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# Discussion on Union Budget 2016-17

Social Development Forum

Council for Social Development

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# SOCIAL DEVELOPMENT FORUM
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The Social Development Forum (SDF) of Council for Social Development (CSD) organized a day long discussion on the Union Budget 2016-17 on 15 March 2016 at Durgabai Deshmukh Memorial Lecture Hall, CSD, New Delhi. The discussion was divided into three sessions; one session in the forenoon and two sessions in the afternoon. The main objective of this discussion was to analyse the Union Budget from the viewpoints of CSD's perspectives on social sector development.

The first session was devoted to discussing macro-economic outlook and the Union Budget 2016-17. This session was chaired by Prof. Muchkund Dubey. Prof. Atul Sarma and Prof. Biswajit Dhar were the main speakers. There were two sessions in the afternoon; one was focussed on education and health, and another was focused on rural and agriculture development. Prof. Atul Sarma presided over the session on education and health. Prof. R. Govinda, Prof. Imrana Qadeer, Prof. K. B. Saxena and Mr. Ambarish Rai were the main speakers in this session. The last session discussed the shift in the focus of the Union Budget towards rural and agriculture development. Prof. K. B. Saxena presided over this session. Prof. Praveen Jha and Prof. Ashok Pankaj were the main speakers.

# 1

# SUMMARY

The budget of a government is a charter of its economic policy, and hence, must be assessed in the context of the macro-economic policy that the government pursues. The Union Budget 2016-17 is continuation of the liberalization policy, started in 1991, with greater emphasis on private and foreign capital driven growth strategy, and lesser emphasis on investment in human capital and social and economic institutions.

The budget begins on a euphonic note by asserting that the country has achieved 7.6 per cent growth rate in GDP in 2015-16. This is, indeed, commendable, given the adverse domestic and international conditions. However, this itself is not enough. The fact is that there have been two successive years of drought that have further aggravated agrarian distress. Exports have been down and negative in the months of November-December-January (2015-16). The manufacturing sector has been down almost throughout the year. How does one reconcile these with 7.6 per cent growth in GDP?

The government has maintained fiscal discipline by holding the deficit at 3.9 per cent of GDP. However, a large part of this has been achieved because of: (a) windfall gain due to reduction in petroleum prices, (b) cut in social sector expenditure, (c) reduction in plan expenditure, and (d) disinvestment. While fiscal consolidation is commendable, it is important to see how it has been achieved. If it is achieved at the cost of social sector and plan development expenditure, then its utility is questionable.

Inequality in India has increased in the post-reforms period. The concern of rising inequality remains largely unaddressed through the tax proposal. Tax is not only an instrument of revenue collection but also of addressing rising inequality. By their very nature, direct taxes are progressive and indirect taxes are regressive. Nevertheless, the budget depends more on indirect taxes including cesses and surcharges for revenue mobilization than on direct taxes.

Cesses and surcharges have implications for state finances. Through greater reliance on cesses and surcharges that do no form part of divisible pool, the union government denies to the state governments their legitimate shares in the divisible pool. This will also defeat the purpose of enhanced share in statutory transfer of revenue as per the recommendation of the 14th Finance Commission.

The budget has put a great deal of emphasis on rural and agricultural development. It also emphasizes the commitment of the government to the promotion of social sector development. However, provisions in the budget for social sectors seem to be inconsistent with the declared emphasis.

The expenditure on social sector has been enhanced as compared to the allocation of the last year, but it should be seen in the context of drastic cuts in social sector allocation in 2014-15 and 2015-16. Moreover, the Union government has changed the fund sharing pattern of the flagship programmes. It was shared between the Union and state governments in the ratio of 75:25. This has been now reduced to 60:40 (for most of the programmes). The state governments have limited fiscal capacity to bear the extra financial burden. This revision will, therefore, have adverse affect on the overall implementation of these programmes.

The allocation on education has been increased over the last year's allocation. But since there was a major cut in allocation in the last year's budget, the enhanced allocation is deceptive. More significantly, the annual allocation makes sense only if it results in a cumulative increase or cumulative improvement in the situation. The social sector allocation, including the allocation for education, has always been low and needs to be improved on a year to year basis.

The budget aims to graduate in the field of education from universal enrollment to universal quality achievement, but the proposal of the budget is not consistent with this objective. The budget proposal aims at achieving universal quality education through the allocation of a paltry sum of Rs. 500 crore and through 62 Navodya Vidyalayas which constitute not even. 0.1 per cent of the 1.4 million schools in the country.

Similarly, the budget proposes to achieve quality in higher education through 20 (10 public and 10 private) universities. It is not spelt out how this will enhance quality. The main issue of improving the quality of 750 universities and 50,000 colleges where most of the students are enrolled for higher education, is skipped in the process.

The budget proposal on health sector makes some welcome announcements, viz. providing free dispensaries for all, opening up new centres like kidney centre for dialysis, increasing payment for insurance to provide health facilities to the critical patients, etc. However, this approach towards health sector is flawed for many reasons. Firstly, it pushes insurance based health coverage through private hospitals instead of providing universal primary health through government hospitals. Secondly, its focus is on tertiary health care at the neglect of primary health care which is the concern of the vast majority of the population.

The budget proposal on social sector has direct impacts on the poor and marginalized sections, who will be the worst affected by the low level and cuts in allocation, changes in the financing pattern of the flagship programmes, and transferring of the responsibility of social sector development to the state governments.

