

In the run-up to the budget, Finance Minister Arun Jaitley repeatedly asserted that the economy is constrained by "fiscal deficit in revenue."[12] But as we have seen above, this has not prevented him from giving lakhs of crores of rupees of tax concessions and other sops to corporate houses.

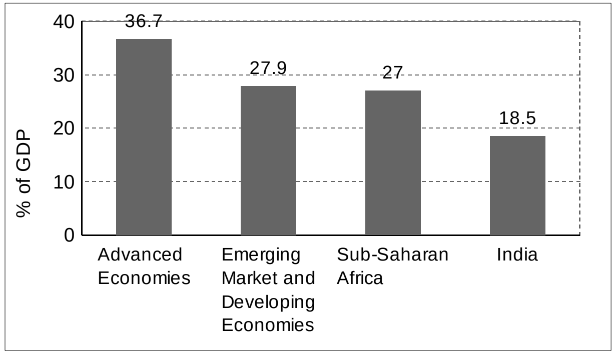
**Box 5: Tax-to-GDP Ratio**

This ratio helps to understand how much tax revenue is being collected by the government as compared to the overall size of the economy.

It is because of these huge tax giveaways to India's richie rich that India's combined tax-to-GDP ratio for Centre and states put together is among the lowest in the world. India's tax–GDP ratio, at around 18 percent of the GDP, is far below not only the 'advanced economies' (36.7 percent), but also the 'emerging market and developing economies' (27.9 percent). Even the countries of sub-Saharan Africa, considered to be one of the poorest regions in the world, have a tax–GDP ratio of 27 percent (Chart 1).

**Chart 1: General Government Revenues, 2007–11**[13]

(*% of GDP*)




It is thus obvious that there is a huge scope for increasing tax revenues in the country. However, instead of taking steps to increase its tax revenues, the government has been giving yet more tax concessions to big business. Consequently, the tax-to-GDP ratio of the Centre and states combined has fallen to 17.9 percent for 2013–14 (BE),[14] and to about 15–16 percent more recently.[15]

Despite such low level of tax revenues, in the 2015–16 budget, Jaitley has announced a reduction in corporate tax rates from 30 percent to 25 percent over the next four years, starting from the next financial year. This is expected to provide corporates a total tax relief bonanza of Rs 2 lakh crore: Rs 20,000 crore in the first year, Rs 40,000 crore in the second year, Rs 60,000 crore in the third year and Rs 80,000 crore in fourth year.[16] The Finance Minister has stated that this reduction in tax rates would be matched by removal of tax exemptions and incentives for corporate tax payers—these exemptions/concessions led to a total revenue loss of Rs 62,399 crore in 2014–15.[17] But whether this will actually take place is to be seen—in all probability, given the absolute pro-corporate nature of the government, nothing of this sort is going to take place.



Treading on the footsteps of Chidambaram, Jaitley has further deferred the implementation of the General Anti-Avoidance Rules (GAAR) for two more years. The GAAR is meant to address important issues such as abuse of tax treaties, use of tax havens for the purpose of reducing tax bills and other clever tax avoidance arrangements that are draining the country's resources. The first time GAAR was attempted to be introduced was in 2012; since then, first the UPA Government and now the BJP Government have been postponing its implementation. Several other countries around the world, including the BRICS nations of Brazil, South Africa and China, have introduced GAAR; but the Indian government is not willing to put in place legal mechanisms to check the widespread tax evasion that multinational corporations indulge in. Yet another proof of the absolute surrender of the Indian government before giant foreign corporations.[18]

## Public–Private–Partnership

Budget 2015–16 announces several more sops for corporate houses:

- A significant increase of Rs 70,000 crore in investment in infrastructure in 2015–16 over 2014–15. A special focus is on building highways. The Budget increased the total Plan Expenditure of the Ministry of Road Transport and Highways from Rs 28,881 crore in 2014–15 (BE) to Rs 42,913 crore in 2015–16, an increase of Rs 14,032 crore.[19]
- The formation of a National Investment and Infrastructure Fund (NIIF) and tax-free bonds for raising funds for investment in rail, roads and irrigation. The Finance Minister stated that the government will ensure an annual flow of Rs 20,000 crore to the NIIF.[20]
- The Finance Minister also emphasised the need for a revamp of the Public–Private–Partnership or PPP model. Calling the present model "weak", he proposed that the government would need to further protect the private sector against investment risks in the infrastructure sector, and stated that the "sovereign will have to bear a major part of the risk."[21]

This last statement is absolutely amazing. As it is, under the existing PPP model, the government has been transferring mind-boggling sums to the private sector. One such form of PPP subsidy is what the government calls 'Viability Gap Funding' (VGF). In the name of making their investments 'viable', the Government of India provides a direct subsidy to investors in the infrastructural sector of up to 40 percent of the project cost![22] As of March 31, 2012, the total cost of projects completed, under implementation or in the pipeline under the PPP scheme was nearly Rs 13 lakh crore.[23] These projects are in highways, ports, airports, railways, power, urban infrastructure and other sectors. Assuming that most of these projects are receiving VGF grants @ 40 percent of the investment, the total public 'subsidy' to these projects works out to more than Rs 5 lakh crore.

Apart from VGF funding, the government also gives several other types of incentives to investors in the infrastructural sectors under the PPP model. Thus, private corporations building expressways and metro projects are additionally being given vast amounts of real estate for commercial use. To give an example, in the case of the infamous Yamuna Expressway built by Jaypee Group under the PPP model, the Group was allowed to acquire five parcels of land along the expressway, each of 500 hectares, for township projects. The expressway cost the Jaypee Group roughly Rs 13,000 crore. The Group must have got 40 percent of this, that is, Rs 5,200 crore, as investment subsidy. But the real bonanza for the company was the 2500 hectares of land allotted to it—it acquired this land from farmers for around Rs 1500 crore (at the rate of around Rs 5 lakh to 60 lakh per hectare), and its present market value has zoomed to a whopping Rs 1.5 lakh crore![24] That is some deal!

### Increase in Indirect Taxes

To compensate for this loss in revenues, the Finance Minister has announced an increase in service tax rate from 12.36 percent (including cess and surcharge) to a flat 14 percent. This is a very regressive way of increasing tax revenues.

There are two types of taxes, direct taxes and indirect taxes. Direct taxes are levied on incomes, such as wages, profits, property, etc., and so fall directly on the rich; while indirect taxes are imposed on goods and impersonal services, and so fall on all, both rich and poor. An equitable system of taxation taxes individuals and corporations according to their ability to pay, which in practice means that in such a system, the government collects its tax revenues more from direct taxes than indirect taxes.

