Panel Discussion on Union Budget 2021-22

Panel discussion on Union Budget is an annual exercise at Council for Social Development, New Delhi. This year, this discussion took place online on 4th February 2021. Eminent scholars Prof Biswajit Dhar, Prof Praveen Jha, Prof Rama Baru (all three from JNU, New Delhi), Dr Ashwani Mahajan, national co-convenor, Swadesjhi Jagaran Manch, Prof T Haque, former Chairman, Commission on Agricultural Cost and Prices and Distinguished Professor, CSD, and Prof R Govinda, former VC, NUEPA participated as panelists in the discussion. The event was chaired by Prof Muchkund Dubey, President CSD, and the opening remarks were given by Prof Nitya Nanda, Director, CSD New Delhi.

The Union budget 2021-22 has been presented at a time when the economy is reeling under a huge demand constraint due to COVID-19 pandemic. There is a serious need of boosting up demand and an expansionary fiscal policy. In this regard, the increased limit of fiscal deficit to 6.8 per cent of the GDP is a welcome move but equally important is to examine the sectors that will be benefitted due to deficit financing. Deficit financing helps in expanding demand only when it leads to an increase in the purchasing power of people. The acuteness of demand constraint can easily be estimated by the fact that the GDP growth rate in the pre-pandemic year was revised from 4.4 per cent to 4 per cent. The NSSSO estimates tell us that per capita consumption in 2017-18 declined by 9 percentage points in rural India. Unemployment growth has been historically high. The pandemic has only worsened it. All these issues are not COVID induced but are rather structural in nature.

The union budget mentions that the country has attracted a huge volume of FDI over the past years. However, it does not tell us that this FDI has been coming through selling the existing enterprises. In these years, huge tax concessions have also been offered to the corporate sector. Interestingly, out of eight lakhs companies in India, 45 per cent of the companies in the last year declared to have not made any profit and so they are not taxed. What is also unbelievable is that only 424 companies out of these eight lakh companies have declared to have made profits above Rs. 500 crore. Because of the government's unwillingness to tax corporates, the revenue side in the budget looks thin.

There is a huge emphasis on Infrastructure development in the budget document and it would be interesting to witness in the coming months the allocation towards infrastructure projects and their timely completion. The budget document also reflects the unflinching commitment of the union government towards increasing Foreign Direct investment as well as privatization of public assets. However, the emphasis on Atma Nirbhar Bharat (self-reliant India) on one hand, and excessive dependence on foreign investment on the other, appears quite odd with each other.

There are though some positives in the union budget. The first relates to an increase in capital expenditure in it than the previous budgets. The capital expenditure in the last union budget was Rs 1.4 lakh crores which went up to Rs. 4.9 lakhs crores in the revised estimates. For the fiscal year 2021-22, this figure is proposed to be Rs. 5.2 lakh crores.

However, concerns were also expressed that the infrastructural push described in the budget speech is bereft of adequate budgetary allocation. It seems that resources garnered from the sale of existing assets of public sector will be used to finance the infrastructure development projects. Besides disinvestment of equity, strategic sale, and privatization of the public financial sector, is expected to yield Rs. 1.75 lakh crore in 2021-22, there is much stress on 'monetising idle assets', especially land, available with public agencies. However, going by the past experience, mobilizing so much resource through disinvestment might not be possible. The resource mobilization strategy highlighted in the union budget through privatization, disinvestment and external borrowing will lead to the selling of family silver.

Agriculture in the Union Budget: There was an expectation that the union government will substantially increase the allocations towards agriculture and rural development given that agriculture has been under the grip of a huge crisis. The NABARD survey tells us that the average monthly income of farming households in India is nearly Rs. 8900 and in states like UP, Bihar, Odisha, it is even lower at around Rs. 7500. The union government in its last term claimed that farmers' income will be doubled by 2022. There is only one year left in the accomplishment of that goal and some special budgetary measures should have been initiated in the present budget to ensure that. However, the doubling of farmers' income most likely is not going to happen by 2022. In the Union Budget 2021-22, the allocation for agriculture and allied activities has come down, in nominal terms, from Rs. 1,54,775 crore in 2020-21 BE to Rs. 1,48,300 crore. Although the allocation for rural development has increased from Rs. 1,44,817 crore in 2020-21 BE to Rs 1,94,638 crore, it has remained lower than the revised estimates of the last year.

Allocation for the MGNREGA programme, going by Budget figures, is to be drastically curtailed, from the ₹1,11,500 crore in 2020-21 to ₹73,300 crore in 2021-22. The picture is the same with food subsidies, which are to be reduced from as much as ₹4,22,618 crore in 2020-21 to ₹2,42,836 crore in 2021-22. Clearly, in government's perception, the case for support is over, and the time has come to unwind even the limited support measures that the pandemic forced it to undertake.

