Three Essays on Union Budget 2017–18

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Budget 2017–18: Pandering to Dictates of Global Finance

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Just a month ago, the Modi–Jaitley government had once again massaged the GDP figures, for the second time in two years, to make them look even better. The earlier revision had made them to be 5.1% in 2012– 13, 6.9% in 2013–14, 7.2% in 2014–15 and 7.3% in 2015–16. The revision—caused by a change in the method of measuring GDP—had made the economy grow at more than 7% for 2014–15, making India one of the fastest growing economies in the world. Then, in January 2017, the Central Statistical Organisation (CSO) revised the figures once again to make them look like a perfect stepladder of sustained growth—5.6% / 6.6% / 7.2% / 7.9% respectively. The growth rate for 2015–16 had been revised to a high of 7.9%.[1]

Table 1: India, Growth Rates, as Revised by BJP Govt in 2015 and 2017 (%)

	2012–13	*2013–14*	*2014–15*	*2015–16*
Growth Rates, 2015 Estimates	5.1	6.9	7.2	7.3
Growth Rates, 2017 Estimates	5.6	6.6	7.2	7.9

The absurdity of these figures becomes obvious from just one statistic. The Index of Industrial Production data show that growth in factory output in the country had slowed down from 2.8% in 2014–15 to 2.4% in 2015–16, and the manufacturing sector, which accounts for over 75 per cent of the index, grew at meagre rate of 2% in 2015–16 compared to 2.3% in previous year. However, the CSO in its calculations has considered the manufacturing component of the GDP to have suddenly jumped from 5.5% in 2014–15 to 9.5% in 2015–16![2]

However, demonetisation has had such a crippling effect on the economy that even the CSO has been forced to admit that the economy is expected to slow down in 2016–17. Predictably, the CSO has attempted to downplay the impact, saying that it expects the economy to grow at 7.1% in 2016–17 as compared to 7.6% the previous year. Almost immediately, other forecasters challenged its figure, with Icra expecting it to fall to 6.8% and HSBC projecting it to fall to 6.3%.[3]

Other figures actually project that the slowdown is much worse than that indicated by the above figures. Thus, for instance, factory output, measured by Index of Industrial Production, actually contracted by 0.4% in December 2016, driven by contraction in consumer goods, capital goods and manufacturing. It had risen by 5.7% in November 2016.[4] Another set of data that again gives an indication on slowing economic activities is bank credit growth numbers. RBI data show that non-food credit growth slowed down from 6.7% in October 2016 to 4.8% in November and 4.0% in December. These figures were less than half of the corresponding figures for 2015—non-food credit growth increased by 8.8% in November and 9.3% in December 2015.[5]

Demonetisation particularly hit the informal sector hard, sending it into a coma. The informal sector consists of small scale manufacturing, most of the construction industry, perhaps three quarters of the remainder of the services sector, and the agricultural sector. While there are no official estimates of the number of jobs lost due to mass scale closure of small scale industries following demonetisation, it is for certain that lakhs of workers have been rendered unemployed and have had to return to their villages.[6]

Having saddled the economy with an entirely unnecessary slowdown in growth and massive rise in unemployment through demonetisation, the Central Government had a chance to partially undo the damage through Budget 2017 by significantly raising its expenditure relative to GDP, especially in those sectors most hit by the note ban. If ever there was a case for a more expansionary fiscal stance to revive demand in the economy, it was now. This would have helped increase demand in the system, and given a boost to employment generation.

In particular, since the economic pain caused by demonetisation was felt disproportionately by the poor, the Central Government was expected to take special measures to alleviate their suffering by directing significantly increased spending towards the poor, through measures like increasing social sector spending, and increasing government expenditure on sectors like agriculture.

Jaitley and Fiscal Deficit

Unfortunately, Finance Minister Arun Jaitley has done none of this in his Budget 2017–18. To please global finance, he has continued with the policies of neoliberalism that he has so assiduously been pursuing for the past three years and that were also pursued by the previous UPA Government. A key element of budget making under neoliberalism is reining in the fiscal deficit. And so, Jaitley has declared that he is going to further bring down the fiscal deficit to 3.2% of the GDP in 2017–18, from 3.5% achieved in 2016–17 and 3.9% in 2015–16.[7] This policy of "fiscal prudence", which constitutes the cornerstone of the government's budgetary strategy, is staggering in its implications for the common people—who have already been devastated by the cyclone of demonetisation.

Fiscal deficit is just another term for government borrowings of various types. The government borrows when its expenditures exceed its receipts of all types. 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. Former Finance Minister P. Chidambaram in fact criticised Jaitley for not striving to bring down the fiscal deficit to 3% in this financial year.[8]

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. 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.[9]

Despite this theory being a complete fraud, it is one of the conditionalities of the Structural Adjustment Loan taken by India from the World Bank way back in 1991, when India was in the throes of an external debt crisis. These World Bank dictated economic reforms, implemented dutifully by every government that has come to power at the Centre since 1991, have been given the grandiloquent name of globalisation.[10]

If this theory is humbug, why is the World Bank so keen that India reduce its fiscal deficit, and why is the Government of India so keen to implement this conditionality? The only reason why Jaitley is harping upon the theme of fiscal discipline is because it gives him an excuse to reduce government expenditures on the poor and transfer the savings to big corporate houses! This of course is going to sound amazing to Modi Bhakts—after all, Modi keeps singing *Sabka Sath, Sabka Vikas*. Therefore, let us explain this in slightly greater detail.

The fiscal deficit is the excess of the government's expenditures over receipts. In all his three budgets presented so far, Jaitley has doled out lakhs of rupees as subsidies to the very rich. Had he really been concerned about the fiscal deficit, he could have easily reduced these mindboggling giveaways. But the government dubs these subsidies to the rich as "incentives", and justifies them in the name of promoting growth–development–entrepreneurism. On the other hand, the social sector expenditures of the government 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.

Just a look at the extraordinary concessions given to the rich in the name of tax incentives in Jaitley's budgets presented so far will make our point clear.

Tax Incentives to the Rich

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 in the past year. This statement is included in the annexure attached to the Receipt Budget in the Union Budget documents, and is titled: *Revenue impact of Tax Incentive under the Central Tax System*. This year, the Modi Government has changed the methodology of making these calculations, and through this has sharply brought down the estimated revenue forgone due to these exemptions by more than half! As we argue in the note given in the box on next page, this has been deliberately done, to play down the tax concessions being given by the government to the rich. According to Jaitley, as per the new methodology, the tax concessions given to the rich (including income tax concessions) in 2015-16 reduce from Rs 6.11 lakh crore to Rs 2.87 lakh crore, and for the year 2016-17, are estimated at Rs 3.18 lakh crore. We have estimated the tax concessions being given to the rich in 2016-17 by the older methodology as explained in the Box 1, and the figure turns out to be a mind-boggling Rs 6.30 lakh crore! No wonder the officials in the Finance Ministry burned the midnight oil to come up with a new methodology to play down this figure.

We have compared the tax exemptions given to the rich with the fiscal deficit for that year in Table 2. (The write-offs as mentioned in the budget statement are in corporate tax, personal income tax, customs duties and excise duties. In the data on tax exemptions given in Table 2, we have excluded the amount forgone on personal income tax, since this write-off benefits a wider group of people.)

Table 2: Revenue Forgone by Central Government Due to Tax Exemptions, and Fiscal Deficit

(Rs lakh crore)

	2014–15	*2015–16*	*2016–17*	*Total*
Revenue Forgone	5.49	5.51	5.50	16.5
Fiscal Deficit RE	5.13	5.35	5.34	

The total tax exemptions given to the country's uber rich by the Modi–Jaitley government in the three years it has been in power total Rs 16.5 lakh crore! That is an amount that equals 86% of the estimated gross tax revenues of the Central Government for the financial year 2017–18.

India: Low Tax Revenues

It is because of these huge tax giveaways to India's richie rich that India's tax revenues are low, because of which our combined tax-to-GDP ratio for Centre and States put together is amongst the lowest in the world. This is admitted even by the Finance Minister in his budget speech this year. The *Economic Survey* of last year (2015–16) admitted that India's tax-to-GDP ratio at 16.6% is lowest among BRICS and lower than both the Emerging Market Economy (EME) and OECD averages, which are about 21% and 34% respectively. India's tax ratio is the lowest even

Box 1: Calculating Tax Exemptions to the Rich by Old Methodology

A note on tax exemptions given to the rich in 2016–17 is required here. Just like it has changed the methodology for calculating GDP, it has changed the methodology for calculating tax concessions given to the rich in this year's (2017–18) budget documents. Under the new methodology adopted by the government and explained in the 2017–18 Budget documents, the Centre has differentiated between what it calls "conditional" and "unconditional" exemptions. Unconditional exemptions will no longer be considered for the purpose of calculating revenues foregone or the revenue impact of tax incentives. The new methodology does not affect the calculation for corporate taxes, but sharply brings down estimated revenue forgone in case of customs and excise duties.

Obviously, the distinction made between conditional and unconditional exemptions is an artificial concoction, meant to bring down the estimation of tax exemptions given to the rich. The statement on revenue forgone has been there in the budget documents since 2006–07; obviously, had there been some justification for excluding 'unconditional' exemptions from the calculation for revenue forgone, the previous UPA Government would definitely have used it too to lower the estimation for revenue forgone.