Leave aside the more progressive countries like Venezuela, even in unabashedly capitalist countries across the world, be it the



developing countries of South Africa and Brazil, or be it the developed countries of the OECD*, the direct tax revenue as a percentage of total revenue varies from 55 percent to 65 percent and more. But in India, for every Rs 100 collected by the government as tax revenues, only around Rs 30 comes from direct taxes (and the rest, Rs 70, from indirect taxes).[25] The latest taxation proposals of the Finance Minister to augment indirect tax revenues while giving yet more direct tax concessions only further increase the regressivity of the tax structure in the country. According to the Finance Minister, his tax proposals will result in a direct tax loss of Rs 8,315 crore, and an indirect tax gain of Rs 23,383 crore, resulting in a net revenue gain of Rs 15,068 crore.[26]

## Reduction in Government Spending

The low revenue collections (as shown by the low tax-to-GDP ratio), combined with the keenness of the Finance Minister to reduce the fiscal deficit, has made him reduce the total Budget Outlay for 2015–16 to even less than the budget estimates for 2014–15. In real terms, this implies that the government has reduced its total budgetary spending quite sharply (Table 3).

**Table 3: India's Budget, 2014–15 and 2015–16: Reduction in Total Budget Expenditure and Plan Expenditure[27]**

(*Rs crore*)

| | *2014–15 BE* | *2014–15 RE* | *Change: BE – RE (%)* | *2015–16 BE* | *Change: 2014-15 BE – 2015-16 BE (%)* |
|---|---|---|---|---|---|
| **Budget Outlay** | 1,794,892 | 1,681,158 | – 6.3 | 1,777,477 | – 1 |
| **Plan Expenditure** | 575,000 | 467,934 | – 18.6 | 465,277 | – 19.1 |
| **GDP at Current Market Prices (2011–12 series)** | 12,653,762* | | | 14,108,945 | |
| **Budget as % of GDP** | 14.1 | 13.3 | | 12.6 | |

* Advance Estimates (for definition, see Box 6)

* OECD: Organisation for Economic Co-operation and Development, a grouping of 34 developed countries

**Box 6: GDP Statistics: Advance Estimates and Revised Estimates**

The annual estimates of GDP for a financial year are first brought out two months before the end of the financial year, on February 7. This GDP figure is called Advance Estimates. These figures are later revised at least three times, on January 31 of the succeeding years. After the release of the Third Revised Estimate (RE), which is done two years and ten months after the completion of a financial year, the data more or less stabilises. (Thus, the first RE for GDP data for 2011-12 was released on January 31, 2013, and the third RE was released on January 31, 2015—this last figure can be considered to be the final GDP figure for 2011-12.)

As a proportion of the size of the Indian economy, the magnitude of the Union Budget for 2015–16 (estimated size Rs 1,777,477 crore) has declined to 12.6 percent of the GDP. This figure was 13.3 percent for 2014–15 (RE) and 14.1 percent for 2014–15 (BE).[28]

Worse, the government's projected Plan Expenditure has declined by a whopping 19 percent over the budget estimates for 2014–15. This is the first time that the Plan budget has been reduced.[29]

## Sharp Cuts in Social Sector Investments

With total budgetary spending reduced below last year's level, and the government continuing to provide huge subsidies to corporate houses, obviously, the brunt of the cuts in government spending have been borne by the social sectors in Jaitley's 2015–16 budget.

As it is, the total public social sector expenditures of the Government of India are very low! Jaitley and his predecessors in the Finance Ministry and the 'Chicago boys' who are their economic advisors are all blithely lying when they claim that the subsidies to the poor are very high! The total social sector expenditure of the Government of India (Centre and States combined) is barely 7 percent of the GDP. (Of this, the Central government's share is barely 2 percent of the GDP.) In comparison, the average public social sector expenditure of the 34 countries of the OECD is around 20 percent of the GDP, and for the EU-27* is even higher at around 30 percent of the GDP. The average public social sector expenditure for the 21 countries of Latin America and the Caribbean has been rising and is presently

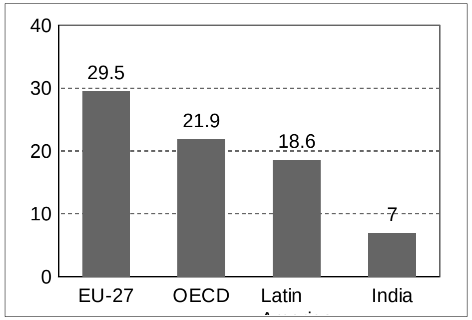
* EU-27: The 27 countries of the European Union.



18.6 percent (in 2009–10) (see Chart 1).[30]

Most developed countries have a very elaborate social security network for their citizens, including unemployment allowance, universal health coverage, free school education and free or cheap university education, old age pension, maternity benefits, disability benefits, family allowance such as child care allowance, allowances for those too poor to make a living, and much more. Governments spend substantial sums for providing these social services to their people. People in the developed countries consider government investments on social security to be their right. In recent years, millions have come out on the streets in these countries to protest government attempts to reduce social sector spending. In contrast, in India, the propaganda dished out by the intellectuals–politicians–bureaucrats and the media condemns government spending on the people as subsidies, as being wasteful, inefficient, benefiting the wealthy rather than the poor, promoting parasitism, and so on. The ordinary people have come to accept this ballyhoo, and so do not consider government spending on social services to be their right; therefore, there are no mass protests when school / college fees go up, health care costs go through the roof, and bus fares skyrocket.

**Chart 2: Public Social Sector Expenditures of Developed Countries and India, 2010**[31] (*% of GDP*)




It is because of the Indian government's very low social sector spending that the *Human Development Report* released by the UNDP ranks India near the bottom with regards to overall human development. India’s Human Development Index ranking fell from 119 in 2010 to 135 in 2014 (in a list of 187 countries). According to the

*UN Human Development Report 2011*, 53.7 percent of the Indian population is "multidimensionally poor"—a measure that captures how many people experience overlapping deprivations in living standards, health and education, and how many deprivations they face on the average.[32]

India's low ranking in providing basic human needs to all citizens is corroborated by another index, the Social Progress Index, compiled by the US-based non-profit group Social Progress Imperative. The index aims to measure quality of life throughout the globe, using measures of access to basic human needs such as food and shelter and of equality of opportunity such as education and personal freedom. The Social Progress Index 2014 ranks India at a lowly 102 out of 132 countries.[33]

**Table 4: Social Sector Expenditures by Union Government**[34]

(*Rs crore*)

| | *2013–14* | *2014–15 BE* | *2014–15 RE* | *2015–16 BE* |
|---|---|---|---|---|
| **Total Exp. under Social Sector Ministries/ Deptts. (Excluding Food Subsidy)** | 218,208 | 282,035 | 236,352 | 237,934 |
| **Total Exp. under Social Sector Ministries/ Deptts. (Including Food Subsidy)** | 311,525 | 397,035 | 359,718 | 363,408 |
| **GDP at Current Market Prices (2011–12 series)** | 11,345,056 | 12,653,762 | 12,653,762 | 14,108,945 |
| **Share of Social Sector Exp. (Excluding Food Subsidy) as % of GDP** | 1.92 | 2.23 | 1.87 | 1.69 |
| **Share of Social Sector Exp. (Including Food Subsidy) as % of GDP** | 2.75 | 3.14 | 2.84 | 2.58 |

And yet Delhi's Badshahs are further reducing the government's social sector expenditures. In his Budget 2015–16, Arun Jaitley has further reduced the government's already low expenditures on social services. As shown in Table 2, government spending on the vulnerable and disadvantaged sections—women, scheduled castes and tribes, and children—has taken a big hit in 2015–16, by as much as 20–40 percent



over the budget estimates for 2014–15. Consequently, the Central government spending on social services has fallen from an already low 2.23 percent of the GDP (excluding food subsidy) in 2014–15 (budget estimates) to 1.69 percent of the GDP in 2015–16. Including food subsidy, it has fallen from 3.14 percent of the GDP to 2.58 percent of the GDP (Table 4).