The budget has created euphoria about increased allocation to agriculture and rural development. A closer examination of the budget proposals and the problems and conditions of rural areas suggests that this euphoria is misplaced. This budget has missed what should be the real focus. What is going to be done for the overall development of the rural areas? Is the problem of rural India confined to inadequate roads and other infrastructural facilities?

The problem in the rural area has arisen due to years of neglect of investment of human capital formation, viz., education, health, nutrition, compounded by the poor investment in basic amenities like, drinking water, sanitation, primary health care, etc. A consequence of this long-term neglect is the creation of a huge army of unemployed who are uneducated, unskilled, and unemployable in modern sectors. There is no magic wand to convert overnight this huge manpower into better human capital. This is one of the biggest problems of the rural area, and needs urgent, systemic and well-planned intervention. Infrastructure-centric orientation of the economic policy of the governments (UPA as well as NDA) needs to be turned into people-centric.

There is increased allocation in the budget for rural and agricultural development. However, this increase is over the allocation of 2015-16. In real terms, the increase is not very significant. The budget has also projected unrealistic growth assumption of doubling the income of farmers in five years. This needs a growth rate of 14 per cent per annum. The basic conditions in agriculture are not supportive of this high growth projection.

The higher allocation to the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (UCBs), following the recommendation of the 14th Finance Commission, is welcome. But the major problem of these institutions is continuing neglect in investment for developing their capacities as vibrant institutions of decentralized planning, implementation and social monitoring. These institutions have been crippled by the lack of devolution of finances, functions and functionaries in most of the states. This needs to be addressed on utmost priority. Otherwise, the devolution of fund would serve limited purpose.

As a whole, from social sector development perspective, this budget failed to address the structural problem besetting the sector.

# 2 MACRO ECONOMIC PROSPECTS AND THE UNION BUDGET 2016-17

## BUDGET AS A MACRO-ECONOMIC POLICY DOCUMENT

A budget has to be seen in the overall macro-economic policy that a government pursues. The Union Budget 2016-17 continues with the pro-capitalist, pro-market and anti-poor policy of the previous governments, notwithstanding its proclamation to accord priority to rural and agricultural sector development. This is reflected in this budget, most strikingly, in three respects.

Firstly, the budget gives too much emphasis on attracting Foreign Direct Investment (FDI), which is a mirage given the situation outside and inside the country. One, there is not much scope for attracting foreign direct investment on a very large scale and on a sustained basis, as there is global slowdown and there are competitive claimants. Two, the flow of foreign private capital depends on a variety of other, mainly domestic conditions.

Secondly, the state is not spending on a scale that is needed to provide public goods. The increases that have been shown here and there in the budget are very much of a cosmetic nature. It is essential to invest on public goods, aiming at distribution and welfare of the vast majority of poor people, to create additional demand in the economy which can act as a multiplier of growth. The budget does not give any indication of spending on providing public goods on the required scale to the poor section of the population. For example, the allocation of Integrated Child Development Services (ICDS), the only flagship programme of the government for the children in the age group of 0-5, whose development is a key factor in laying the foundation for the future growth of the country, was cut down by 49 per cent in the last budget (2015-16) to about Rs. 15,000 crore[1] that has been reduced further to Rs. 14,000 crore in 2016-17. The allocation for education is another example. The budget allocation for Sarva Shiksha Abhiyan (SSA) which is the vehicle for implementing the Right to Education (RTE) Act has been enhanced by merely 3.2 per cent. The enhancement for school education as a whole has been only of 2.25 per cent. This means a significant reduction in real terms.

Thirdly, the budget continues with the policy of increasing withdrawal of the government from socio-economic institutions, particularly those which cater to the needs of the poor. There is no provision in the budget for improving the

1. The actual expenditure in the last year was Rs. 15,394 crores.

vast number of hospitals in the public sector, the primary health centres, government schools, technical education institutions, etc. Millions of children are out of schools, and there is a massive inadequacy of trained teachers and non-expansion of teachers' training institutes.

Post-Independence India set out a goal for pursuing higher growth and development through painstakingly building socio-economic institutions and human capital over years. This was virtually given up after the embrace of neo-liberal development strategy in 1991. This policy is continued in this budget. This raises fundamental questions about the prospects of growth and development of future India. Is India going to be a country which registers good growth through the stimulus of sudden FDI inflow and then stagnates or settles down to a very low rate of growth after this flow dried up? If India does not have well considered policy of creating human capital and institution at all levels on massive scale, the prospect of sustainable growth for the country is dim.

## GDP GROWTH RATE, FISCAL DEFICIT, TAXES AND SUBSIDIES

India's GDP growth rate of 7.6 per cent in 2015-16 is indeed impressive, given the depressing global and domestic conditions. China's growth rate in GDP declined from 6.9 per cent in 2015 to 6.4 per cent in 2016. In the same year, the European economy grew by merely 1.5 per cent. Russia and Brazil have been hit by recession. There has been a sharp fall in emerging market stocks as indicated by the Morgan Stanley Capital International (MSCI) index at the global level. On the domestic fronts, there have been two back to back droughts leading to agrarian distress and falling rural demand.

The index of industrial production in manufacturing during the months of November, December 2015 and January 2016 show negative growth of -4 per cent, -2 per cent and -3 per cent respectively. The corporate sector growth rate, especially for large companies, is stagnant, or has been falling for several months. The export has been shrinking continuously for the last 14 months. Imports are down by 16 per cent, although most of it is due to the fall in crude prices. The non-oil imports are down by more than 3 per cent. The projection of higher growth rate in 2016-17 would not materialize unless there is an improvement in domestic and international conditions.