We have therefore used the older methodology to estimate the revenue forgone due to tax exemptions given in the case of customs and excise duties, based on data given in the statement on revenue forgone given in the 2017–18 budget documents.

In case of customs duties, as per the older methodology, the estimated customs revenue impact of tax incentives is calculated based on data generated at the Electronic Data Interchange (EDI). This system does not capture the full data of imports, and so suitable adjustments are made. From this, revenue impact on account of Export Promotion Concessions is deducted, to get the net impact of tax incentives on customs duties revenues. As per EDI data, the total estimated customs revenue impact of tax incentives for 2016–17 (annualised) came to Rs 307,707 crore. The EDI captured 95.01% of the gross customs revenue. After extrapolation for data not captured by EDI, the estimated customs revenue impact for the whole year comes to: Rs 323,868 crore. Deducting from this net revenue impact on account of input tax neutralization schemes (Rs 57,065 crore), we get the revenue impact of tax incentives on customs duty side for 2016–17 by the old methodology to be Rs 266,803 crore.

In the case of excise duties, as per the older methodology, this is calculated based on data generated by the Automated Central Excise & Service Tax (ACES) system, to which is added revenue impact due to the operation of area based exemption schemes. For 2016–17, this works out to Rs 199,838 crore [Rs 180,502 crore (general exemptions, conditional and unconditional) + Rs 19,336 crore (area based exemptions)].

Therefore, based on the older methodology, the total projected tax exemptions for the year 2016–17, excluding exemptions given on personal income taxes are:

- Corporation taxes = Rs 83,492 crore;
- Excise duties = Rs 199,838 crore;
- Customs duties = Rs 266,803 crore;
- Total = Rs 550,133 crore.

among economies with comparable (PPP adjusted) per-capita GDP such as Vietnam, Bolivia and Uzbekistan.[11]

In fact, the government's revenues would have been in a far worse state but for the fact that the government was able to take advantage of the fall in international oil prices to hike excise duties on crude oil and petro-products from 1.02% of GDP in 2014–15 to 1.61% of GDP in 2016–17, an increase of 0.6% of the GDP! It is because of this that despite giving away such huge amounts in tax concessions to the rich, the Modi Government's gross tax revenues as a proportion of the GDP have risen from 10% in 2014–15 to 11.3% in 2016–17 RE. The Modi Government has increased excise duties petro-products by nine times since coming to power in 2014. The Central Government currently charges Rs 17.33 for every litre of diesel and Rs 21.48 for every litre of petrol as excise duty.[12]

Table 3: Contribution of Petroleum Sector to Exchequer (% of GDP)

	2013–14	*2014–15*	*2015–16*	*2016–17*
Central taxes/duties on crude oil & petroleum products	0.94	1.02	1.53	1.61
Out of which, excise duty	0.69	0.8	1.31	1.41

The Finance Minister had given several interviews in December 2016 / January 2017 highlighting that demonetisation had led to a jump in tax collections, and had even given detailed data showing that direct tax mop-up increased by 12.01% while indirect tax revenue grew 25% during the period April to December 2017.[13] However, the budget papers belie his claims! They do not reflect any significant increase in tax revenues in the current financial year. In fact, the corporate and income tax numbers for the budget estimates and revised estimates of 2016–17 are almost the same; while the revised estimates for 2016–17 show an increase in indirect tax revenues by only 10.1% over the budget estimates. This, despite demonetisation and the two income disclosure schemes announced in the current financial year! Even though the Union Budget was advanced by a month this year, because of which it is possible that the government does not have proper revised estimates for tax collections for this year, it also means that the government expects revenue gains from all these measures to be negligible.

Table 4: Gross Tax Revenues of Central Government, 2015–16 to 2017–18 (Rs crore)

	2015–16 (Actuals)	*2016–17 (BE) (1)*	*2016–17 (RE) (2)*	*Increase, (2) – (1)*	*2017–18 (BE) (3)*	*Increase, (3) – (2)*
Gross tax revenue	1,455,648	1,630,888	1,703,243	4.4%	1,911,579	12.2%
Corporation tax	453,228	493,924	493,924	0	538,745	9.1%
Income tax	287,637	353,174	353,174	0	441,255	24.9%
Union excise duties	288,073	318,670	387,369	21.6%	406,900	5%
Customs duties	210,338	230,000	217,000	– 5.7%	245,000	12.9%
Service tax	211,414	231,000	247,500	7.1%	275,000	11.3%
Non-tax revenue	251,706	322,921	334,770	3.7%	288,757	– 13.7%
GDP at Current Market Prices (2011–12 series)	13,675,331	15,075,429	15,075,429		16,847,455	
Gross Tax Revenue as % of GDP	10.60%	10.82%	11.30%		11.34%	

The 2017–18 budget estimates too do not indicate any significant rise in gross tax revenues over the 2016–17 RE figures. The Finance Minister estimates the gross tax revenues to go up by 12.2%, mainly powered by an increase in income tax collections of 25%. This however seems to be too optimistic a projection. This is more so because the projected nominal increase in GDP of 11.75%, on which the direct tax growth will depend, also seems to be on the higher side, as nominal growth in GDP has ranged between 10% and 10.7% during 2013–14 to 2016–2017.

Fiscal Contractionary Path

The gross fixed capital formation (GFCF) in the economy has been falling ever since the BJP Government came to power. The *Economic Survey 2016–17* admits: Private investment, which had been soaring at the height of the boom, slowed sharply to a 5% growth rate by 2010–11. By 2015–16, it had actually started to shrink, and in 2016–17 so far it seems to have contracted by more than 7%. To cushion the impact on the overall economy, public investment has been stepped up considerably, but this has still not been sufficient to arrest a fall in overall investment. The *Survey* admits that GFCF has slipped into negative territory in first half of 2016–17—and this was before the storm of demonetisation hit the economy.[14]

It is elementary mainstream economics that with the investment falling, what is needed to pull the economy out of the deepening crisis is an expansionary budget, that is, the government needs to step up public investment. However, the 'ultra-nationalist' BJP Government, led by the Modi–Jaitley duo, is more interested in pandering to the whims of India's foreign creditors and multinational capital, rather than protecting the nation's interests.

On the one hand, the Finance Minister is seeking to reduce the fiscal deficit to please global finance. On the other hand, Jaitley continues to generously pay back the debt the BJP owes to the big corporate houses and the wealthy for funding its 2014 Lok Sabha election campaign, by continuing to give them enormous tax concessions. With the result that despite receiving a bonanza on account of petroleum duties, the government's tax revenues continue to be very low, much lower than other emerging market economies. Despite admitting that GFCF is contracting, the government's budget outlay for 2017–18 has not seen any significant rise. As a percentage of the GDP, the government's projected budget outlay for 2017–18 has actually fallen to its lowest level since the BJP came to power in 2014, and is much lower than the 13.9% reached during the last year of the previous UPA Government.

Table 5: Union Budget Outlay of BJP Budgets, 2014–15 to 2017–18 (Rs crore)

	2014–15 (Actuals)	*2015–16 (Actuals)*	*2016–17 BE*	*2016–17 RE*	*2017–18 BE*
Budget Outlay	1,663,673	1,790,783	1,978,060	2,014,407	2,146,735
GDP at Current Market Prices (2011–12 series)	12,433,749	13,675,331	15,075,429	15,075,429	16,847,455
Budget Outlay as % of GDP	13.38%	13.09%	13.12%	13.36%	12.74%

Further, as the increase in tax revenues projected by the government seem to be an overestimate, the revised budget outlay is in all probability going to be lower than this budgeted estimate.

More Subsidies to Rich

Even if the expenditure growth is slowing down, the budget outlay for the sectors that result in huge profits for the corporate houses that control the levers of power in the country cannot be affected. One of these sectors is investment in roads and highways. The allocation for the construction of highways has been stepped up from Rs 52,447 in 2016–17 RE to Rs 64,900 in 2017–

18 BE, a huge increase of 24%! Virtually all of this is going to be doled out as grants to the private corporate houses in the name of Public–Private–Partnership (or PPP). Let us explain this in greater detail.

The economists sitting in Washington / Paris / London keep coming up with innovative ideas about how to transfer government funds to the private sector. One such concept that has been embraced by the government of India in a big way is this so-called PPP. Under this, the government invites the private sector to invest in infrastructure, provides the private investor a direct subsidy of up to 40% of the project cost, gives it land and other resources at concessional rates, guarantees the private partner a minimum rate of return on its investment (for instance, in the case of highways, the private investor is allowed to collect toll charges from the users), and as if this is not enough, even the investment money is also often provided by the government in the form of long term loans at concessional rates. What a partnership!

Social Sector Expenditures

With growth in total budgetary spending slowing down, and the government continuing to dole out huge amounts to corporate houses, the sectors that have paid the price for the policy push to reduce the fiscal deficit are the social sectors.

But then how come Prime Minister Modi, leading intellectuals and the mainstream media hailed Jaitley's 2017–18 budget as a pro-poor and pro-farmer budget, and as a budget for the have-nots? The simple explanation: they are lying as usual.