The government is claiming that actual social sector expenditures are not going to fall as these cuts would be more than compensated by an increase in the states' share in Central taxes. The Centre has accepted the recommendation of the 14th Finance Commission to increase the share of the states in divisible pool of Central taxes from 32 percent previously to 42 percent. But simultaneously, the Centre has reduced its funding for Central Assistance for State and Union Territory Plans by a whopping 40 percent (see Box 7A).

**Box 7**

**A: Increased Devolution to States: A Gigantic Fraud**

The government is claiming that it has not reduced the expenditure on the social sectors in actuality, as its cuts in social sector expenditures would be more than compensated by the increase in states' share of Central taxes.

But the Centre, while increasing the states' share in Central taxes, has, in a deft sleight of hand, managed to keep the total transfers to the states at nearly the same level as previous years by drastically cutting its spending on Central Assistance for State and Union Territory Plans! The Centre has unbundled the schemes for which it provides assistance to states into three categories. It will continue to fully fund those schemes which are mandated by legal obligations (e.g. MGNREGA) or are backed by Cess collection (e.g. funds for Sarva Shiksha Abhiyan from the Prarambhik Shiksha Kosh), and also some schemes targeted at poverty alleviation. But for other Centrally sponsored schemes, some of them will be implemented with a changed pattern of sharing of resources, with states contributing a higher share; and for some schemes, the Centre has decided to stop Central funding altogether; if the states want to continue these schemes, they will have to do so entirely from their own resources.

As a result of this jugglery, the net increase in spending capacity of the states (combined for all states) in 2015–16 (as compared to 2014–15 BE) is projected to go up by only 5.91 percent or Rs 46,729 crore (see Table below).

*continued on next page ...*

**Box 7A: Increased Devolution to States** *(continued)*

**Table: Transfer of Resources to States** (*Rs crore*)

| | 2014-15 BE | 2015-16 BE | Change (%) |
|---|---|---|---|
| States Share of Taxes and Duties (1) | 382,216 | 523,958 | + 37.1 |
| Non-Plan Grants and Loans to States (2) | 70,019 | 108,630 | + 55.1 |
| Central Assistance for State and UT Plans (3) | 338,408 | 204,784 | – 39.5 |
| Total Union Resources Transferred to States (1+2+3) | 790,643 | 837,372 | + 5.9 |
| GDP at Current Market Prices (2011–12 series) | 12,653,762 | 14,108,945 | |
| Total Union Resources Transferred to States as % of GDP | 6.25% | 5.94% | |

*Sources: "Of Bold Strokes and Fine Prints: Analysis of Union Budget 2015–16", CBGA, March 2015, p. 9, http://www.cbgaindia.org; Union Budget documents, 2015–16.*

**B: Total Central Transfers to the State of Maharashtra, 2015–16**

According to figures given in the Maharashtra state budget for 2015–16, despite the increase in the state's share in Central tax revenues, the total transfers from the Centre to Maharashtra state for 2015–16 have actually fallen.

**Table: Maharashtra: Devolution of Funds from Centre** (*Rs crore*)

| | 2014-15 BE | 2015-16 BE | Change (%) |
|---|---|---|---|
| State's Share of Central Tax Revenues | 20,213 | 29,062 | + 43.8 |
| Grants-in-Aid from Central Government to Maharashtra | 27,958 | 17,869 | – 36.1 |
| Total Transfer of Central funds to Maharashtra | 48,171 | 46,931 | – 2.6 |

*Source: Maharashtra State, Budget 2015–16 documents (unfortunately, budget documents not available online, taken directly from MLAs).*



Therefore, the net increase in spending capacity of the state governments is very modest, by just 5.9 percent! (And for some states, like for instance Maharashtra, the net transfer of Central funds to the state has actually fallen—see Box 7B)! As we discuss in detail below, the Centre has cut its social sector spending by as much as 20 to 40 percent in most sectors, with the cuts going up to as much as 50–70 percent for the Ministry of Water Resources, River Development and Ganga Rejuvenation, the Ministry of Drinking Water and Sanitation, Department of Land Resources and the Ministry of Panchayati Raj. The net increase in Central funding to the states is simply not enough to compensate for the huge cuts made in Central government spending on social sectors.

Furthermore, the class nature of the various state governments and the Central government is the same. In all likelihood, the state governments are going to utilise this small increase in Central funding to increase the subsidies given by them to corporate houses, instead of increasing their social sector expenditures. As we have discussed elsewhere, various state governments have been competing with each other to give subsidies to corporate houses for setting up projects in their states![35]

Therefore, it is obvious that combined Central and state government spending on various social sectors is going to take a big hit in this financial year.

### Actual Cuts to be More

Additionally, as several analysts have pointed out, the government projection for its tax revenues are much inflated. The Centre expects the gross tax revenues to go up by 15.8 percent in 2015–16 BE as compared to an actual increase of 9.9 percent in 2014–15 (see Table 5), even though it expects the GDP to go up by 11.5 percent in 2015–16, the same as in 2014–15. That is highly improbable; in all likelihood, the Centre's gross tax revenues in 2015–16 are going to be below the target set for the year.[36] If that happens, then obviously, the Centre will have to further cut its overall budgetary spending below the budget estimate for this year; since cuts in subsidies to the rich are a no-no, the axe is obviously going to fall on social sector spending. Therefore, in all probability, the actual spending on social sectors this year is going to be much below the already low spending levels planned for this fiscal.

**Table 5: Trends in Tax Revenues, 2013–14 to 2015–16**[37] (*Rs crore*)

| | 2013–14 | 2014–15 RE | Change | 2015–16 | Change (over 2014-15 RE) |
|---|---|---|---|---|---|
| **Gross Tax Revenues** | 1,138,734 | 1,251,391 | 9.89% | 1,449,490 | 15.83% |

## *Sector-wise Analysis of Cuts in Social Sector Spending*

Let us take a closer look at the cuts faced by the various sectors/ministries related to the social sectors.