PM Kisan Samman Nidhi Yojana (or simply PM Kisan) has been allocated Rs. 65,000 crores in the budget which is just equal to the allocation in the RE of 2020-21. An increase in this scheme was also expected to pump up demand in the rural India which is facing a huge demand constraint for the past few years, and particularly in the last one year. *PM Fasal Bima Yojana* received an increased allocation from Rs. 15690 crore in 2020-21 BE to Rs. 16,000 crore but a much larger allocation was actually needed to de-risk the agricultural sector. Although *PM Krishi Sinchai*

Yojana was also allocated an increased amount at about Rs. 1400 crores (from Rs. 2563 crore last year to Rs 4000 crore this time), the actual issue pertains to non-utilization of these allocations. The Finance Minister has announced in her budget speech that allocation to agricultural and rural infrastructure development has increased from Rs. 30,000 crore to 40,000 crore and the infrastructure of APMCs will also be augmented from these allocations. However, given the fact that APMCs are of lower priority for the government, it needs to be seen whether the APMCs will be revived or not? In short, the present union budget has fallen short of the expectations of farmers.

Education in Union Budget: There has been a reduction of about Rs 6,000 crores in the allocations towards education sector in comparison to the last year's allocation. Much of the brunt of this decline is to be faced by school education, allocations towards which declined by Rs. 5,000 crore. This has happened at a time when the whole education sector has been engulfed in a crisis. The size of the Union budget has increased, but allocations towards school education have reduced from 2.18 per cent of the total budgetary allocations in 2020-21 BE to 1.74 per cent this year.

It is also important to note here that budget for children (BFC, comprising of allocations towards education, protection and nutrition of children) has gradually declined from 4.76 per cent of the budgetary allocations in 2012-13 to 2.46 per cent this year. The sharp decline in the education budget simply means that all success achieved over the last few years in terms of increase in school enrollment and infrastructure development may seriously be undermined. A higher allocation from the centre to the states was needed this year particularly in the backdrop of huge financial jolt received by the states in the past one year due to the COVID pandemic.

The mid-day-meal (MDM) scheme has been allocated a higher allocation of Rs 500 crores but it is to be acknowledged that MDM allocations of the last year have remained substantively unutilized due to closure of schools. The union government has merged the budgetary allocations of ICDS with POSHAN 2.0 Abhiyan in this year's budget. Allocations for POSHAN Abhiyan and ICDS were Rs. 3400 crore and Rs. 19412 respectively in 2020-21. After merger, the two schemes received an allocation of only Rs. 19916 which means that an allocation to the tune of Rs. 4000 has been slashed towards nutrition. The Union budget has also mentioned converting 15,000 schools to model but there is no detail provided about the mechanism through which it will be done. Further, it is announced that 750 new Eklavya Model Residential Schools will be established. While this is an old scheme and it was announced by the government earlier to set up 500 such schools, only 370 such schools are operational, there is no word on whether the number of 750 new schools also includes 130 such schools which have so far not been opened. It also announced that 100 new Sainik schools will be opened in the next fiscal year. Earlier these Sainik schools used to be governed by a board chaired by a senior Army personal under the

Ministry of Defence. But now, they have been taken out from its control and will be run in collaboration with non-governmental organisations which is a cause of concern. There is no explanation provided by the Finance minister as to what kind of NGOs will be roped in for such a collaboration. In regards to The *Beti Bachao, Beti Padao* scheme, only 45 per cent of allocation for the scheme has been sanctioned and spent by the government in the past few years. This has made the scheme largely ineffective. The National Research Fund has been allocated Rs. 50,000 crore for the next five years and there is no mention of how much will be spent in the current financial year. Past experiences show that funds allocated for long durations are not spent in their initial years. So such an allocation may not mean anything for this year.

Public Health in Union Budget: The COVID pandemic has exposed the deplorable condition of our existing healthcare system and shown us that public sector investment in healthcare is absolutely essential. An increased allocation of 137 per cent towards health care is rather a smoke screen. The actual increase solely to the healthcare sector is only 11 per cent and taking an inflation rate of 6 per cent into account, it stands at only 5 per cent. Looking at the Union Budget in a longitudinal sense makes it insignificant because the developments in the past few years have been focused exclusively on the privatization of health services in India. The recommendations of the fifteenth Finance Commission, the NITI Aayog as well as the high level committee established by the PMO call for a greater privatization of health care system through public-private partnerships. The increase of 11 per cent in health budget is towards the establishment of health and wellness centres and setting up of laboratories through PPP model. The NITI Aayog's sub-committee on medical education has made it clear to privatise medical education. These private medical colleges need hospitals for the training of their doctors. The sub-committee has proposed that district level hospitals, under the PPP model will partner with the private medical colleges and the latter will redefine the role of the former. Increasing thrust on PPP model will lead to the recruitment of doctors, nurses, health personals, ASHA workers increasingly under contractual system.

The union government in the past year has already gone in loan agreements with international agencies like Asian Development Bank, the World Bank and Bill and Melinda Gates Foundation for addressing the strengthening of urban health system, preventive care and setting up of public health laboratories. The public health system in India is moving towards a loan financing system which makes actual spending by the government on health sector questionable.

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