Table 6 gives the BJP government's social sector expenditures for all the four budgets presented by Arun Jaitley, together with the last budget of the previous UPA Government. Strictly speaking, the figures for 2015–16 and later years are not comparable with the figures for 2013–14 and 2014–15. The reason is that in 2015–16, the Union Government accepted the recommendation of the 14th Finance Commission and increased the share of the states in divisible pool of Central taxes from 32% previously to 42%, and simultaneously cut the allocations for social sector ministries sharply, arguing that these cuts would be more than compensated by the increase in states' share in Central taxes.

Table 6: Union Budget, Social Sector Expenditures, 2013–14 to 2017–18 (Rs crore)

	2013–14 (A)	*2014–15 (A)*	*2015–16 (A)*	*2016–17 BE*	*2016–17 RE*	*2017–18*
Total Social Sector Exp.*	302,911	339,014	371,268	395,202	409,758	458,423
Budget Outlay	1,559,447	1,663,673	1,790,783	1,978,060	2,014,407	2,146,735
Social Sector Exp. as % of Budget Outlay	19.42%	20.38%	20.73%	19.98%	20.34%	21.35%
GDP at Current Market Prices (2011–12 series)	11,236,635	12,433,749	13,675,331	15,075,429	15,075,429	16,847,455
Social Sector Exp. as % of GDP	2.70%	2.73%	2.71%	2.62%	2.72%	2.72%

*Note that there is no rigorous definition of what constitutes social sector expenditures. In our definition, we have taken the definition given by CBGA in its analysis of the Union Budget 2015–16 (*Of Bold Strokes and Fine Prints: Analysis of Union Budget 2015–16*, Centre for Budget and Governance Accountability, March 2015, p. 9, http://www.cbgaindia.org.), and from this, excluded the figures for the

Department of Urban Development to arrive at a figure comparable to the figure for social sector expenditure given in the 2017 Budget Speech of the Finance Minister. Then, to this, we have added the figures for Department of Rural Development and Food Subsidy. So, our calculation includes the figures for: Ministry of Culture, Ministry of Drinking Water and Sanitation, Ministry of Health and Family Welfare+ AYUSH, Ministry of Housing and Urban Poverty Alleviation, Ministry of Human Resource Development, Ministry of Labour and Employment, Ministry of Minority Affairs, Ministry of Social Justice and Empowerment, Ministry of Tribal Affairs, Ministry of Women and Child Development, Ministry of Youth Affairs and Sports, Department of Rural Development, and Food Subsidy. A slightly different definition has been given in the *Economic Survey, 2013–14*, p. 232, and yet another definition has been given in *Economic Survey, 2014–15, Statistical Appendix*, Table 9.9, p. A140. Note that our definition of social sector spending is a far more liberal definition than that adopted in the Budget papers for 2017–18, where the government has stated that its social sector expenditures for 2017–18 total Rs 195,473 crore.

From Table 6, it becomes evident that there is no significant increase in the government's social sector expenditures. They are projected to increase by only 11.8% over the revised estimates for 2016–17, which means they will barely beat inflation. As a proportion of the budget outlay, they are expected to marginally go up by 1%, while as a proportion of GDP, there is no increase.

On the other hand, the budget documents also show that the total Central transfers to the States and Union Territories (including the States' share in Central taxes) as a percentage of the GDP are actually projected to fall in 2017–18 as compared to 2016–17 RE (Table 7). This fall in devolution of funds to the States is obviously going to adversely affect their social sector spending.

Table 7: Central Transfers to States, 2016–17 RE and 2017–18 (Rs crore)

	2016–17 RE	*2017–18 (BE)*
Total Central transfers to States and UT, including State's share of Central taxes	981,148	1,075,558
GDP at current market prices	15,075,429	16,847,455
Total Union Resources transferred to States as % of GDP	6.51%	6.38%

As it is, the total Central and States expenditure on social services in India is very low. As per the *Economic Survey 2016–17*, this figure as a proportion of the GDP was 7.0% during 2016–17 BE. This is far below the average social sector expenditures of the 34 countries of the OECD, for whom this figure is 20%; for the 27 countries of the EU, this figure is even higher at around 30% of GDP. It is also way below the social sector expenditures of the 21 countries of Latin America and the Caribbean, for whom this figure is 18.6% (in 2009–10). The above data make it clear that the social sector expenditures of the Centre and States combined for India are going to remain at the same dismal level in 2017–18.

We have discussed in detail elsewhere that demonetisation has had a devastating effect on the livelihoods of India's poor. Had the Modi Government had the slightest concern for the common people of the country, it would have taken steps to increase its allocations for those sectors that directly affect the people, that is, the social sector expenditures. The anti-people nature of the Modi government becomes evident from the fact that the total social sector expenditure of the Union government, even on the basis of the liberalised definition given by us above, at Rs 4.58 lakh crore, is less than the total tax exemptions given to the rich, which total Rs 5.5 lakh crore.

Even if we drop this fact-based critical examination of the budget from a socialist perspective, and examine it purely from the perspective of mainstream capitalist economics, at a time when the rate of investment in the economy has precipitously fallen into negative territory, the government should have increased social sector spending as it would have helped boost domestic demand. It is now fairly well established that government spending on social sectors such as education and health has significant positive multiplier effects.[15] [The fiscal multiplier is an estimate of the effect of government spending on economic growth. A multiplier greater than 1 corresponds to a positive growth stimulus (returning more than Re 1 for each rupee invested), whereas a multiplier less than one reflects a net loss from spending.]

The sole reason why the BJP–RSS Government led by the Modi–Jaitley duo is not increasing the country's social sector expenditures and give a boost to domestic demand is to please the country's foreign creditors, who are demanding “fiscal prudence”. In the name of reining in the fiscal deficit, the World Bank and the giant corporations of the Western countries are demanding that the government reduce its social sector expenditures and gradually private the country's welfare services, so that they can be taken over by private capital and enormous profits can be made. And the Modi Government is surrendering to their dictates.

Such is the nationalism of the BJP–RSS. It is confined to unfurling giant sized flags in universities, and forcing people to stand up while the national anthem is being played in cinema halls—while on the ground, it is bowing to the dictates of international financial institutions and running the country solely for the profiteering of giant foreign and Indian corporations, betraying the interests of the common people.

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Budget 2017–18 and the Social Sectors

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We had pointed out in our previous article on Jaitley's Budget 2017–18 that despite the devastating impact of demonetisation on the livelihoods of the poor, the government's social sector expenditures—aimed at providing essential services to the poor at affordable rates—have not seen any increase. A significant increase in these welfare expenditures could have provided some relief to the distress caused by this disastrous policy. On the other hand, the government continues to dole out huge subsidies to the rich, in the name of 'tax incentives to promote growth', 'Public–Private–Partnership', and so on. Just the tax incentives/concessions to the rich amount to an astronomical Rs 5.5 lakh crore, an amount that is nearly three times the government's social sector expenditures (Rs 1.95 lakh crore) as mentioned in the finance minister's budget speech.

In this article, we first take a closer look at the two most important allocations within the government's social sector expenditures, on education and health. After that, we examine the allocations for two of the most marginalised sections of Indian society, Dalits/Adivasis and women.

Allocation for Education

No country in the world has developed without making provisions for providing free, compulsory, equitable and good quality elementary education to ALL its children in the initial stages of its development, and later expanded it to secondary and higher secondary education. (And all developed countries have done this entirely through public funding; they are aware that the private sector will only invest for profits.)[1] Unfortunately, India has not been able to provide this to a majority of its children seven decades after independence. 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%![2] According to freshly released 2011 Census data, of the total school age population (age group 5–19 years) of 38.01 crore children in the country, as many as 6.54 crore children (17.2%) have never attended any school, while another 4.49 crore (11.8%) have dropped out of schools in the last decade.[3]

Even for those going to school, the conditions in a majority of the schools are so bad that it is a national shame:

- More than 50% of the primary schools in the country are single, or at best, two teacher schools! And 57% of the primary schools function with 3 classrooms or less. Implying that a single teacher is teaching two or three different classes at the same time in a single room, in a majority of the primary schools in the country!
- A shocking 19% of all regular teachers in elementary schools in the country are not professionally trained; another 14% teachers are working on contractual basis, of whom more than one-third are not professionally trained.
- 35% of elementary schools do not have usable toilet facilities, and 44% do not have separate toilet facilities for girls—an important reason for girls dropping out of schools.
- 24% of all elementary schools in rural India do not even have functional drinking water facilities.
- Given this state of our schools, is it any wonder that a survey found that 52% of Class V

students were unable to read Class II–level text and 49% could not solve simple two-digit subtraction problems (that they are expected to learn in Class II)![4]

So far as higher education is concerned, the Gross Enrolment Ratio or GER (number of students as a percent proportion of the youth population in the age group 17–23 / 18–24) is way below the developed countries—the GER in India is only around 20, whereas for developed countries it is above 60, with several countries having a GER above 70.[5] Globalisation has led to the transformation of higher education into a business; a majority of the higher educational institutions in India are now in the private sector, and only those able to afford their high fees are able to access college education.

But the government is unconcerned. It is simply not interested in spending on education. The overall budget for the education sector (2017–18 over 2016–17 RE) has been increased by just 8.3%, which means no increase in real terms. And as compared to the GDP, it has actually decreased from 0.49% in 2016–17 RE to 0.47% in 2017–18 BE.