The Union Budget 2016-17 has stuck to the fiscal consolidation path by way of holding to the fiscal deficit of 3.9 per cent for 2015-16. That is commendable given India's high debt-GDP ratio of 65 per cent, which is high for an emerging market. Interest payment claimed about 36.5 per cent of government revenues despite falling average interest rate to 6.7 per cent in 2014-15 from 8.1 per cent 2000-01. However, this fiscal consolidation makes greater sense if it results in higher public investment that does not seem to be happening. Even with windfall gain due to reduction in petroleum prices, capital expenditure fell from Rs. 2.41 lakh crore in 2015-16 (BE ) to Rs. 2.37 lakh crore in 2015-16 (RE). More important is how fiscal deficit has been capped at 3.9 per cent of GDP. It has been achieved mainly because of three reasons:

(a) A windfall gain of Rs.1.40 lakh crore due to falling crude oil price. International prices halved in 2015, but consumers received only 10 per cent of the decline, and the rest was mopped up through excise duty hikes. On the expenditure side, the burden of POL subsidies was reduced;

(b) By cutting expenditure including plan expenditure and disinvestment; and

(c) By cutting central assistance by 50,000 crore in 2015-16 (RE) as compared to the actual for 2014-15. The revenue deficit still continues to claim 63.8 per cent of the fiscal deficit.

The Budget Estimate 2016-17 projects fiscal deficit at 3.5 per cent of GDP. This will depend on:

(a) Whether gain from falling crude oil prices will continue;

(b) Whether the disinvestment target of Rs. 56,-500 crore for 2016-17 is achieved even though much less than half (Rs. 25,312 crore) of the targeted disinvestment of Rs. 69,500 crore was achieved in 2015-16 (RE); and

(c) Whether the financial burden of implementation of the 7th Pay Commission remains within the limit provided. It is worth mentioning that the fiscal deficit of 3.5 per cent does not include the extra budgetary borrowings of Rs. 1.19 lakh crore by the Railways (Rs. 59,325 crore) and the Ministry of Road Transport (Rs. 59,279 crore), which rose from Rs. 76,700 crore (Rs. 48,700 crore and Rs. 28,000 crore. respectively) in 2015-16.

Direct taxes could be used as an instrument to improve income distribution. Direct taxes are progressive in nature whereas indirect taxes are more regressive. Nevertheless, the budget proposal on taxation has foregone revenue from direct taxes and depended more on indirect taxes. The tax proposal in the Budget 2016-17 would result in a revenue loss of Rs. 1060 crore while it is proposed to mop up Rs. 20,-670 crore through indirect taxes. What is more important is that at the end of 2015-16, 80.1 per cent of the total tax arrears (Rs. 7.0 lakh crore or 48.3 per cent of the gross tax revenue in 2015-16 BE) is related to direct taxes.

This budget does not show much promise in reforms in subsidy. Subsidies (food, POL and fertilizer subsidies are major ones) have been retained at the same level. Despite falling international prices, major subsidies are budgeted at 2.5 lakh crore, almost at the same level as of the previous year. Subsidy reforms have not gone beyond the pilot.

Cesses and surcharges have been increased. This is contrary to the principle of fiscal devolution and is, in a way, denial of the enhanced share to the states as per the recommendation of the 14th Finance Commission (FC). On the one hand, it is claimed that the tax devolution has been sharply raised to 42 per cent from 32 per cent by the 14th FC. On the other hand, various cesses and surcharges, which do not form a part of the divisible pool and meant for the exclusive use of the central government, would contribute 18.4 per cent of the centre's tax revenue. This budget has introduced two more cesses, viz. Kishan Kalyan cess and infrastructure cess. On top of it, the central assistance for state plans has been curtailed to 2 lakh crore in 2015-16 (RE) and 2.3 lakh crore in 2016-17 (BE) from 2.6 lakh crore in 2014-15 (actual).

# 3

# SOCIAL SECTORS

The enhanced overall size of budgetary expenditure of Rs. 1.93 lakh crore does not imply an increase in development expenditure as two-thirds of it is non-plan i.e., interest payment, pensions, defence, etc. and one-third of it is on the plan side that includes infrastructure and social sectors. Social sector expenditure continues to hover around 3.05 per cent of GDP.

The government restructured social sector policy last year. But a major implication of this restructuring is reduced commitment of resources from the centre. The restructuring of the Centrally Sponsored Scheme (CSS) took place along the following lines. The first category of schemes consisted of those in respect of which the central government withdrew its support and left it on the state governments to continue or not to continue. The second category of schemes consisted of those where the centre reduced its share to 60 per cent against its erstwhile share of 75 per cent. This category includes ICDS, Sarva Shiksha Abhiyan, Mid-day Meal, National Health Mission, Swachch Bharat Abhiyan, etc. The third category of schemes consisted of those in which the centre retained its funding. This would affect the implementation of these programmes, especially in the most backward states with poor capacity of resource mobilization. A large number of these programmes were targeted at these states only.

## EDUCATION

The budgetary allocation for education, or for that matter entire social sector, needs to be seen in the long-term perspective. The annual allocation makes sense only if it results in cumulative increase or cumulative improvement in the situation. The social sector allocation in budgets has always been weak.

The budgetary allocation for education in the Union Budget 2016-17 proposes an enhancement of Rs. 1000 crore for school education and Rs. 2000 crore for higher education. The allotment for school education has been increased from Rs. 42,000 crore in 2015-16 to Rs. 43,000 crore in 2016-17. The allocation for higher education has been increased from Rs. 26,000 crore in 2015-16 to about Rs. 28,000 crore in 2016-17.