### Budgetary Resources Earmarked for Women

This is also known as the Gender Budget. The Gender Budget Statement (GBS), first introduced in Union Budget 2005–06, captures the quantum of budgetary resources earmarked for women by various departments and ministries.

India is one of the world's worst places to be a woman. Firstly, she may be killed even before being born, or as an infant or a little girl. If she survives that, there is every possibility that as she grows up, she may be molested/raped/tortured by her husband. In India, a crime against a woman is committed every 100 seconds: a woman is molested every 7 minutes, raped every 15 minutes (reported cases only, actual are obviously much more), a case of cruelty committed by either the husband or his relatives occurs every 5 minutes, and a dowry death occurs every 65 minutes (all figures for 2013).[38]

**Table 6: Budgetary Allocations Earmarked for Women, 2014–15 and 2015–16**[39] (*Rs crore*)

| | *2014–15 BE* | *2015–16 BE* | *Reduction (%)* |
|---|---|---|---|
| **Ministry of Women and Child Development** | 21,194 | 10,382 | 51 |
| **Gender Budget** | 98,030 | 79,258 | 19 |
| *Of which:* Department of School Education and Literacy | 16,208 | 12,472 | 23 |

And yet, an insensitive government has slashed the Gender Budget by a whopping 19 percent this year as compared to the budget



estimates for 2014–15. The total allocation under the GBS as a proportion of the Union Budget has in fact been going down over the last several years; this year, it is only 0.94 percent of the Union budget, as against 1.04 percent last year and 1.55 percent in 2011–12.

As far as specific schemes go, although the list of schemes in the GBS is very long, the reality is, most of these interventions are only on paper, as reflected in the fact that they are very meagrely funded—of the 59 schemes meant exclusively for women, as many as 54 schemes have allocations of less than Rs 100 crore! Thus, soon after coming to power, the Modi Government had announced the setting up of 'One Stop Crisis Centres' for women across the country to provide assistance to victims of sexual assault—one in each district, 660 in all. One year later, this scheme has virtually been scrapped, with only two crore rupees being allocated for this scheme in Budget 2015–16. The allocation for a 24-hour Women's Helpline to assist women in distress is a princely one crore! The allocation for construction of shelter homes for single women and destitutes, and for the Scheme for Assistance to States for Implementation of Protection of Women from Domestic Violence Act, 2005, has been totally withdrawn. And there is only a meagre allocation of Rs 30 crore for hostels for working women.

Prime Minister Modi himself launched the 'Beti Bachao Beti Padhao Abhiyan' in January this year whose declared aim is to end discrimination against the girl child and educate her. However, the scheme gets only Rs 100 crore in this year's budget, which is a mockery of this important slogan.

The key ministry that looks after women's welfare is the Ministry of Women and Child Development. The allocation for this ministry in the Union Budget 2015–16 has been slashed by more than 50 percent over the budget estimate of 2014–15.[40]

### Budgetary Outlays for Schemes for Welfare of Children

A nation can be judged by the way it treats its children. On that count, India metes out suffering, neglect and insecurity to millions of its very young. Indeed, India is one of the most dangerous places to be a child:

- We have the highest under-five child mortality rate in the world, with 16.55 lakh such deaths in 2011. More than two million children die every year from preventable infections including measles and tetanus.[41]

- Around 48 percent of all children below the age of five are stunted, 43 percent are underweight and about 20 percent are wasted.[42]
- India has the largest number of child labourers in the world. While official figures put the number of child workers in the country at around 13 million, a 2011 UNICEF report says that more than 28 million children in India between the ages 5–14 are engaged in child labour.[43]
- More than 8 crore children drop out of school without completing even basic schooling (that is, education up to Class VIII).[44]
- And as for the girl child, it's a miracle that she survives at all! For all the reasons given briefly in the previous section, the child sex ratio in India (number of girls to a thousand boys) declined from 945 to 914 over the period 1991–2011. The 2011 Census reveals that there are about 70 lakh fewer girls than boys in the age-group 0–6 in the country, implying that millions of female foetuses have been aborted and young girls killed during the past decade.[45]

Appalling figures! And yet, the government has reduced the total allocations for child oriented schemes sharply by 30 percent in this year's budget, as compared to last year's budget estimate (Table 7).

**Table 7: Budgetary Allocations for Welfare of Children, 2014–15 and 2015–16**[46] (*Rs crore*)

| | *2014–15 BE* | *2015–16 BE* | *Reduction (%)* |
|---|---|---|---|
| **Schemes for Welfare of Children** | 81,075 | 57,919 | 29 |
| *Of which:* | | | |
| Department of School Education and Literacy | 54,101 | 40,757 | 25 |
| Integrated Child Development Scheme | 18,391 | 8,449 | 54 |

The largest component of the Child Budget is for education of children; that has been slashed by 25 percent. From the point of view of child health, the most important scheme is the Integrated Child Development Scheme. As the Budget itself puts it, it is meant to be "an



integrated package of health, supplementary nutrition and educational services to children up to six years of age, pregnant women and nursing mothers." Despite the terrible state of India's children, the government has cut the allocation for this salient programme by as much as 54 percent as compared to 2014–15 BE![47]

### Resources Earmarked for Dalits and Adivasis

More than six decades after the Constitution outlawed the practice of untouchability and discrimination on the basis of caste, and guaranteed that every citizen shall have equality of status and opportunity, the scheduled castes and scheduled tribes continue to face many forms of untouchability practices as well as social, economic and institutional deprivations. Not only that, they are also subjected to enormous atrocities, ranging from abuse on caste name, murders, rapes, arson, social and economic boycotts, to naked parading of SC/ST women, and being forced to drink urine and eat human excreta.

**Table 8: Scheduled Caste Sub Plan and Tribal Sub Plan, 2014–15 and 2015–16**[48] (*Rs crore*)

| | *2014–15 BE (1)* | *Allocation as % of Total Plan Exp.* | *2015–16 BE (2)* | *Allocation as % of Total Plan Exp.* | *Reduction: (1–2) (%)* |
|---|---|---|---|---|---|
| **Scheduled Caste Sub Plan** | 50,548 | 8.8 | 30,851 | 6.6 | 39 |
| **Tribal Sub Plan** | 32,387 | 5.6 | 19,980 | 4.3 | 38 |

In the 1970s, the government launched the Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) to ensure the flow of targeted funds from the general sectors in the Central Ministries towards the development of the Dalits and Adivasis. The guidelines under these two programmes clearly state that the allocations for them should be at least in proportion to their share in the total population.[49] The population share for the Dalits is 16.6 percent and for Adivasis is 8.6 percent, according to the Government of India Census 2011. However, the allocations for SCSP and TSP have never reached the stipulated norm of 16 percent and 8 percent respectively. In this year's budget estimates, the allocations for SCSP and TSP have been sharply reduced, by as much as 38–39 percent over the 2014–15 BE. Consequently, the allocation for SCSP has fallen to just 6.6 percent and the allocation for TSP to a lowly 4.3 percent of the total Plan expenditure for 2015–16 (Table 8)![50]