Table 1: Budgetary Allocations for Education, 2014–15 to 2017–18 (Rs crore)[6]

	2014–15 (A) (1)	*2015–16 (A)*	*2016–17 BE*	*2016–17 RE (2)*	*2017–18 BE (3)*	*(3–1)/1 %*
Department of School Education and Literacy	45,722	41,800	43,554	43,896	46,356	1.4%
of which:						
Sarva Shiksha Abhiyan	24,097	21,661	22,500	22,500	23,500	–2.5%
Mid-Day Meal Scheme	10,523	9,145	9,700	9,700	10,000	–5.0%
Department of Higher Education	23,152	25,439	28,840	29,703	33,330	44.0%
Ministry of Human Resource Development: Total	68,874	67,239	72,394	73,599	79,686	15.7%
GDP at Current Market Prices (2011–12 series)	12,433,749	13,675,331	15,075,429	15,075,429	16,847,455	
MHRD Budget as % of GDP	0.55%	0.49%	0.48%	0.49%	0.47%	
Higher Education budget as % of total MHRD Budget	33.6%	37.8%	39.8%	40.4%	41.8%	

Let us examine the budget allocations for school education. The school education budget for 2017–18 has actually suffered a cut in real terms: it has been increased over the revised estimates for 2016–17 by a mere 5.6%. In his previous budgets, Jaitley had slashed the school education budget so sharply that the budget for this year is more than the budget for 2014–15 (Actuals) by just 1.4%!

The Parliament passed the Right to Education (RTE) Act in 2009, whose declared objective is to provide 'free and compulsory' education to all children in the age-group 6–14 years. The Sarva Shiksha Abhiyan (SSA) is the main scheme of the Central government for implementing this Act and universalising education. Six years after the passage of the RTE Act, barely 10% of the schools are RTE compliant.[7] But the government is simply not willing to allocate funds for this scheme. Its allocation has been increased by only Rs 1,000 crore over 2016–17 RE; in the previous years, Jaitley had actually reduced the allocation for this scheme so steeply that the allocation for 2017–18 continues to be less than the allocation for SSA made in 2014–15 even in absolute terms!

The allocations made for the SSA by the Centre are much less than the amount of Central funds sought by the Ministry for Human Resource Development (MHRD) for implementation of the RTE Act. The MHRD prepares a budget for implementing the SSA every year, which is based on annual work plan and budgets prepared by the districts and submitted to their respective states. A part of this budget is supposed to be funded by the Centre, as its share of the SSA budget. The gap between the Central funds sought by the MHRD and the actual allocation by the Centre for SSA has been increasing every year, and in the four budgets presented by Jaitley so far, has fallen from 78% in 2014–15 to just 43% this year.

Table 2: Central Allocation for SSA vis-à-vis Demand from MHRD[8]

	Funds sought by MHRD for SSA (Central Share) (Rs crore)	*Budgetary allocation (BE) for SSA by Ministry of Finance (Rs crore)*	*Allocation as % of approved outlay*
2013–14	31,016	27,258	87.9%
2014–15	36,391	28,258	77.7%
2015–16	40,200	22,000	54.7%
2016–17	46,702	22,500	48.2%
2017–18	55,000	23,500	42.7%

The Mid-Day Meal Scheme is another very important scheme for elementary education, designed to combat the huge malnutrition levels among children in the country; another equally important purpose is to improve school enrolment and child attendance in schools. The allocation for this has been marginally increased this year, implying a cut in real terms, and as compared to the budget three years ago (2014–15), has actually fallen by 5%. 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!

All this clearly indicates that the Centre is just not interested in universalising elementary education in the country. We have argued in detail in our earlier writings that the aim of the Right to Education Act passed by the previous UPA Government was never to universalise elementary education in the country; on the contrary, its aim was to abandon the Constitutional obligation to provide free and compulsory education of equitable quality to all children in the country, subvert the Unnikrishnan Judgement of the Supreme Court making education a fundamental right, and create the conditions for demolishing the government school system and gradually privatise school education—thereby fulfilling the dictates of the World Bank imposed Structural Adjustment Programme.[9] The BJP Government has continued with this anti-child and anti-nation policy of the UPA Government. It has in fact accelerated privatisation and commercialisation of school education by a simple stratagem—squeezing the already low allocation of funds for school education.

Coming to higher education, this year, the allocation has been increased by about 12%, or Rs 3,600 crore, over last year's revised estimate.

Usually, an increased allocation for higher education would be a reason to cheer, but if we look at the various components of the allocation made for the MHRD, it becomes clear that this increased allocation is a case of misplaced priorities and is very iniquitous. This is so for two reasons. Firstly, it is evident from the last column in Table 1 above that the BJP Government is clearly shifting its priority to funding higher education as compared to school education. Within the budget allocation for MHRD, the allocation for higher education has been steadily going up, from 33.6% in 2014–15 to 41.8% this year. In other words, this increased allocation for higher education is at the cost of reduced allocation for school education.

And secondly, of this increased allocation of Rs 3,600 crore for higher education, more than Rs 3,000 crore is for the 23 Indian Institutes of Technology (IITs) and 31 National Institutes of Technology (NITs). These premier engineering institutions account for 37% of the total outlay for higher education in 2017–18! On the other hand, Jaitley has shown no interest in increasing funding for improving the quality of the average engineering colleges, which account for the overwhelming majority of the engineering colleges in the country. The All India Council for Technical Education, the regulator of engineering education in India, got only Rs 485 crore this year, as compared to Rs 481 crore last year (2016–17 RE), a cut in real terms.

Similarly, while the country's most elite universities, the Central Universities, got Rs 6,486 crore this year, the University Grants Commission, that is supposed to regulate the higher educational institutions in the country and provides grants to more than 10,000 institutions, has been allocated only Rs 4,692 crore (an increase of Rs 200 crore over 2016–17 RE, again a cut in real terms). The UGC had been allocated Rs 9,315 crore in 2015–16 RE; in other words, the allocation for it has fallen by half in two years.

So, in case of higher education too, Modi and Jaitley have their priorities clearly set out. The aim is to gradually strangulate the country's government funded higher education system by reducing government grants to colleges and universities, so that conditions can be created for its privatisation. With education becoming a commodity and higher educational institutions becoming business firms, the quality of education is bound to suffer. But the country's corporate houses need at least some good quality engineers and managers—and so government funding is being concentrated on the country's premier higher educational institutions like the IITs, IIMs and Central Universities.

The neoliberal model looks at everything, including education, from the perspective of maximising corporate profits. There is no need to look at education from the perspective of human development, as a means of unlocking the inherent potential of human beings, so that they can enjoy an enhanced quality of life. All this is gibberish. The sole aim of education must be to prepare youth for employment in the assembly lines of multinational corporations. For this, the youth must be imparted the necessary skills, so that they can become cogs in the corporate wheel.

This philosophy also fits well with the fascist philosophy of the BJP–RSS regime, which wants to transform our youth into mindless automatons in the service of virulent Hindutva. The youth of the country can only become so, if they do not read, gain knowledge, develop critical thinking, expand their mental horizons.

And so, while on the one hand, the Modi–Jaitley regime is slowly strangulating our higher educational institutions by starving them of funds, on the other hand, the government has hugely increased funding for skill development. The BJP Government inaugurated the Ministry of Skill Development and Entrepreneurship soon after coming to power in 2014. Its main program is the Pradhan Mantri Kaushal Vikas Yojana, whose allocation has more than tripled in the last two years. In his budget speech, Jaitley proposed to extend the Pradhan Mantri Kaushal Kendras from the 60 districts at present to more than 600 districts across the country.

Table 3: Allocation for Skill Development (Rs crore)

	2015–16 (A)	*2016–17 BE*	*2016–17 RE*	*2017–18 BE*
Pradhan Mantri Kaushal Vikas Yojana	991	1,771	2,140	2,924

Allocation for Health

India's health system is in "crisis". India is the disease capital of the world:

- More than 2 lakh people in the country die of malaria every year, while TB kills 3 lakh;
- According to the World Health Organisation (WHO), India accounts for nearly one-fourth of the deaths in the world due to diarrhoea, more than one-third of the deaths due to leprosy and more than half of the deaths due to Japanese encephalitis;
- India's under-five child mortality rate is the highest in the world, with 12 lakh such deaths in 2015; a majority of these deaths are preventable;
- India is also in the grip of an epidemic of chronic diseases, which account for more than 50% of the deaths in the country.[10]

It is possible to address these health challenges, but that would call for strengthening of the public health system. The WHO recommends that countries should allocate at least 5% of their GDP for public health services; India allocates barely 1%. India ranks 171 out of 175 countries in public health spending.[11] Consequently, the public health system is in bad shape. Even by standards set by the government, there is a shortfall of about 20% in sub-centres, about 22% in primary health centres (PHCs) and about 30% in community health centres (CHCs); and there are only an average of 1.14 district hospitals per district. Where these health centres exist, a majority of them are deficient in infrastructure, with even doctors not available.[12] This dismal state of public healthcare has forced citizens to depend upon the private sector for treatment; of the total health spending in the country, public health spending accounts for only 28%, households undertake the rest.[13] Because of the lack of affordable medical services and high costs of private healthcare, six crore people are pushed into poverty each year—a fact admitted by Finance Minister Jaitley in his budget speech last year.