But there is a receipt side of the budget. A large part of the allocation on education is cess (education) money that constitutes about 40-42 per cent of the total allocation. When the education cess was levied for the first time by the UPA government, it was made clear on the floor of the Parliament that it would be additional resources. As against this, the cess money constitutes the major part of the allocation. Moreover, about 9000 crore of this money goes for the mid-day meal scheme, not only from now, but from the beginning of the mid-day meal scheme.

Education cess has been collected from income tax, corporate tax, excise duty and service tax. It was collected from excise and service tax till two years ago. But last year the budget announced that it would be subsumed in the service tax, so there would be no cess collection on this. This meant that education cess is collected from excise and service tax, but that may or may not be available for education.

There has been a merely 500 crore increase in the allocation to the Sarva Shiksha Abhiyan (SSA). However, the amount of funds allocation, which we had in the year 2014-15, has been cut by 28.5 per cent in the case of SSA. On the other hand, state governments have been reluctant to spend their own money on education, apart from their mandatory share in the expenditure of the SSA. The Union government argues that the share of the state governments in divisible pool has been increased as per the recommendation of the 14th Finance Commission. But will the state governments put this money for enhancing allocation to education?

The National Policy of Education calls for three dimensions of universalization:

(a) Universal enrolment,

(b) Universal completion (no drop-out), and

(c) Universal achievement.

The Budget 2016-17 aims to graduate from universal enrollment to universal quality of education and makes additional allocation. But the moot question is: can quality be improved with only 500 crore additional amount? The budget proposes to achieve the improvement in quality through 62 Navodaya Vidayalayas. It is a gross mistake to assume that 62 Navodaya Vidalayas that starts only at grade VI will change the quality of education across the country. There are about 1.4 million schools in the country.

Also, there is a persistent elitist bias in the education policy administrators. Their entire focus is on CBSE (Central Board of Secondary Education) affiliated Navodaya Vidyalayas, Kendriya Vidyalayas and private English medium schools which are in a very small number as compared to the total number of schools in the country (1.4 million). Also, Kendriya Vidyalayas, Navodaya Vidyalayas, etc. are good, only because the government allocates 10 times more funds to them, but the condition of other schools are abysmal. There is also a need for improving the quality of teacher training institutions, but this has not been given attention in the budget.

The Budget 2016-17 aims to address the issue of quality in higher education through a proposal to make 20 Universities – 10 public and 10 private – as institutions of excellence. But there are many ambiguities of purposes and scope. For example, the budget proposal does not spell out what will be the aims and goals of these 20 world class universities. Our problem is not the lack of world class universities and institutions. We do have some world class universities and institutions, say JNU, IITs and so on. Our problem is that these world class universities and institutions have been unable to provide solutions to our social and technological problems and requirements. Secondly, who will these 20 universities be? Will they be from the existing public and private universities, or will they be entirely new? It is not clear from the budget proposal.

We have about 750 universities and around 50,000 colleges and institutes in the country. We are not looking at them and creating another 20 additional universities. Most of our universities and colleges are under state domains; inadequately funded; and have serious quality issues. Instead of strengthening them which enroll bulk of the students in higher education, creation of new universities would serve limited purposes.

Another issue is the regulatory framework of these universities. Will they be outside the regulatory framework of the University Grants Commission (UGC)? If it is going to be so, that would be another problem. Experiences suggest that the taking out the institutions from the purview of the UGC has not been helpful. We have taken out the All India Council for Technical Education (AICTE) and the National Council for Teacher Education (NCTE) from the UGC. Both the AICTE and the NCTE have failed in ensuring quality of the institutions under their purview.

The funding nature of the proposed higher education financial agency, with an initial capital base of Rs. 1000 crore, as provided in this budget, is not clear. Will it be a non-profit organization that will leverage funds from the market and supplement them with donation and Corporate Social Responsibility (CSR) funds? Will this be helpful in infrastructure development of top institutions?

The Budget 2016-17 also proposes to digitize certificates of all educational institutions. It is a strange idea that all certificates will be digitized and placed at one e-portal. Are our educational institutions not capable to maintain records of their certificates? If it has to be digitized, each institution can do it by itself. The centralization of the process of digitization is a futile exercise.

## HEALTH

Health is of vital importance for people, but it does not seem to be very critical for the planners. The proposals of the Union Budget 2016-17, appreciated by many for promises like providing free dispensaries for the people; opening up new centres like kidney centre for dialysis; increasing payment for insurance to provide health facilities to the critical patients and so on, lack long-term perspective, and have many weaknesses. For example, push to insurance-based health policy is fundamentally flawed. The type of insurance that we had in the past two Five Year Plans was targeted insurance programme for the weaker sections of the society. The coverage claim has come up to only 50 per cent of the targeted households. But even these claims needed to be evaluated.

The projected 13 per cent increase of total allocation on health for 2016-17 over previous year's spending of Rs. 33, 841 crore amounts to a nominal increase by Rs. 4,365 crore. Using Consumer Price Index-Industrial Worker (CPI-IW) as deflator and assuming that inflation will stay at this year's rate, we estimate that in real terms, the allocation is less by Rs. 2000 crore, an increase amounts of mere 6.6 per cent over 2015-16. This is really small as the revised budget for 2015-16 was lower than the even the expenditures for 2014-15 in real terms! The increase is thus only of Rs. 2,300 crore in the total budget of around Rs. 38,000 crore.