### Abandoning the Health Sector to God

The World Health Organisation (WHO) recommends that countries should allocate at least 5 percent of the GDP for public health services. The advanced countries spend more than this; public health care spending as a percentage of GDP in 27 advanced economies rose from 5 percent to more than 7 percent over the period 1990–2008; while public health care spending in several emerging economies is between 3 to 5 percent of GDP.[51] In contrast, public health expenditure in India (Centre and states combined) was only about 1.3 percent of the GDP in 2013–14.[52] Other calculations suggest that even this estimate is on the higher side, as it includes expenditure on water supply and sanitation; excluding this, the public health expenditure of India would probably be just around 1 percent of the GDP.[53] According to the WHO, India ranks 171 out of 175 countries in public health spending, and is ranked even below the sub-Saharan countries.[54]

This has forced citizens to bear the brunt of health spending. India has amongst the most privatised health systems in the world—households undertake nearly three-fourths of all the health spending in the country (72 percent), public spending accounts for just 28 percent.[55]

Because of this low level of public spending, India's health system is in “crisis”, warn the editors of *The Lancet*, one of the world's most respected medical journals. India has not succeeded in controlling many infectious diseases, including tuberculosis, malaria, kala azar, filariasis, dysentry, typhoid, hepatitis and Japanese encephalitis. Malaria alone kills nearly 2 lakh people in India every year. Around 3 lakh people die of TB every year in the country, nearly 1000 a day. According to the WHO (2008), of the total number of deaths due to disease in a sample of 192 countries across the world, India accounted for nearly one-fourth of the deaths due to diarrhoea, more than one-third of the deaths due to leprosy and more than half of the deaths due to Japanese encephalitis. Of the 70 lakh children who died before the age of five in 2011 in the world, one-fourth of these child deaths



(18 lakh) took place in India. The bulk of these deaths are preventable, with an appalling one-third of the deaths being due to pneumonia and diarrhoea alone. India also accounts for one-fifth (56,000) of the 287,000 maternal deaths in the world (in 2010), according to a UN report. Even as India has failed to tackle these long standing health challenges, it is also faced with another epidemic, of chronic diseases (like cardiovascular diseases, mental health disorders, diabetes and cancer). More than 50 percent of the deaths in India occur due to chronic diseases, with cardiovascular diseases being a major contributor. As a *Lancet* study points out, it is possible to address this challenge too, many inexpensive strategies are available, but again their implementation would require strengthening the public health system.[56]

**Table 9: Budgetary Allocations for Health, 2014–15 and 2015–16[57]** (*Rs crore*)

| | 2014–15 BE | 2015–16 BE | Reduction (%) |
|---|---|---|---|
| Dept. of Health and Family Welfare | 35,163 | 29,653 | 19.9 |
| Dept. of Health Research | 1017 | 1018 | 1.8 |
| Dept. of AIDS Control | 1785 | 1397 | 21.7 |
| **Ministry of Health and Family Welfare: Total** | 37,966 | 32,068 | 15.5 |
| **Ministry of AYUSH*** | 1272 | 1214 | 4.6 |

*Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy

Despite this dismal situation, the Union Budget 2015–16 has further reduced the already low allocations for the Ministry of Health and Family Welfare by 16 percent, or about Rs 6,000 crore (from Rs 37,965.7 crore in 2014–15 BE to Rs 32,068.2 crore in 2015–16 BE).[58]

### Accelerating Commercialisation of Education

The state of India's education system is alarming, to put it mildly. The Twelfth Plan (2012–17) admits that even after three years of the passage of the Right to Education Act which is supposed to guarantee free and compulsory education to all children in the age group 6–14, the drop-out rate at the elementary level is still as high as 42.39 percent![59]

But this is just one aspect of the terrible state of education in the country. Seven decades after independence, the conditions in a majority of the schools are so bad that it is a "national shame". More than 50 percent of the 8.4 lakh primary schools in the country are single, or at best, two teacher schools. And a staggering 70 percent schools have three or less than three teachers. More than 1 lakh primary schools in the country are single classroom schools (or function in the open, without any classrooms), and a whopping 64 percent of the primary schools (5.3 lakh schools) function with three classrooms or less. What must be the quality of education being imparted to students in schools where a single teacher is teaching two or more than two different classes in a single room!

An official survey of 2011 found that: 21 percent of all elementary schools did not have functional drinking water facilities; 40 percent of the schools did not have usable toilet facilities; nearly 60 percent elementary schools were not electrified; 49 percent schools did not have libraries; and so on.[60]

**Table 10: Budgetary Allocations for Education, 2014–15 and 2015–16**[61] (*Rs crore*)

| | 2014–15 BE | 2015–16 BE | Reduction (%) |
|---|---|---|---|
| **Ministry of Human Resource Development** | 82,771 | 69,075 | 16.6 |
| Department of School Education and Literacy | 55,115 | 42,220 | 23.4 |
| *of which:* | | | |
| *Sarva Shiksha Abhiyan* | 28,258 | 22,000 | 22.1 |
| *Mid-Day Meal Scheme* | 13,152 | 9,236 | 29.8 |
| Department of Higher Education | 27,656 | 26,855 | 2.9 |

And yet the allocations for education in Budget 2015–16 have been slashed by as much as 16.5 percent as compared to the 2014–15 estimates! The Sarva Shiksha Abhiyan is the main scheme of the Central government for implementing the Right to Education (RTE) Act and universalising education. This scheme is to be fully funded by the Central government. And yet, the allocation for this scheme has been cut by 22 percent—implying that the government is not



interested in implementing the RTE Act and putting all out-of-school children in school! The Mid-Day Meal Scheme is another very important scheme for elementary education that is supposed to be fully funded by the Central government. The allocation for this too has been chopped, by 30 percent. The country's ruling classes are not willing to spend money even on providing a decent nutritious meal once a day to the country's children!

### Drinking Water and Sanitation: Swachh Bharat Mission

The Swachh Bharat Mission (SBM) is one of the most heavily publicised programmes of the Central government, endorsed by the Prime Minister himself. It includes both the National Rural Drinking Water Programme (NRDWP) and Swachh Bharat Abhiyan (SBA). It has both a rural and an urban component.

While the entire BJP political leadership, from the Prime Minister to the Finance Minister, have been harping on 'Clean India', the government is simply not willing to fund the Swachh Bharat Mission. It has cut the budget for the SBM by more than half (Table 11)![62]

**Table 11: Budgetary Allocations for Swachh Bharat Mission, 2014–15 and 2015–16**[63] (*Rs crore*)

| | 2014–15 BE | 2015–16 BE | Reduction (%) |
|---|---|---|---|
| **Ministry of Drinking Water and Sanitation** | 15,267 | 6,244 | 59.1 |
| National Rural Drinking Water Programme | 11,000 | 2,611 | 76.3 |
| Swachh Bharat Abhiyan | 4,260 | 3,625 | 14.9 |

### Rural Development

As per Census 2011, nearly 83 crore people in India are living in rural areas, and constitute about 69 percent of the total population of the country. Therefore, all-encompassing development of rural areas is crucial for development of the country.