On December 31, 2014, the Union Government released the draft National Health Policy (NHP) 2015. The draft NHP set three major objectives for the public health sector: expanding preventive health services, assuring universal availability of free, comprehensive primary healthcare services, and significantly reducing out-of-pocket expenditure by ensuring affordable secondary and tertiary healthcare services. But the government toned down these booming objectives in the draft document itself, saying that "taking into account the financial capacity of the country", the country could only afford a public health expenditure of 2.5% of GDP to meet these targets, of which 40%, that is 1% of GDP, would be spent by the Centre. Health experts have pointed out that considering the appalling state of public healthcare services in the country, such a low level of public health expenditure is inadequate to make available decent quality affordable public healthcare services for the entire population.[14]

In all the three budgets presented by Jaitley since the draft NHP was made public by the government, the funds sanctioned by him for healthcare are way below the minimalist fiscal target of 1% of GDP proposed in it.

Thus, in the 2017–18 budget, there is an increase in the allocation for the Department of Health and Family Welfare by 24%, or Rs 9,010 crore. This increase appears significant only because the allocation for health in the previous years has been very low. Even after this increase, the allocation is just 0.28% of GDP, way below the target of 1% set by the Union Government in the draft NHP.

Table 4: BJP Government Allocations for Health, 2014–15 to 2017–18 (Rs crore)

	2014–15 (A)	*2015–16 (A)*	*2016–17 BE*	*2016–17 RE*	*2017–18 BE*
Dept. of Health and Family Welfare (including Department of AIDS Control) (1)	30,626	33,121	37,062	38,343	47,353
Dept. of Health Research	911	993	1,145	1,345	1,500
Ministry of Health and Family Welfare: Total	31,537	34,114	38,207	39,688	48,853
Ministry of AYUSH	617	1,075	1,326	1,307	1,429
Total Health Budget (2)	32,154	35,189	39,533	40,995	50,282
GDP at Current Market Prices (2011–12 series) (3)	12,433,749	13,675,331	15,075,429	15,075,429	16,847,455
Total Exp on Health and Family Welfare as % of GDP (1/3)	0.25	0.24	0.25	0.25	0.28
Total Exp on Health as % of GDP (2/3)	0.26	0.26	0.26	0.27	0.3

Of this increase in the budget for the Department of Health and Family Welfare, the major increase is in secondary and tertiary care sectors, ignoring the orientation suggested in the draft NHP, which calls for giving first priority to providing access to free and universal primary healthcare services to all. Thus, nearly one-fourth of this increase (Rs 2,006 crore) is allocated to upgrade district hospitals into new medical colleges under National Health Mission, and another 22% of the increase (Rs 2,022 crore) is on the Pradhan Mantri Swasthya Suraksha Yojana, which is for setting up new AIIMS and upgrading medical colleges. This is not to argue that new high quality public tertiary care hospitals are not needed—the point is that this should be not done at the cost of neglecting the primary sector. The present rush at the district and high-end hospitals can be much reduced if the facilities at the PHCs and CHCs are improved; if primary level health services are good, most illnesses can be taken care of at this level itself, and this will not only improve the efficiency and reduce the cost of delivery of public health services, it will also improve the overall health status of the people.

On the other hand, the budget marginalises primary healthcare. While the budget for strengthening the National Rural Health Mission (NRHM) has been increased by Rs 2,870 crore, simultaneously, the budgets for reproductive and child health (including immunisation) and communicable diseases have been reduced, while the budget for maintenance of existing infrastructure has been kept at virtually the same level as last year. (And yet the finance minister has announced that the government has set a target of reducing the country's high maternal mortality rate from 167 in 2011–13 to 100 by 2018–2020, and infant mortality rate from 39 in 2014 to 28 by 2019—probably by manipulating statistics here too). Therefore, on the whole, the budget for NRHM has been increased by Rs 1,727 crore (over the revised estimates for 2016–17), which is a modest increase of 8.9%, barely enough to beat inflation.

This means that existing public health and primary care facilities, particularly the PHCs and CHCs, will continue to underperform and lag behind the rural population's health needs due to shortage of funds. In his budget speech, the finance minister has kept mum on the huge shortage of health sub-centres, PHCs and CHCs in the country and the severe shortage of infrastructural and other facilities at the existing centres—all that he has announced is that the 1.5 lakh health sub-centres will be transformed into 'health and wellness centres', whatever that means. In other words, the huge shortfall of 35,110 sub-centres, 6,572 PHCs and 2,220 CHCs across the country is going to continue.[15]

The NRHM's urban counterpart, the National Urban Health Mission (NUHM), is yet to take off properly. For the period 2012–13 to 2016–17, its average yearly budgetary requirement was estimated to be Rs 3,391 crore per year from central funds; this year's allocation is only Rs 752 crore. This allocation is a sharp cut from the previous year's budget allocation of Rs 950 crore.[16]

It is well established that providing free/affordable public healthcare services is a much better way of providing universal healthcare to the people rather than providing them health insurance coverage and reimbursing them hospitalisation costs—the latter only benefits private healthcare providers and private insurance companies. Be that as it may, last year, the government made a big bang announcement of providing people Rs 1 lakh insurance coverage for all Below Poverty Line (BPL) card holders under a National Health Protection Scheme (NHPS)—this scheme was also announced by PM Modi from the ramparts of the Red Fort in his Independence Day speech of August 15, 2016. This was essentially a revamp of the earlier Rashtriya Swasthya Bima Yojana (RSBY) that had been launched in 2008 and which was also a publicly funded health insurance scheme providing hospitalisation coverage to BPL patients in private or public hospitals for up to Rs 30,000. Upscaling the RSBY to NHPS is estimated to cost Rs 24,000 crore for five years or an average of Rs 4,800 per year. However, the finance minister sanctioned only Rs 1,500 for this scheme in 2016–17, spent less than half of this during the year, and in the budget estimate for this year, has cut the allocation for it to Rs 1,000 crore. PM Modi has now stopped mentioning this in his speeches. Clearly, this is another announcement that is also going to remain on paper only.

Table 5: Budget Allocation for RSBY / NHPS (Rs crore)

	2014–15 (A)	*2015–16 (A)*	*2016–17 BE*	*2016–17 RE*	*2017–18 BE*
RSBY / NHPS	551	–	1,500	724	1,000

Allocations for Dalits and Adivasis

The budget documents show an increase of over 30% in the outlay for the welfare of the scheduled castes (SCs) and scheduled tribes (STs). In his budget speech, Jaitley announced that he had allocated Rs 52,393 crore for the SCs for the next financial year against Rs 40,920 crore in 2016–17 RE, and Rs 31,920 crores for the STs, against Rs 24,602 crore in 2016–17 RE. These appear to be significant increases, but a closer look tells a different story, the same story of massaging statistics to make them look good that has become a hallmark of Arun Jaitley.

Till last year, these budget outlays were designed to be from the Plan outlay, and hence were known as Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP). These sub Plans were launched in 1979 and 1974 respectively to ensure the flow of targeted funds from the general sectors in the Central Ministries towards the development of the Dalits and Adivasis, so as to bridge the development gap between these communities and the rest of society. The guidelines under these two programmes clearly stated that each ministry/department must allocate funds under separate budget head/subhead for these sub Plans, and that these allocations as a proportion of the Plan expenditure should be at least in proportion to their share in the total population. The population share for the Dalits is 16.6% and for Adivasis is 8.6%, according to the 2011 Census, implying that the allocations for the SCSP and TSP should be at least 16.6% and 8.6% of the total Plan expenditure respectively. It is another matter that the actual allocations for these sub Plans never reached the stipulated norm. During the BJP regime, the allocations have fallen to even below the low levels of the previous UPA Government, and were 7.06% and 4.36% of the Plan expenditure respectively in the 2016–17 budget estimates (Table 6)!

Table 6: BJP Government's Budgetary Allocations for Dalits & Adivasis (Rs crore)

	2013–14 (A)	*2014–15 (A)*	*2015–16 RE*	*2016–17 BE*
Plan Budget	453,327	462,644	477,197	550,010
Scheduled Caste Sub Plan (SCSP)	34,722	30,036	34,675	38,833
SCSP as % of Plan Budget	7.66	6.49	7.27	7.06
Tribal Sub Plan (TSP)	22,039	19,921	20,963	24,005
TSP as % of Plan Budget	4.86	4.31	4.39	4.36

Worse, of the total allocations for SCSP and TSP, only a small proportion of the funds were directed or targeted to benefit the SC/ST communities. An analysis done by the National Campaign on Dalit Human Rights (NCDHR) found that in the 2016–17 budget, only 18% of the total SCSP allocations and 37% of the TSP allocations were direct/targeted allocations. A majority of the funds were allocated for schemes and programmes that were very general in nature and had no direct impact on the development of the Dalits and Adivasis. Thus, not only was the allocation of funds for these two programmes less than half of the stipulated norm, even this reduced allocation was being done in such a way that allowed the diversion of funds for schemes that did not directly contribute to the actual development of these communities. This was actually a violation of the policy guidelines to these programmes, that clearly state that "SCSP and TSP funds should be non-divertible".[17]