The Universal Healthcare Bill was passed in 2010. But universality of coverage and care is not on the ground. The way universality in healthcare was approached, healthcare was to be given free first to the poorest section of the society. The claim to protect the poor from catastrophic expenditure is unconvincing. Identification of the poor itself has been a challenge. Added to this, is the issuance of smart cards to these section. In some states, like Karnataka a very high proportion of non-BPL families were holding this card although it was meant for only BPL families. Even if we ignore the problem of genuine identification, the Rashtriya Swasthya Suraksha Yojna (RSSY) gives Rs. 30,000 for hospitalization. For serious illness this is a pittance. The available studies show that we have been unable to curtail the catastrophic expenditure of the poor as it is not only from hospitalization but out-patient care also that is neglected. The Out of Pocket Expenditure (OOPE) is high also, because it does not include expenses on travel, attendant, loss of wages, etc.

The government budget clubs the major insurance schemes into one. There is a continuous rise in the insurance allocation of all kinds (CGHS, RSBY, RSSY) form 7.3 per cent in 2014-15 to 9.5 per cent in 2016-17. This includes the central government schemes, which have increased their premiums. This insurance is actually direct payment to providers by the government as most of them are from the private sector with PPP being the preferred mode of provisioning. The proposed increase in insurance amounts to one lakh rupees for hospitalization and another Rs. 30,000 for elderly care, will only increase the burden on the government without any preventive support. The state is increasing allocations for the insurance sector and private providers at the cost of its own infrastructure.

Through the insurance scheme, large subsidies of the state are transferred to the private sector which has a strong-hold today on tertiary care service. The data of the implementation of the Rashtriya Swasthya Bima Yojna (RSBY) show that from different states between 40 and 80 per cent (over 50 per cent in most of the states) of the empanelled hospitals under the RSBY are from private sector. This also reflects on the state of public hospitals. For, empanelment of the hospitals under the RSVY is based on certain conditionalities. The state of public hospitals in the country is such that many of them are and would not be empanelled. This will lead to further neglect of public hospitals. The worst hospitals will be the most affected. People also choose from the private hospitals. That will further deprive public hospitals of the chance of improvement.

Earlier the allocation was made to different institutions depending on the requirement of the resources. Now, it is done based on the number of people registered for a particular institution. By this measure, the Government further undermines the public sector hospitals. That is the actual story of insurance, which shows that we are moving towards the private sector and not helping the cause of the public hospitals. One would expect that with so many medical colleges within the public sector, the government would want to improve their conditions, but the budget does not indicate this priority.

The amount of money which the government has allocated for the medical colleges is not sufficient even for the promised AIIMS like institutions. The Budget 2015-16 had made similar promises, but that did not happen. More important is how much will be given to the tertiary sector and how much to the dilapidated basic public institutions is not known. The budget should have spelt out it in details.

Earlier, lots of efforts were made for maternal and child care as well as nutritional care, as a part of the Family Welfare Programme. This budget drastically reduces the allocations and invests only in contraceptives and Information Education and Communication (IEC) for family planning, hereby reducing it to a population control rather than a welfare strategy.

The National Health Mission (NHM) is expansion of the National Rural Health Mission (NRHM) and includes urban areas. While the scope of NHM has been widened, the budget allocation to it has been reduced during the last three years from 56.2 per cent of the total budget on health in 2014-15 to 54.1 per cent in 2015-16 and further to 49.8 per cent in 2016-17. There is a consistent decline in real terms as well. The rural component does not get even 60 per cent of what is required.

There is a disjunction in priority between tertiary and primary healthcare. There has been constant effort to improve the tertiary healthcare in the country without providing primary healthcare to the people. In a sense, this is like creating a disease market in the country. In the absence of primary healthcare, more and more people will fall sick. Their problem will aggravate, and then, they will be referred to the hospitals of tertiary healthcare through insurance route. This will only help in transferring more and more money to the private sector leaving behind the public healthcare system.

A very interesting category in health budget is the research in medical and the human resources. Human resource in health sector is an area of concern. Over the past 10 years we have not been able to build the care of paramedical workforce that is needed for medical facilities, and the present allocation of Rs. 600 crores is not adequate. Under the heads of health budget, there is a category called "others". This interesting category consists of allocation for cancer treatment, diabetes, blindness, and telecommunication, all of which are actually tertiary care actvities. They also include nursing services without any clarity on division in allocations.

It is also important to see the allocation in the budget for the other social welfare sectors. In this year, the budget for this sector has been reduced drastically as cuts have been made in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (in real term), women welfare and ICDS budgets.

All these emphasize the necessity of achieving comprehensive healthcare that is not just medical care but much more. The 12th Plan talks about that 4.5 per cent of the total GDP of the country is being spent on healthcare services. But this is a fallacy, as this includes Out of Pocket Expenditure (OOPE) which is around 70 per cent of the total expenditure according to the 2005 National Health Account Report. This out of pocket expenditure is added to public expenditure. While private expenditure is 3.0 per cent, the public expenditure is merely 1.5 per cent of the GDP. The private sector's declared investment through its insurances does not come up to more than 2 per cent. The out of pocket expenditure is actually coming from the sick people who are dying. This is not an investment to build services but price paid for healthcare and it is not coming from the private sector medical industry. This is a unique feature of the medical industry that uses people's need to survive to expand the market as well as show their expenses as expenditure (investment) in health sector. This money is payment for services which includes profits and recovery of investment. Health care, therefore, today is called an industry, because these institutions are borrowing money from the financial institutions- national and foreign— and doing highly profitable business through medical markets.