The BJP had declared in its election manifesto for the 16$^{th}$ Lok Sabha elections that the government would focus on improving village infrastructure. But like its other promises, this too has been buried and forgotten. The Finance Minister has in fact reduced the total allocation for the Ministry of Rural Development (MoRD) by 12.5 percent.

The most important programmes under the MoRD are the Indira Awas Yojna (IAY), the National Rural Livelihood Mission (NRLM), Pradhan Mantri Gram Sadak Yojna (PMGSY) and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS). The Union government is seeking to transfer the IAY and the NRLM to state governments, and so allocation for both these schemes has been slashed by nearly 40 percent.

**Table 12: Budgetary Allocations for Ministry of Rural Development, 2014–15 and 2015–16**[64] (*Rs crore*)

| | *2014–15 BE* | *2015–16 BE* | *Change (%)* |
|---|---|---|---|
| **Ministry of Rural Development** | 83,852 | 73,333 | – 12.5 |
| Department of Rural Development | 80,093 | 71,695 | – 10.5 |
| *Of which:* | | | |
| *National Rural Livelihood Mission* | 3,859 | 2,383 | – 38.2 |
| *Indira Awas Yojna* | 16,000 | 10,025 | – 37.3 |
| *Pradhan Mantri Gram Sadak Yojna* | 14,391 | 14,291 | – 0.7 |
| *Mahatma Gandhi National Rural Employment Guarantee Scheme* | 34,000 | 34,699 | + 2 |
| Department of Land Resources | 3,759 | 1,638 | – 56.4 |

The flagship programme of the MoRD is the MNREGS. On paper at least, this programme, that is legislatively supposed to be fully funded by the Centre, has escaped the steep cuts that have been made in social sector spending of the Central government in the 2015–16 budget. The outlay for this programme in Budget 2015–16 has been pegged at Rs 34,699 crore, 2 percent more than the allocation for 2014–15 (a decline in real terms).

However, the fact of the matter is, even in 2014–15, the fund allocation for MNREGS was inadequate to meet the declared objectives of the MNREGA. The states had projected an estimated 278 crore person-days of work for 2014–15, amounting to an estimated cost of Rs 66,000 crore. The Ministry of Rural Development too had accepted this figure. But the Finance Minister allocated only Rs 34,000 crore in the budget for 2014–15.[65] Consequently, in 2014–15, MNREGS was able to generate only 165.1 crore person-days of jobs for the poor, compared with 220.4 crore person-day jobs generated in 2013–14.[66]



This works out to an average wage employment per household of only 39 days per year in 2014–15—significantly lower than figure of 46 days reached in 2013–14. This was the scheme's worst performance since its introduction nine years ago. It is another matter that in all the nine years so far, the scheme has never been able to provide the 100 days of employment guaranteed under the MNREGA.[67] The government has continued to violate the Act in other ways too. Though the Act guarantees employment to all rural households seeking work, there are a very large number of households—probably around 20 percent of rural households—who desire work but are unable to get employment under this Act. (NSS data show that around 19 percent of rural households sought work but did not get employment under the MNREGS in 2011–12—that year MNREGS provided 211.4 crore person-days of employment to 5 crore households.)[68]

Secondly, even for providing this low level of person-days of employment, the funds provided by the Centre proved inadequate and the states paid out Rs 6000 crore from their own funds in 2014–15. Therefore, even if the Centre wants to maintain MGNREGS at the same (inadequate) level as last year, the minimum outlay it should have provided is Rs 46,000 crore (consisting of Rs 34,000 crore plus Rs 6000 crore arrears plus Rs 6000 crore shortfall that caused the arrears in the first place); the fact that it has not done so but kept the provision at roughly the same level as last year therefore implies, in actuality, a huge cut, of 32 percent![69]

### Allocations for Food Security

This important programme's allocations have also not been cut by the Central government in Budget 2015–16, at least on paper (Table 13).

**Table 13: Budgetary Allocations for Food Security, 2014–15 and 2015–16**[70] (*Rs crore*)

| | *2014–15 BE* | *2014–15 RE* | *2015–16 BE* |
|---|---|---|---|
| **Ministry of Consumer Affairs, Food and Public Distribution:** *Food Subsidy* | 115,000 | 122,676 | 124,419 |
| **GDP at current market prices (2011–12 series)** | 12,653,762 | | 14,108,945 |
| **Food Subsidy as % of GDP** | 0.91 | 0.97 | 0.88 |

Even within the framework of the National Food Security Act, these allocations are not enough. According to the Government of India, as of now the Act is being implemented only in 11 states, that too partially. Therefore, a full roll-out of the Act would require considerable more budgetary support as compared to the food subsidy bill in 2014–15. However, Jaitley has increased the food subsidy budget by only Rs 2000 crore for this year (over 2014–15 RE), implying that the government is not anticipating any increase in the quantum of grain to be distributed through the PDS this year (and is assuming that grain would be procured at the same prices as last year).[71]

Actually, as we have discussed elsewhere, the National Food Security Act is a very inadequate act. It only partially addresses the huge problem of mal / under-nutrition in the country.

- Firstly, the Act provides the poor only starvation foodgrains. While the Indian Council for Medical Research recommends that an adult requires 14 kg of foodgrains per month and children 7 kg, the bill restricts the entitlement to only 5 kg per person per month!
- Secondly, the Act provides only for cereals, with no entitlements to other basic food necessities such as pulses and edible oil required to combat malnutrition—whose prices have soared in recent years.
- Thirdly, the Act does not provide even this limited coverage to all the poor—it expands the percentage of the population that would be provided subsidised foodgrains through the PDS to 67 percent, but as has been pointed out by economist Utsa Patnaik, 75 percent of the rural population and 73 percent of the urban population are unable to access the minimum recommended 2200 / 2100 calories.
- Even states like Tamil Nadu and Chhattisgarh have better food security acts. Thus, for instance, Tamil Nadu has a universal public distribution system, wherein each and every family, whether below the poverty line or not, is entitled to 20 kg rice free of cost. The PDS in Tamil Nadu also supplies other essentials like wheat, sugar, kerosene and tur dal at subsidised rates.[72]

The BJP had in fact criticised these inadequacies of the National Food Security Act in the debate in Parliament when this Act was being passed. Arun Jaitley had probed: "Are we substantially expanding the



right over what existed prior to this Bill being brought in? Are we substantially increasing the outlay? The answer is 'no' …" Murli Manohar Joshi had even moved an amendment demanding that "every person … shall be entitled to 10 kg of foodgrains, two and a half kg of pulses and nine hundred grams of cooking oil per person per month." The BJP election manifesto for the elections to the 16th Lok Sabha had promised "Universal Food Security", saying that it is integral to national security.[73] However, after coming to power, the BJP has made a complete U-turn on this issue too.