The same trend has continued this year too. A NCDHR study found that this year too, the majority of the allocations are for general, non-targeted schemes. Worse, this year, the BJP Government has abandoned the SCSP and TSP, and replaced it with "Allocation for Welfare of Scheduled Castes/Scheduled Tribes." This innocuous sounding change actually signifies a paradigm shift in policy, as now Plan and non-Plan expenditures have been merged. This has enabled the government to include administrative/non-Plan expenditures like salaries of employees who belong to SC/ST communities in various institutions, and pension of retired lecturers and professors who belong to these communities, as spending for welfare of SC/STs. This is contrary to the entire rationale for creating these special programmes; these people are not beneficiaries of special welfare schemes directed at SC/STs, they work/worked for the government like the rest of society, and are eligible for pensions like their non-SC/ST colleagues.[18]

Jaitley claims that he has allocated Rs 52,393 crore for the welfare of SCs for the next financial year against Rs 38,833 crore in 2016–17 BE, an increase of 34.9%; and Rs 31,920 crores for the welfare of STs in 2017–18 against Rs 24,005 crore in 2016–17 BE, a 33% jump. But Jaitley is manipulating data; these expenditures are not comparable, as the expenditures in 2016–17 were from the Plan Expenditure, and not total Budget Outlay, whereas in the allocations for this year, the distinction between Plan and non-Plan expenditures has been eliminated, and the two have been merged. Thus, in the allocations for welfare of scheduled castes and scheduled tribes this year, schemes that were earlier reported under non-Plan head and were not included under SCSP and TSP have been included, such as Employees Pension Scheme, 1995 (allocation Rs 767 crore and Rs 388 crore respectively), and Interest Subsidy for Short term credit to farmers (allocation Rs 2,430 crore and Rs 1,200 crore respectively). Then, it is also not clear why, all of a sudden, certain schemes that earlier were not included under SCSP and TSP have been included this year in the statements giving allocations for welfare of SCs/STs—these include schemes such as Rashtriya Krishi Vikas Yojana and Pradhan Mantri Kaushal Vikas Yojana.

Till last year, the various ministries/departments had to report budget allocations under SCSP and TSP, based on which these sub Plans were drawn up. But this year, with these sub Plans being scrapped and no new framework being drawn up to replace them, how have the various ministries reported the allocations for welfare of scheduled castes and scheduled tribes within the different schemes is also not clear.[19]

Finally, even if we ignore the above manipulations being indulged in by the *manuvadi* BJP Government to inflate its allocations for scheduled castes and scheduled tribes, even these inflated allocations are much less than the stipulated guidelines for SCSP and TSP. Even though an accurate comparison is not possible because of the merger of Plan and non-Plan allocations, let us make a rough estimate of the under-allocations this year. For this, let us take last year's ratio of Plan and non-Plan expenditure as the benchmark for allocations. Last year, as per the guidelines of the SCSP and TSP, the due allocation for SCs (16.6% of the Plan budget) should have been Rs 91,302 crore, and due allocations for STs (8.6% of the Plan budget) should have been Rs 47,301 crore. These amount to 4.62% and 2.39% of the total Budget expenditure for last year respectively (see Table 7 for the calculation).

Table 7: SCSP and TSP as Mandated by Policy, 2016–17 BE (Rs crore)

	2016–17 RE
Total Budget Outlay (1)	1,978,060
Plan budget	550,010
Amount mandated by policy for SCSP: 16.6% of Plan budget (2)	91,302
SCSP as % of Budget Outlay (2/1)	4.62%
Amount mandated by policy for TSP: 8.6% of Plan budget (3)	47,301
TSP as % of Budget Outlay (3/1)	2.39%

Now, taking these percentages (4.62% and 2.39%) as the benchmark for allocations, this means that in the 2017–18 Budget, the scheduled castes should have been allocated Rs 99,179 crore and scheduled tribes Rs 51,307 crore. But instead, Budget 2017–18 allocated Rs 52,393 crore for SCs and 31,920 crore for STs. This means a total of Rs 46,786 crore for SCs and Rs 19,387 crore for STs has been denied by the Central Government (Table 8).

Table 8: Desired Allocation for Welfare of SCs and STs, 2017–18 (Rs crore)

	2017–18 BE
Total Budget Outlay	2,146,735
Desired allocation for SCs welfare: 4.62% of Budget Outlay	99,179
Actual Outlay	52,393
Shortage in Outlay	46,786
Desired allocation for STs welfare: 2.39% of Budget Outlay	51,307
Actual Outlay	31,920
Shortage in Outlay	19,387

Allocation for Women

This is also known as the Gender Budget. First introduced in Union Budget 2005–06, it captures the quantum of budgetary resources earmarked for women by various departments and ministries. The Gender Budget Statement (GBS) is prepared on the basis of the information furnished by the Ministries/Departments.

In a country where a crime against women takes place every 90 seconds, an insensitive Modi Government had slashed the gender budget so sharply during the previous two years that even after increasing the allocations for women in 2017–18 by 25% over 2016–17 BE, the allocations are below the allocations for 2014–15 BE in real terms! This is also reflected in the gender budget allocation as a percentage of total budget outlay—this year's allocation of 5.28% is below the allocation for 2014–15 of 5.46%.

Table 9: BJP Government's Allocations for Women, 2014–15 to 2017–18 (Rs crore)

	2014–15 BE	*2015–16 BE*	*2016–17BE*	*2017–18*
Gender Budget	98,030	79,258	90,770	113,327
Ministry of Women and Child Development	21,194	17,352	17,408	22,095
Budget Outlay	1,794,892	1,777,477	1,978,060	2,146,735
Gender Budget as % of Budget Outlay	5.46%	4.46%	4.59%	5.28%

The GBS is in two parts. Part A details schemes in which 100% provision is for women, Part B reflects schemes where the allocations for women constitute at least 30% of the provision. A closer look at the GBS makes it clear that a large part of the allocations shown under it have actually nothing to do with the welfare of women. Thus, in Part A of the GBS this year, which includes allocations for schemes that are supposedly exclusively for women, there is an allocation of Rs 23,000 crore for Pradhan Mantri Avas Yojana. Even if women are given joint ownership of houses built under this scheme, how is this a scheme that is meant to benefit women exclusively? The allocation for this under Part A of the Gender Budget constitutes 73% of the total budget under Part A (Rs 31,389 crore).

Part B includes spending for those schemes where allocation for women constitutes at least 30% of the provision. All important ministries claim that 30% of their allocations are for women, and this is routinely shown as such in Part B of the Gender Budget. Thus, in the 2017–18 budget, the Department of Health and Family Welfare has claimed an allocation of Rs 19,288 crore for the Gender Budget, the Department of School Education and Literacy Rs 13,335 crore, Department of Higher Education Rs 9,777 crore, and so on. No attempt is made to ensure that this much allocation is targeted to benefit women, neither do these ministries attempt to make an estimate of how many women have benefited from these women-oriented allocations.

Let us now take a look at some of the schemes mentioned in the GBS which are genuinely targeted at women. In his budget speech, the finance minister announced the expansion of the Indira Gandhi Matritva Sahyog Yojana, a pilot scheme introduced in 53 districts all over the country in 2010, to cover the whole country. The allocation for this scheme, now renamed as Maternity Benefit Programme, has been increased from Rs 634 crore in 2016–17 RE to Rs 2,700 crore in this year's budget. The scheme provides financial assistance of Rs 6,000 to pregnant women for "hospital admission, vaccination and nutritional food".[20]

This upscaling was much needed, even though the quantum of assistance being provided needs to be increased—for instance, Tamil Nadu provides Rs 12,000 to all pregnant women below the poverty line from its own state resources. India's maternal mortality rate is the highest in the world. According to the World Health Statistics (2016), nearly 5 women die every hour in India due to pregnancy and delivery related complications.[21] Unfortunately, the finance minister has introduced conditionalities such as institutional delivery and full vaccination for women to be eligible for this financial assistance. These conditionalities actually end up excluding 60% of the country's women, because they don't deliver in hospitals, and/or are unable to vaccinate their children. But they are the ones who need these maternity benefits the most, as they include women from the poorest sections of the population, belong to Dalit and Adivasi communities, and live in the remotest areas of the country. They are unable to deliver in hospitals or vaccinate their children, because of the terrible state of government health services in the country.[22] Instead of focussing on improving facilities in government hospitals, and making hospitals more accessible for the poor (by improving ambulance facilities), the suit-boot sarkar's finance minister and prime minister are putting the blame on the victims of our dismal public health system, and excluding them from receiving maternity benefits!

In any case, despite the increased allocation this year, it is not enough to make the scheme genuinely universal. It is estimated that about 2.7 crore births take place in India each year. This means this scheme would require about Rs 16,000 crores. Assuming centre–state cost sharing to be 60:40, this would therefore require an allocation of Rs 9,700 crore in the Union Budget to cover all pregnant women in the country.[23] The finance minister has allocated just 28% of this.