## MARGINALIZED GROUPS

### *SCs, STs and Minorities*

The Budget 2016-17 did not announce any major initiatives for the SCs/STs. However, it announced two new programmes for the SCs/STs. One is Stand up India and another is SC/ST Hub in the Ministry of Small and Medium Scale Industries. Stand up India has an outlay of Rs. 500 crore and under the scheme, two projects would be developed by each bank branch for creating entrepreneurs among the Dalits and the Adivasis. But the resources would go to the banks and not to the targeted persons.

The budget allocation of the Ministry of Minority Affairs has been enhanced by only 2 per cent. Moreover, the abolition of Minority Development Plan, patterned like SC/ST sub-plan, would have significant consequences for the development of the minorities, especially Muslim minority community, who would have to compete with other communities in getting state resources. Numerous studies show that Muslims have lagged in development because of discrimination faced by them.

The government announced two schemes for the Muslims in the Budget 2015-16, which were: (a) NAYI MANZIL, that focuses on educational and skill development of drop-outs and (b) USTAD aiming at preserving traditional crafts of the country along with building capacity of traditional artisans. For NAYI MANZIL, Rs. 155 crore has been allocated while for USTAD Rs. 20 crore has been provided. Two other programmes have also been announced. These are:

(a) NAYI ROSHNI which involves training of leadership among the minorities, and

(b) MANAS for upgrading entrepreneurial skills of youth in the minority communities.

The focus of the budget proposals for the minority seems to be lop-sided in favour of only education promotion and skill development of Muslims. But the problem of the community is multi-dimensional, and consists of lack of productive assets, access to public services, poor infrastructure, discrimination in employment, credit, housing, market and admission to educational institutions, etc. The basket of programmes, currently under implementation for religious minorities, sideline these issues. But the benefits of skill promotion would reach only if other conditions are also improved. For example, unless the programme of skill development is supplemented by the promotion of adequate education required for gaining skill training, and other measures like non-discriminatory access to labour market and financial institutions for credit.

### *Women and Children*

Like SCs and STs, women's development gets funding from two sources: one is the allocation from the Ministry of Women & Child Development; and another is a sub-plan type of mechanism called Gender Budgeting. The Gender Budgeting has two parts - Part A and Part B. The former consists of those sectoral schemes which exclusively benefit women. Part B consists of those schemes which benefit women among others.

This year Gender Budget shows a substantial increase in Part A. This increase is, however, deceptive. The entire allocation of Indira Awas Yojana of the Ministry of Rural Development has been shown as Part A of Gender Budget. The Budget 2016-17 has also undertaken major schematic restructuring of a large number of schemes administered by the MoWCD. The total number of schemes has been clubbed into two groups. One is the larger ICDS, which is an amalgamation of four schemes, namely ICDS, IGMSY, SABLA and Crèche for Working Mothers. The other is the Protection and Empowerment of Women, which combines eight schemes.

The allocation of the ICDS has been reduced and the ratio of sharing between the centre and states has also been changed to 60:40. Many states would find it difficult to maintain ICDS coverage at the current level, not to speak of universalization of it, as required under the NFSA and by the Supreme Court order. Similarly, IGMSY which is being implemented in 53 districts at present has to be universalized as per the NFSA. This also gets ignored with this low allocation because very substantial increase in allocation was required to extend coverage to all eligible women, which has not been done. Similarly SABLA, a scheme for adolescent girls would also continue to operate as a pilot scheme. Its universalization is desirable.

The funding for the second reorganized scheme, i.e., Protection and Empowerment of Women which has now a basket of eight schemes would largely come from the Nirbhaya corpus, which was created three years ago, but no expenditure was incurred from it. The corpus has increased to Rs. 3000 crore, The government proposes to finance some of the eight schemes from the Nirbhaya fund. This amounts to reducing the allocation of the WCD Ministry and transferring funding liability to Nirbhaya corpus. One of the major allocations under the scheme comes from the Ministry of Home Affairs (MHA), which has provided Rs. 150 crore for the protection of women. This is too inadequate to tackle the magnitude and multifaceted nature of the problem of protection of women in daily life.

The only new scheme for women is the provision of cooking gas cylinder for the BPL families in order to protect women of these households from the internal pollution caused by burning of biomass in the kitchen. But the scheme has unrealistic proposition about the financial ability of the BPL families to shift over to cooking gas with subsidy being only a small component of the total cost. These families would not be able to afford the residual expenditure required even to get the gas connection let alone meet the recurring monthly expenditure of getting gas cylinders. Under the scheme, all BPL families have to be covered in three years; 1.63 crore families would be covered in the first year. It has been calculated that approximately Rs. 1300 may be available to a BPL household as subsidy for getting a gas connection. It would require additional Rs. 8000 annually to cover the expenses to switch over to this source of energy. It is highly unlikely that BPL families would have this amount out of their meagre and uncertain income to spend on cooking.

Children constitute 39 per cent of the total population of the country. But the attention to their development is inadequate. While the total outlay for children related cluster of schemes show a slight increase over the previous year, the expenditure on children as a per centage of total public expenditure of the Union government shows a decline of 0.30 per cent and of GDP 04 per cent. Beti Bachao, Beti Padhao yojana focused on education of the girl child which was started with much fanfare in the last budget has not received any increase in fund allocation.