### Other Cuts in Social Sector Expenditures

Other social sectors have had to bear even sharper cuts in their budgetary outlays (Table 14).

**Table 14: India's Budget, 2014–15 and 2015–16: Reduction in Budget Expenditure of Other Social Sector Related Ministries**[74] (*Rs crore*)

| | 2014–15 BE | 2015–16 BE | Change (%) |
|---|---|---|---|
| **Ministry of Water Resources, River Development and Ganga Rejuvenation** | 13,837 | 4,232 | – 69.4 |
| *within this:* | | | |
| National Ganga Plan (funds from National Clean Energy Fund) | 1,500 | 2,100 | 40 |
| **Ministry of Agriculture:** | | | |
| Dept. of Agriculture and Cooperation | 22,652 | 17,004 | – 24.9 |
| Dept. of Agricultural Research and Education | 6,144 | 6,320 | 2.9 |
| Dept. of Animal Husbandry, Dairying and Fisheries | 2,266 | 1,585 | – 30.1 |
| **Ministry of Panchayati Raj** | 7,001 | 95 | – 98.6 |
| **Ministry of Urban Development:** | | | |
| Dept. of Urban Development | 17,629 | 16,832 | – 4.5 |
| **Ministry of Housing and Urban Poverty Alleviation** | 6,009 | 5,634 | – 6.2 |

The Minister for Panchayati Raj has virtually been made jobless, with allocations for this ministry reduced to near zero. The allocation for the Ministry for Water Resources and River Development—that looks after another of Prime Minister Modi's pet themes, river rejuvenation—has also been reduced by two-thirds. The only river that the government is interested in is the Ganga. However, even this has not been given an allocation from the budget; instead, Rs 2100 crore from the National Clean Energy Fund has been diverted for the 'National Ganga Plan'. Other rivers can continue to die ...

### Yet, No Cuts in Defence and Police Expenditures

The squeeze in Central government spending has not affected the government's spending on the military and police—they have remained at the same high level as last year in real terms. While the total social sector expenditures of the Central government fell by 15.6 percent in 2015–16 over the previous year's budget estimates, the military expenditure rose by 8.7 percent and expenditure on the police by 4.5 percent (Table 15).

The official military expenditure of the Government of India is projected at Rs 3.1 lakh crore for 2015–16 (includes pensions). The actual military budget, or the unofficial military budget, is more than this, as a significant part of the budgets of the Department of Atomic Energy and the Department of Space (the former is responsible for making nuclear weapons, the latter for the missile programme, but no separate provision is made for either of those two expensive programmes) too should be included while calculating the country's total military expenditure. Just the official military budget for 2015–16 is 17.4 percent of the total government expenditure, and is 31 percent more than the Centre's combined spending on all social services (excluding food subsidy)—Rs 236,722 crore.

**Table 15: Budgetary Allocations for Military and Police, 2014–15 and 2015–16**[75] (*Rs crore*)

| | *2014–15 BE* | *2015–16 BE* | *Increase (%)* |
|---|---|---|---|
| **Ministry of Defence** | 285,203 | 310,080 | 8.7 |
| **Ministry of Home Affairs: Police** | 59,451 | 62,125 | 4.5 |

Likewise, the Centre's outlay on internal security, that is, police, is Rs 62,125 crore. Add this to the military budget, and the total—Rs



372,205 crore—is more than the total Central spending on all social services, including food subsidy—Rs 362,195 crore.

Police is also a state subject, and the states too spend heavily on police.

One can debate whether this or that head of expenditure that is included within the broad categories of defence and police should be called as expenditure on external security or internal security. For instance, a large part of the army is now deployed within the country, for internal security; while the Border Security Force, included in police expenditure, is also used to defend the country's borders. But one fact is noticeable. The protests within the country against the pro-corporate and anti-people policies of the government are increasing, and the government is increasingly deploying the police and even the military to repress these protests. While the government claims shortage of funds for meeting the legitimate demands of people for improved welfare services, and there seems to be no shortage of funds for repressing these protests.

## *The BJP—Twin Brother of UPA*

To conclude, Budget 2015–16 of the BJP Government is not only a continuation, but also an acceleration of the neo-liberal policies of the previous UPA Government. Since 1991, ever since India began globalisation and opened up the economy to foreign multinationals, successive governments at the Centre have been running the economy solely for the profit maximisation of giant foreign and Indian corporations. The divisive, communal agenda being pursued by the Modi Government is actually only a cover, to disguise its real economic agenda of running the economy solely for the profiteering of big business houses:

- transferring public money and resources to the tune of lakhs of crores of rupees to foreign and Indian business houses in the name of promoting GDP growth;
- cutting welfare expenditures on the poor—whose aim is to provide the bare means of sustenance to the poor at affordable rates—in the name of containing the fiscal deficit, and privatising and handing over these services to private corporations for their naked profiteering.

In pursuing this neoliberal agenda, the country's ruling political class, that is, the political parties that dominate the Indian Parliament, the bureaucrats, the country's leading intellectuals, and the big corporate houses, are actually wilfully and deliberately trashing the socialist vision of our nation's founding fathers embedded in the Directive Principles of our Constitution:

i) to build an egalitarian society and a social order in which justice, social, economic and political, shall inform all the institutions of the national life [Article 38 (1)];
ii) to strive to minimise inequalities in income [Article 38 (2)];
iii) to ensure that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity [Article 39 (f)];
iv) to make effective provision for securing education and public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want [Article 41];
v) to regard raising the level of nutrition and the standard of living of its people and the improvement of public health as among the primary duties of the State [Article 47].

## ANOTHER WORLD IS POSSIBLE!

A very large number of people have given up dreaming, they have stopped believing that things can be changed, they have come to accept their poverty and lack of decent employment and the present anti-people policies being pursued by the country's rulers as their fate. However, if people unite and fight, it is possible to change the world, it is possible to build a new world. This is precisely what is happening in Latin America, where in several countries, powerful peoples' movements have led to revolutionary governments winning elections and coming to power. These governments are implementing an alternate economic model, oriented towards improving the living standards of the poorest of the poor. Consequently, in just one decade, the average public social sector expenditures of the Latin American countries have gone up by four times, from an average of 4.8 percent of the GDP in 2001–02 to 18.6 percent in 2009–10![76]

### *The Bolivarian Revolution*

We give below a brief note on the numerous social programmes



launched in Venezuela after Hugo Chavez, the leader of the Bolivarian movement, won the Presidential elections in 1998. (Chavez unfortunately died in 2013 due to cancer. Despite the setback, the Bolivarian revolution has continued uninterrupted under the leadership of his successor, Nicolas Maduro.)[77]

**Free, Universal Education**

The Venezuelan Constitution guarantees free education to all citizens up to university undergraduate level. The government has put in strenuous efforts to ensure that this guarantee does not remain only on paper; additionally, it has also launched programmes to educate all its adult citizens who have not completed basic schooling, and is even providing them the opportunity to purse higher education if they so wish.