Several other schemes exclusively meant for women are mentioned in Part A of the GBS under the allocation for the Ministry of Women and Child Development. The allocation for the 'Scheme for Adolescent Girls', also called SABLA, has kept at the same level as last year, Rs 460 crore—it had been allocated Rs 700 crore in 2014–15. For several other schemes, the allocation is so low that it is obvious that they are going to remain on paper only, and have been announced for propaganda purposes only. Thus, the Central Social Welfare Board, that is supposed to run several important programmes for the welfare and development of women and children, especially in rural areas, has been given a measly Rs 71 crore; while the Rashtriya Mahila Kosh, that is supposed to provide micro-loans to women for livelihoods, micro-enterprises, etc. has been given a nominal Rs 1 crore. The allocation for women's helpline has been reduced to Rs 10 crore from Rs 25 crore in 2016–17. The allocation for the much tomtomed *Beti Bachao Beti Padhao Abhiyan* has been doubled to Rs 200 crore; but the government's seriousness about this scheme becomes clear from the fact that of the low allocation of Rs 100 crore in the 2016–17 budget, only Rs 43 crore was spent. Ninety crores have been allocated for setting up of 'One Stop Crisis Centres' across the country to provide assistance to women victims of sexual assault; they were to have been set up in 2015, in 2016 Maneka Gandhi announced that 17 had been set up, but newsreports point out that many are only in name.[24] Even the National Commission for Women, a statutory body that investigates complaints related to deprivation of women's rights, has been allocated just Rs 25 crore.

But what reveals the government's total unconcern towards women's safety, despite the newspapers daily carrying reports of rapes, acid attacks and domestic violence, is the under-utilisation of the Nirbhaya Fund. Following the brutal gang rape of a young girl in Delhi in December 2012, that shook the conscience of the nation, this fund was announced by the then Finance Minister P Chidambaram in his 2013 Union Budget to support initiatives by the government and NGOs that support the safety of women in India, with a corpus of Rs 1,000 crore. Jaitley too added Rs 1,000 crore to this fund in both the 2014 and 2015 budgets, and then reduced it to Rs 500 crore in the 2016 and 2017 budgets. But what is most astonishing is that most of this money has remained unutilised. Most of the schemes announced by the government for implementation with these funds have remained only on paper. In fact, in May 2016, even the Supreme Court issued notice to the government questioning why the Nirbhaya Fund has been left largely unused![25]

The most important allocation within the Ministry of Women and Child Development is for Integrated Child Development Services or ICDS. Within this, Anganwadi services have been allocated Rs 15,245 crore, which is even less than the allocation of 15,433 crore in 2015–16 (Actuals). This cut has been made, despite a damning Niti Ayog Report of 2015 showing that around 41% of the Anganwadis have inadequate space, 71% are not visited by doctors, 31% have no nutritional supplementation for malnourished children and 52% have bad hygienic conditions.[26] With the government reducing the allocation, the conditions are only going to get worse. It is indicative of our ruling regime's complete insensitivity towards the crores of children in the country who are malnourished (39% of children under five are stunted and 28% underweight) and the more than two crore pregnant women and lactating mothers. It also means that the Anganwadi workers who are being paid a pittance will continue to work at their very low wages.

Additionally, in his budget, the finance minister announced a grand scheme of setting up Mahila Shakti Kendras in all the 14 lakh ICDS Anganwadi centres. He stated that they will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition. Ambitious indeed! But the total allocation for these 14 lakh Kendras—a princely sum of Rs 500 crore. That works out to just Rs 3,571 for each Kendra! Furthermore, these services are to be provided by the low-paid Anganwadi workers—as an additional duty, without any additional pay! Implying that this scheme is a mere eye wash.

Consequence: Growing Inequality

The acceleration of neoliberal policies in the country under the Modi regime has worsened the inequality in the country to extreme levels. A study released by Oxfam in January this year showed that the country's richest 1% people now owned more than 58% of the country's wealth. This figure was 49% in 2014, when the Modi Government assumed power.[27]

"India's billionaires have never had it so good", to quote a magazine that keeps track of these worthies. The number of dollar billionaires in the country has gone up by a record 50% in just two years, from 56 in 2014 to 84 in 2016, as per the latest global ranking of the uber rich by *Forbes* magazine. They collectively own a mind-boggling $248 billion, or 8% of the country's total wealth of $3,100 billion. As a percentage of the country's GDP, their collective wealth, at Rs 16.6 lakh crore (taking $1=Rs 67), is equivalent to 11% of India's GDP for 2016–17! The top 57 billionaires have more wealth than the bottom 70% of the population.[28]

No wonder the rich are elated with Modi–Jaitley; *achhe din* have truly come for them! With India now having the fourth largest number of billionaires in the world, they have declared that India is on its way to becoming an economic superpower.[29]

On the other hand, the poor have never had it so bad! While the *Economic Survey* of 2015–16 claims that the incidence of poverty in the country has declined from 37.2% in 2004–05 to 21.9% in 2011–12, a host of other studies show that this is a huge underestimate:

- Basing herself on official NSSO data, the noted economist Utsa Patnaik has shown that the percentage of persons in rural areas who could not consume enough food to obtain the minimum recommended calorie norm (2,200 calories/day) was 75.5% in 2009–10. In urban areas, the percentage who could not consume enough food to obtain the norm (2,100 calories/day) was 73%.
- The Oxford Poverty and Human Development Initiative of the Oxford University devised a Global Multidimensional Poverty Index, which used weighted indicators relating to education, health and standard of living to arrive at a measure of multidimensional

deprivation. It found that in 2005–06, 53.8% of the population was 'Multidimensionally Poor', and another 16.4% was 'Vulnerable to Poverty', totalling 70.2%.

- The Socio-Economic and Caste Census (2011) data relating to rural households are now available. They show that for nearly 75% of rural households, the income of the highest earning member is less than Rs 5,000/month; and for 92%, it is less than Rs 10,000 a month. For more than half of rural households, the main source of income is manual casual labour—the most insecure, deprived and sweated type of employment.[30]

Despite this extreme inequality and terrible marginalisation of the overwhelming majority of the country's population, the government is reducing its already low welfare expenditures on the poor, and transferring the savings to the rich! In the 2017–18 budget, the total allocation for the Department of School Education, the Department of Health and Family Welfare, for all agriculture-related sectors and for the Ministry of Women and Child Welfare totals Rs 46,356 + 47,353 + 1,65,671 + 22,095 = Rs 281,475 crore. This amount is roughly half of the total tax concessions given to the rich last year! And apart from tax concessions, the rich are being given so many other breathtaking subsidies—loan write-offs, loan restructuring, allowing them to plunder mineral wealth of the nation virtually for free, grants of public funds as 'incentives' to investors in the infrastructural sectors, and so on.

The Modi Government is undoubtedly the most pro-rich government in the history of independent India.

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BUDGET 2017–18: IS IT INDEED A PRO-FARMER BUDGET?

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It is now well established that demonetisation has had a crippling impact on the Indian economy, and in particular, has sent the informal sector into a coma. The informal sector consists of small scale manufacturing, most of the construction industry, perhaps three quarters of the remainder of the services sector, and the agricultural sector. Among the worst hit was the agriculture sector.

The globalisation–liberalisation–privatisation policies being implemented in the country by successive governments that have come to power at the Centre since 1991 had already pushed Indian agriculture into deep crisis. The majority of the Indian peasants are small farmers with landholdings of less than one hectare. An important objective of the agricultural reforms being implemented in the name of globalisation is to slowly strangulate these small farmers and drive them out of their lands so that big agribusiness corporations can take them over. And so, for the past two decades, successive governments have been reducing public investment in agriculture, cutting subsidies given on major inputs needed for agriculture (such as fertiliser, electricity and irrigation subsidies), gradually eliminating output support to agriculture (in the form of public procurement of agricultural produce), gradually phasing out subsidised credit given to agriculture by public sector banks, and allowing imports of heavily subsidised agricultural produce from the developed countries into India. These policies have driven the hardy Indian farmers into such despair that more than 3 lakh farmers have committed suicide since mid-1990s, the largest recorded wave of such deaths in history.

Two consecutive years of drought, made worse by Modi Government's anti-farmer policies, further worsened this crisis. And then, in the third year (2016), just when farmers were hoping for better days due to a better monsoon, and were about to harvest their kharif crop and begin preparations for the sowing of the rabi crop, they were hit by the cyclone of demonetisation, resulting in huge losses and pushing them further into debt.

It was therefore expected that the Finance Minister would announce measures to compensate farmers for the losses suffered by them due to demonetisation, and also take steps to address the acute crisis gripping the agricultural sector, in his Budget 2017–18.

True to form, the mainstream media has hailed the latest budget presented by Jaitley as a pro-farmer budget one that would give a fillip to agriculture. Just like it had done for last year's budget. We examine the claims made by the Finance Minister and the Prime Minister about the pro-farmer nature of Budget 2017–18 and repeated sycophantically by the media in this article.

Doubling Farmers Income?

In his budget speech, the Finance Minister has repeated his promise made last year to double farmers' incomes in five years, a promise that has also been repeated by the Prime Minister. But just like last year, Jaitley has not clarified whether he means to double nominal incomes or real incomes; and just like last year, there is no roadmap of how he plans to make this happen. In fact, a member of the official NITI Aayog, Bibek Debroy, clarified in a television interview last year that the doubling was meant in nominal, not real, terms, that is, not after discounting for inflation.[1] In such terms incomes could double anyway, even without "aiming"! In other words, the declaration is a complete fraud.

To get an idea of the crisis gripping Indian agriculture, the following statistics should suffice: For nearly 70% of Indian small farmers who have land holdings of less than 1 hectare, total income from all sources (cultivation, farming of animals, non-farm business and wages) was less than consumption expenditure (Table 1).