## DIFFERENTLY-ABLED PERSONS

The Budget 2016-17 has announced two schemes for differently-abled persons. One is exemption of service tax on general insurance services provided under Niramaya Health Insurance Scheme for those affected with Autism, Cerebral Palsy, Mental Retardation and

Multiple Disability. This scheme may be relevant for around 20 per cent of the differently-abled persons. This benefit, however, goes to the insurance companies and not to the beneficiaries. Two is exemption from custom duties on assistive devices, rehabilitation aids and other goods for persons with disability, if these people buy these devices from the market. Most of the poor differently-abled persons do not buy these instruments themselves, but get it either from the governments or charitable organizations. The benefit of this scheme is limited.

The major problems of people with disability is lack of social protection, specialized levels of healthcare, community based inclusive development, user friendly infrastructure in public places and simplified procedure for obtaining certification. The government announced in the last year budget Accessible India Campaign, but much needed to be done to improve easy accessibility to public spaces.

## URBAN POOR

Considerable reorganization has been attempted in the schemes meant for the urban poor and for alleviating urban poverty. The allocation for the Department of Urban Housing and Poverty Alleviation, which deals with the urban poor, has been considerably reduced on the ground of low utilization of housing schemes. The budget allocation to the Urban Livelihood Mission, the only programme of employment generation for the urban poor, has witnessed huge reduction in allocation. It has been allocated Rs. 378 crore which is less than 50 per cent of the allocation made for it in 2014-15 when the expenditure under it was Rs. 703 crore. The flagship programme of the Ministry of Urban Development, Jawaharlal Nehru National Urban Renewal Mission (JNNURM), started during the UPA government tenure, has been discontinued. It has been replaced by four new schemes.

The allocation for Ministry of Urban Development has seen considerably increased to cater to the projects of Smart Cities, MRTS and Metro Rail Projects. The huge allocation made for Smart Cities indicates approach of this government to urban development, which would create islands of modernity around decaying infrastructure in the surrounding habitations. This approach would skew growth and development in favour of larger agglomerations and would result in further neglect of smaller towns which are inhabited by a large section of the population.

## SOCIAL SECURITY

There were 46.5 crore workers in India in 2009-10; 94 per cent of them were in the informal sector. About 8 per cent of India's population are senior citizens, widows and differently-abled persons who are to be covered under social security. The allocation to social security head is just 0.6 per cent of the GDP. One new scheme has been introduced in the area of social security in this budget that relates to providing social security card to workers in the unorganized sector with an allocation of Rs. 141.5 crore. The scheme provides no additional benefit but just an enabling mechanism to access available schemes.

At present, different social security schemes are being operated by four agencies-Ministries of Labour Employment, Health and Family Welfare, Rural Development and Finance. But the most significant in terms of coverage, allocation and resources is the one handled by the Ministry of Rural Development. This is called National Social Assistance Programme (NSAP), which accounts for more than 3/4th of the total allocation on social security. The scheme provides pension of Rs. 200 to the persons above 60 years of age and Rs. 500 for the persons above 80 years of age, besides providing pension to widows and persons with disability. Some states have provided additional amount to enhance this unit cost. But the benefit of this scheme is limited to BPL population only.

# 4 AGRICULTURE AND RURAL DEVELOPMENT

The Budget 2016-17 has created euphoria about increased allocation to agriculture and rural development. The most important thing that is missing in this budget is the focus on the people. What is to be done for the development of the rural people? What is to be done for the overall development of the rural areas? Is the problem of rural India merely a problem of more roads and irrigation? Are we going to solve the problems of the rural areas by creating some more roads and irrigation facilities? These are the issues that should be the focus of the government's engagement in rural areas.

Apparently, there is an increase in allocation to rural development. However, this increase is deceptive. There was a massive cut in the allocation in 2015-2016. If the increase is compared to the allocation of Rs. 84,000 crore in 2014-15 to Rs. 87,000 crore in 2016-17 then it is nominal. If that is adjusted with the inflation rate, this increase turns out to be negative. Similarly the enhanced allocation to the Ministry of Agriculture is largely because of account adjustment. About Rs. 15,000 crore has been transferred from the head of the Ministry of Finance to the Ministry of Agriculture. This is not additional money.

The euphoria about the increase in the allocation and shift in the focus on the development of rural areas is myopic. The problem of the rural area is years of negligence in the investment of human capital formation, viz., education, health, nutrition, compounded by the poor investment in basic amenities like, drinking water, sanitation, primary health care, etc. A consequence of this long-term neglect is creation of a huge army of unemployed who are uneducated, unskilled, and unemployable in modern sectors. There is no magic wand to convert this huge manpower into better human capital. This is one of the biggest problems of the rural area, and needs urgent, systematic and well planned intervention. Infrastructure-centric orientation of the economic policy of the governments (both UPA as well as NDA) needs to be turned into people-centric.

This budget proposes to double the income of farmers in five years. This would need a growth rate of about 14 per cent per annum. Given the existing growth rate in agriculture, this seems to be next to impossible. More importantly, the basic conditions in agriculture are not supportive of this high expectation. Only 46 per cent of the cultivable land is irrigated. The allocation to irrigation has been increased by merely Rs. 6000 crore. There are some other efforts like convergence of MGNREGS with agriculture and allied activities.

The budget has tried to address some of the burning issues. For example, inflation in pulses has hit the poor very hard. The budget has taken notice of this, and emphasized on increased production of pulses. But an allocation of Rs. 500 crore for 640 districts for improvement in pulse production is too little an amount for any intervention to yield any significant improvement in pulse production.