- In 2003, the new government launched Mission Robinson, a literacy and primary education programme. In just two years, the programme was able to teach almost 1.5 million Venezuelans basic literacy skills, and in October 2005, UNESCO declared Venezuela to be an "Illiteracy Free Territory".
- Mission Ribas was launched to provide remedial high school level classes to Venezuelan high school dropouts. Classes are held in the evenings, the aim being to enable everyone to get a high school diploma. By 2011, more than 6 lakh people had graduated from high school under this programme.
- The government has also launched Mission Sucre to provide free higher education courses to all those graduating from Mission Ribas.

**Free / Affordable Health Care for All**

The Bolivarian government has undertaken terrific new initiatives to provide free / affordable health care to all the Venezuelan people:

- With the help of Cuba, the new government has set up health centres in the remotest and poorest areas of Venezuela; today, in these clinics, tens of thousands of Venezuelan doctors, dentists and nurses work. Hundreds of community medical surgical centres, medical diagnostic centres, rehabilitation rooms and high technology centres have also been set up across the country.
- Since most Venezuelan doctors practising in the upper middle class areas of the cities were not willing to work in these clinics

on a fixed government salary, the government launched a new medical education programme to train young people imbued with a spirit of social concern as doctors. There is no fees for the programme, and the State in fact provides a stipend to students. In 2011, the first batch of 8,200 students trained as community medicine doctors graduated from Venezuela's Bolivarian University.

- Other initiatives include a law to regulate medicine prices and the setting up of a chain of medicine shops all across Venezuela to provide more than 1000 essential medicines at prices 30–40 percent below market prices. These shops also provide health services like free vaccinations, medical information, etc.

**Healthy Food for All**

- The government has initiated a programme to provide healthy food to all at affordable rates, by setting up a chain of shops throughout the country. These provide essential commodities to the poor at prices 60–80 percent below market rates.
- Mobile high quality butcher shops have been set up to provide meat at less than half the price found in private outlets.
- The government has also set up hundreds of restaurants to provide popular and healthy Venezuelan snacks like corn patties and juices and lunches at prices that are as low as 15–50 percent of market prices!

**Housing for All**

- In 2011, the government launched "Great Housing Mission" to provide housing to every Venezuelan. For this, research was done to build durable and good quality houses using locally available materials, factories have been set up to make these materials using which houses can be made in a matter of a few weeks, and land has been identified to build these houses. Entire new socialist cities are being set up under this plan. Within two years (by 2013), more than 5 lakh houses had been built, and the mission has set a target of building 3 million houses by 2019. Low income families receive heavy subsidies to help them buy these homes, and those earning below the minimum wage receive their new homes for free.
- To improve people's living standards, the government has



imposed price controls on several essential household items such as soaps, detergents, cleaning agents and sanitary napkins. It has also launched "Mission My Well Equipped House" to provide household appliances like refrigerators and washing machines to people at cheap rates.

**Old Age Security for All**

- To provide security to senior citizens, the government rolled out "Mission Greater Love" to provide a pension to every senior citizen in the country, wherein all men above the age of 60 and women above the age of 55 will get a pension equal to the national minimum wage. Before the revolution, there were only 3.5 lakh people in the country who were receiving a pension, which was only 10 percent of the minimum wage. Now there are 19 lakh senior citizens enjoying a pension equivalent to the minimum wage; the government has even launched a drive to ensure that no one is left out. Senior citizen committees have been formed to involve them in education, health and social security programmes.

No wonder the media in India has blacked out all these news!

## *Let us Join Hands, and Begin Our Own Struggles*

There is no doubt, the country is being ruled by the corporate houses. They control and fund the mainstream political parties. During election time, they come up with attractive slogans like 'Garibi Hatao' or 'Achhe Din Aayenge' and launch a media blitz with the help of a corporate-controlled media to sell us dreams of a better future; once the elections are over, whoever wins forgets all the promises made and goes about implementing the very same policies as the previous governments.

We need to see through this hoax, and build our own movements and organisations that will, in the years to come, grow and take over the reins of power in the country and build a new society that will guarantee to all its citizens all the basic necessities required for people to live like human beings and develop their abilities to the fullest extent—healthy food, best possible health care, invigorating education, decent shelter, security in old age, clean pollution-free environment. This is not a utopian dream, it is possible. If people in Venezuela and Bolivia and Ecuador are doing it, so can we!

## *About Us, Lokayat*

Dear friends, we must stop being sceptics, dream of a better future, believe that it is possible to change the world. Yes, *Another World is Possible*! But to make it a reality, we must start our own small struggles. These will ultimately unite, like the small rivulets hurtling down the Himalayas which ultimately form the mighty Ganges, to transform and build a new society in accordance with the dreams of our country's founding fathers. And so, a few years ago, we started this forum, ***Lokayat***.

Lokayat, since its very inception, has worked together with other progressive forces in several united fronts. However, of late, apart from the crisis created by globalisation, Indian society is facing another serious crisis, that of fascism (the twin brother of globalisation). The rapid growth of fascist forces in the country is threatening the very conception of India as a sovereign, socialist, secular, democratic republic as visualised by our country's founders and enshrined in the Constitution of India. To fight the twin dangers of capitalist globalisation and fascism, it is important that all progressive forces who share the values of the Indian Constitution join hands. Hence, in 2014, Lokayat decided to affiliate with the Socialist Party (India). Unlike the mainstream political parties, the Socialist Party (India) has consistently opposed globalisation and communalisation, and has not made any unprincipled compromises to somehow form coalitions and win political power.

Lokayat organises a wide range of activities / programs in Pune colleges, schools, city and slums, including:

- We organise seminars, talks, film screenings, song concerts, street campaigns, street plays, poster exhibitions, solidarity hunger fasts, human chains and rallies–dharnas, on various issues of deep concern to common people, such as: rising inflation; privatisation of essential services; destruction of the environment and livelihoods of common people in the name of development; the dangers of GM foods; the horrifying consequences of nuclear power plants on human health and environment; Pune's transportation problems; etc.
- We have staged numerous protests against attempts to communalise society and against growing atrocities on Dalits and minorities.
- Lokayat's women's wing, named *Abhivyakti*, actively campaigns and organises programs on the various aspects of gender inequality and social roots of violence against women.



- Lokayat has a very active cultural wing which makes use of a wide variety of cultural forms—including songs, rock concerts, street plays, dramas, dance and traditional folk art—to reach out to people, raise their cultural consciousness, stimulate them to question the present decadent value system and motivate them to act for social change.

Dear friends, if you would like to know more about us, or participate in our activities, you may contact us at any of the addresses given on the front inside cover of this booklet.

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