Table 1: Small Farmer Households, All India, 2012–13: Average Monthly Income and Expenditure[2]

Size class of land possessed	*Number of households as % of total*	*Total Income from all sources*	*Total Consumption Expenditure*
<0.01 ha	2.6%	4561	5108
0.01 – 0.40 ha	31.9%	4152	5401
0.41 – 1.00 ha	34.9%	5247	6020

This has led to a huge increase in rural indebtedness. The most extensive survey of farm households to date conducted by the National Sample Survey Office (NSSO) in 2012–13 found 52% of the total agricultural households in the country to be in debt. The average debt is Rs 47,000 per agricultural household, in a country where the yearly income from cultivation per household is Rs 36,972.[3]

These statistics make it clear that to tackle the agricultural crisis, which is pushing thousands of farmers to commit suicide every year, the government needs to make farming profitable by reducing input costs by increasing subsidies on fertilisers, electricity, water, etc., providing output price support, increase public investment in agriculture—which is absolutely essential for agricultural growth, and take big bang steps to tackle the debt crisis gripping Indian farmers by waiving their debts in a big way, and freeing small farmers from the stranglehold of moneylenders and taking steps to make institutional credit available to them at subsidised rates.

BJP U-Turn

Budget 2017–18 addresses none of these issues. The BJP has made a complete U-Turn on its its election promise made at the time of the 2014 Lok Sabha elections to provide farmers Minimum Support Prices (MSP) that would ensure them a 50% profit over cost of production. There is no mention of remunerative prices in the budget. MSP of most crops are far below even the cost of production. There is complete silence on the issue of strengthening public procurement of farm produce, and expansion of storage. While fertiliser prices are sharply rising, fertiliser subsidy stands still at Rs 70,000 crore in 2016–17 RE and 2017–18 BE.[4] The government has made no attempt to pass on the sharp fall in international oil prices to farmers—it has instead used the fall to increase its revenues by increasing excise duties on the petroleum sector: while annual average price of crude oil sharply fell from $105 per barrel in 2013–14 to around $46 per barrel in 2015–16 and 2016–17, the retail price of diesel (in Delhi) came down slightly from around Rs 55 per litre in March 2014 to Rs 48 per litre in March 2016, and has once again risen to Rs 59 per litre by end-January 2017.[5]

The Farm Credit Fraud

The Finance Minister does not even make a mention of the growing indebtedness gripping Indian farmers, forget about taking steps to waive their debts. On the other hand, Jaitley's announcement that farm credit target is being revised from Rs 9.5 lakh crore in 2016–17 to Rs 10 lakh crore in 2017–18 hit the headlines in several newspapers. But this is actually a farcical announcement! This number does not appear anywhere in the budget. Why? Because it is not a government allocation, but simply a target for the banks to provide loans.

The Centre's actual contribution is through the interest subsidy provided on these loans. Interestingly, the budget for interest subsidy remains the same at Rs 15,000 crores, even though the credit target has been raised. So, farm subsidies are not being increased here too.

More importantly, who does this Rs 10 lakh crore of credit go to? In 2015, the BJP government removed the distinction between direct lending and indirect lending, making it possible for these loans to be given to agri-businesses like Reliance Fresh and not to farmers. As studies have indicated, much of the agricultural credit is actually going to cities. For example, 40% of the agricultural credit in Maharashtra goes to Mumbai! So far as those who are actually farmers are concerned, most of them are actually not eligible for farm loans from banks—tenant farmers do not get bank loans, and neither do a large number of women farmers as they do not have land titles in their name—and nearly 50% of the farmers are women.[6] The Finance Minister has turned a blind eye to these issues.

Insurance Scam

As regards increasing public investment in agriculture, some isolated announcements have been made. Thus, one issue that caused a lot of hoopla in the media was the allocation of Rs 9,000 crore for the Pradhan Mantri Fasal Bima Yojna (PMFBY). The scheme aims to provide financial support to farmers suffering crop loss/damage arising out of unforeseen events. It has a uniform premium of 2% to be paid by farmers for all kharif crops and 1.5% for all rabi crops (for commercial and horticultural crops, the premium is 5%). The rest of the premium is paid by the government. Actually, the allocation for this year for this scheme has actually fallen—it had been allocated Rs 13,240 crore in 2016–17 RE. Despite this fall, the government claims that the total number of farmers covered under this scheme is going to be increased from 26.5% of all farmers to 40% of farmers. That is strange mathematics indeed!

More importantly, the Rs 13,240 crores spent in 2016–17 under this scheme have not gone to farmers; this amount is actually the subsidy on insurance premium that has been paid to private insurance companies. It was thus a bonanza for the insurance companies; the farmers will benefit from this only if they get insurance claim payments. How many farmers benefited under this scheme? The Finance Minister was silent on this in his budget speech, as the government has nothing significant to report on this. No wonder that the allocation for PMFBY is only discussed in TV studios and the Parliament; no farmer's organisation said a word about this scheme. So much for the government's flagship scheme for farmers.

Another big ticket announcement was the doubling of the long-term irrigation fund with NABARD—from Rs 20,000 crore that was allocated in 2016–17 to Rs 40,000 crore in 2017–18.

According to the Finance Minister, this has been done to fast track the implementation of incomplete major and medium irrigation projects. Another corpus fund of Rs 5,000 crore was announced for micro-irrigation. But the Finance Minister was silent about how much of this corpus was spent in 2016–17, and what irrigation facilities were created with this money.

The Finance Minister also announced the setting up of a Dairy Development Fund with a corpus of Rs 2,000 crore, so as to expand the availability of milk processing facilities and other infrastructure for farmers. But again, like most of his pronouncements, he was only indulging in window-dressing; actual allocation for animal husbandry was only Rs 2,371 crore in 2017–18 BE compared to Rs 1,994 crore revised expenditure of 2016–17.

Record Allocation for MNREGS

Probably the allocation that drew the biggest cheer was the allocation of Rs 48,000 crores for the employment guarantee scheme, MGNREGS—a scheme that had been derisively dismissed by PM Modi only two years ago. Arun Jaitley proclaimed in his budget speech that this allocation was the highest ever, and was a big increase over the allocation of Rs 38,500 crore for this scheme made in the 2016–17 budget. But what he forgot to mention was that actual expenditure under this scheme in 2016–17 was Rs 47,499 crore, implying that the increase over last year's revised estimates was only Rs 500 crore, or 1%. In real terms, factoring in inflation, it is actually a decline!

Even this large expenditure of last year is no credit to the government. It was forced by the Supreme Court orders in the Swaraj Abhiyan case on the drought.

Furthermore, even this allocation of Rs 48,000 crore is actually very insufficient for a full roll-out of the scheme. MNREGS is a demand driven scheme, adequate resources need to be made available for it whenever there is a demand. Presently, 22 of 34 states and union territories have negative balances in their MNREGA accounts. Their total liabilities have piled up to Rs 3,469 crore. But according to the government, 93% of the funds available for MNREGS have been spent. Additionally, the expenditure for February and March 2017 has still to be made, and to honour only the approved budgets for these two months, an additional nearly Rs 10,013 crore is required. Therefore, total pending liabilities at the end of fiscal 2016–17 under this scheme would be Rs 13,482 crore. Add to this an additional Rs 3,800 crore on account of inflation (at 8%), and that means that to keep the allocations at the same level as 2016–17 RE, the total allocation for 2017–18 needs to be 47,499 + 13,482 + 3,800 = Rs 64,781 crore. The actual allocation for 2017–18 is actually 26% less than this!

In fact, the Supreme Court has stated that the entire demand of the states for work should be met by the Centre—which comes to nearly Rs 80,000 crores! The reality is that the Centre is actually discouraging the states from providing work, inordinately delaying the release of funds, with wage payments to workers delayed by two to three months.[7]

Let us now take a look at the total allocation for agriculture. This is ultimately the most important aspect of the agricultural budget. In actuality, as can be seen from the Table 2, as a percentage of the GDP, total allocations for all agricultural related sectors have actually declined in 2017–18 as compared to the revised estimates for 2016–17.

Table 2: Allocations for Agriculture, Rural Development and Water Resources

		2014–15 Actual	*2015–16 Actual*	*2016–17 RE*	*2017–18 BE*
1	Ministry of Agriculture and Farmers' Welfare	25,917	22,092	48,073	51,026
2	Ministry of Finance, Interest Subsidy on Short term farm credit	6,000	13,000	–	
3	Ministry of Rural Development	69,817	78,945	97,760	10,7758
4	Water Resources	5,480	6,862	4,756	6,887
5	Total: 1+2+3+4 = 5	1,07,214	1,20,899	1,50,589	1,65,671
6	GDP	1,24,33,749	1,36,75,331	1,50,75,429	1,68,47,455
7	Total Agriculture Spending (5) as % of GDP	0.86	0.88	1.0	0.98

As a percentage of GDP, total spending on all agriculture related sectors is just 0.9% of GDP. This, for a sector on which 60% of the population depend for their livelihoods!

Clearly, Modi and Jaitley are not interested in alleviating any of the distress caused by the disastrous demonetisation policy decision of November 8, 2016, and are ruthlessly continuing with the neoliberal agricultural reforms that are strangulating Indian agriculture and pushing lakhs of farmers to committing suicides.

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