On the other hand, there has been a decline in food security budget allocation by about Rs. 5000 crore from Rs. 1.39 lakh crore (2015-16) RE to 1.34 lakh crore (2016-17). Moreover, Rs. 30,000 crore is owed by the Ministry of Food and Consumer Affairs to the Food Corporation of India (FCI). If that money is claimed by the FCI, the allocation to food security will decline by about Rs. 30,000 crore. The reduction in the budget allocation to food subsidy will affect the implementation of the NFSA. Many States have not yet implemented the NFSA. Once they do so, the allocation would need substantial increase. Besides, the budget ignores universalization of IGMSY and ICDs.

Decentralized procurement has been proposed for addressing the problem of loss of food grains from the lack of storage infrastructure and high transportation cost. While the NFSA has also suggested decentralized procurement to equitably spread the benefit of procurement across the production zones, there is apprehension that it might be used to dismantle Food Corporation of India (FCI) and eventually the Public Distribution System (PDS).

The increase in the allocation to MGNREGS is notional. It has been increased from Rs. 35,766 crore (2015-16) RE to Rs. 38,500 crore in 2016-17 BE. There have been wage arrears of states in thousands of crores. By taking into account the labour demand (labour budget), increase in the wages, and arrears, there should have been an increase of about Rs. 15000 to Rs. 20,000 crore over the last year allocation. About 319 crore mandays were asked by the various state governments for 2016-17. If it is converted into wages, then there is a deficit of Rs. 47,000 crore in the allocation.

The allocation to NRLM has been increased by around Rs. 1500 crore over the last year's figure of Revised Estimate (RE). With the intensification of efforts for the formation of Self-Help Groups to promote multiple livelihoods, the NRLM implementation is also expected to improve and with that the requirement of fund will also increase. The requirement of fund increases with the maturity of the SHGs. The allocation to IAY has been increased by Rs. 5000 crore. But a large part of this increase will be consumed by enhanced unit cost of the IAY, rechristened as the Prime Minister Gramin Awas Yojna (PMGAY).

The Budget 2016-17 has added five new schemes:

1. Development of 3000 Urban Clusters as Growth centres under Shyama Prasad Mukherji Mission.
2. Electrification of 18,452 villages in 1000 days under Dean Dayal Upadhyay Gram Jyoti Yojna and IPDS.
3. Digital literacy under which two schemes would be taken up: (1) National Digital Literacy Mission with allocation of Rs. 16.8 crore and (2) Digital Saaksharta Abhyan (DISHA) with Rs. 12.00 crore as allocation to cover six crore households in three years.
4. Modernization of Land Records for integrated land information Management

system. Rs. 150 crore has been provided for this purpose.

5. Rashtriya Gram Swaraj Yojna for which Rs. 655 crore has been provided.

The Budget 2016-17 document has rechristened some of the existing programmes. Some reforms have also been made in the existing programmes. And some programmes have been formulated without doing basic homework. For example, there is a provision of 300 RURBAN clusters in this budget that would be developed under the Shyama Prasad Mukherji Mission. But the document is silent about the nature of these clusters. Whether they will be infrastructure clusters, or marketing clusters, or service clusters, is not clear.

There is a positive and important development in terms of enhanced allocation to the institutions of local self-government. However, this is not because of this budget, but because of the recommendations of the 14th Finance Commission that enhanced the share of the local bodies in divisible pools of central revenues from 32 to 42 per cent. About Rs. 80 lakh will be given to each Gram Panchayat and Rs. 21 crore to each municipal body. This is the biggest jump in the resources of these bodies ever since the 73rd and 74th Amendment Acts. However, the budget has not charted any course map for the strengthening of the local bodies. As it has been observed by all the five Finance Commissions beginning from the Tenth Finance Commission, most Gram Panchayats are inadequately equipped in terms of maintenance of accounts and audit and functionaries to utilize large fund. The situation has not much improved despite successive Commissions' efforts in earmarking some grants for this and by providing for incentive grants. Its success would greatly depend on the pace of capacity building of the PRIs.

Earlier, the PRIs were fund starved, so much so that, some of these institutions did not have their own bank accounts to operate their finances. With the implementation of the MGNREGS, the PRIs got some untied money, huge in some states. The Backward Regions Grant Fund (BRGF) that is closed now also made a provision for the transfer of untied money to the PRIs and ULBs. The BRGF has a special component just to strengthen the capacity of these institutions. This was a good amount—one crore rupee per district—just for strengthening of the local-self government. In fact, from the viewpoints of development of independent capacity of these institutions, the provision of BRGF was more conducive. The MGNREGA also provides for untied money except the fact that it has to be spent as per the guidelines. This makes the fund available under MGNRGS as practically tied money. For example, the types of works to be undertaken under MGNREGS are fixed in the Schedule of the Act. Panchayats are restricted from taking work outside the Schedule.

Although BRGF provided untied money and encouraged PRIs to make their own action plans. But in most of the states, the PRIs are not capable to prepare their own annual plans. Even under BRGF, the preparation of annual plan was outsourced in a large number of the cases. In the cases where the annual action plans were prepared by the local bodies, it merely listed the works to be undertaken.

The higher allocation to PRIs and Urban Local Bodies (UCBs), following the recommendation of the 14th Finance Commission, is appreciable. But the major problem of these institutions is continuous neglect in investment in developing their capacities to utilize these funds through decentralized planning, implementation and social monitoring. These institutions have been crippled by the lack of devolution of power, functions and functionaries in most of the states. This needs to be addressed on utmost priority. Otherwise, the devolution of fund would serve limited purpose.

As a whole, from social sector development perspective, this budget failed to address the structural problem besetting the sector.

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