I. INTRODUCTION

M A Oommen

This note is introductory. Its purpose is to put the first academic programme of the K M Mani Centre for Budget Studies on the Union Budget 2013-14, on March 8, 2013 in perspective and in a broader framework. The Panel Discussion was jointly organized by Centre for Budget and Governance Accountability (CBGA), New Delhi and the Centre.

Presenting the Union Budget for 2013-14, P. Chidambaram said:

> "The purpose of a Budget and the job of a Finance Minster is to create the economic space and find the resources to achieve the socio-economic objectives"

This apparently straight statement leads one to raise two fundamental questions that may be asked in the context of the **Panel Discussion on Union Budget 2013-14**. One, what exactly is the meaning of the term Budget? Two, what are "the socio-economic objectives" the Budget makers (The Finance Minster and the cabinet) may do well to keep in view.

The term Budget is derived from the French word *bougette* meaning purse or bag. It may be traced to the practice the first Prime Minister of Britain Robert Walpole who used to carry his secret tax proposals in a bag[1]. Whatever be its origin, a budget today is a financial statement and reflects all estimated items of income and expenditure. It is a plan of saving, borrowing and spending. Interestingly, the Constitution of India does not choose the term Budget and instead uses the term 'Annual Financial Statement'. To quote Article 112(1) of the Constitution.

> "The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the annual financial statement"

A corresponding statement for the states is given in Article 202 of the Constitution with reference to the Governor.

Any government worth the name should set out some development goals before the nation. There is the most extreme case when everything is left to the market. India's Constitution is specific and seeks to establish a sovereign socialist secular democratic republic. Even

[1] The term Budget was first applied to a statement of revenue and expenditure during the excise crisis in 1733 under the regime of Walpole who tried to shift the burden of taxation on landlords to the general public through excise taxes, a proposal which he kept as a secret in his bag.

though it is not my purpose to outline the directive principles of state policy, in spelling out the national socio-economic objectives, I do not think any Finance Minster can honestly afford to bypass Articles 38 and 39. Every Budget or broad policy choice is to be seen as a step towards securing a social order in which justice, social, political, economic is ensured and promote policies and projects which these articles mandate to promote. The Twelfth Plan has added a new chapter entitled *social inclusion*. Indeed properly designed and efficiently implemented scientific policy choices can definitely take the nation via each Budget towards the social goals of the nation set out in Articles 38 and 39. Here it may not be out of place to recall the clarion call of the Union Budget 2013-14 viz.,

> 'Growth is a necessary condition and we must unhesitatingly embrace growth as the highest goal."

Will this lead to ensure social, economic and political justice and promote social Inclusion? That probably is the greatest development challenge the nation faces today.

In the historical context of Budget 2013-14 the immediate tasks to be addressed are somewhat different and diverse. Even so, I think an insightful and perspicacious Finance Minister will have to address three basic concerns:

(i) Remove the major structural constraints and
(ii) Identity and address the immediate problems.
(iii) Work towards an inclusive social order

As regards the first at least 3 issues stand out

- *Addressing the gaps in infrastructure*: The 12th Plan estimates the need in this regard to be to the tune of Rs.55 lakh crore. It could even be much more. This is a huge sum. Obviously the Foreign Direct Investment (FDI) and certainly the FIIs (Foreign Institutional Investors) are not the sure sources to be counted upon to fill this gap.

- *Challenges of skilled labour shortage*. Given the major skill gaps in a technologically fast growing economy like India planning and provisioning for meeting these challenges is a great task. Chapter 2 of the *Economic Survey* a factually rich document published a day before the Budget is advisedly titled, *Seizing the Demographic Dividend*. Needless to say inadequate planning can result in a demographic disaster in a country where higher education continues to be in doldrums.

- *Growing inequality in consumption, income and wealth as between individuals, groups and classes*. There is equally disquieting territorial inequities in regard to basic needs like primary education, primary health care, drinking water, sanitation, waste management and the like. No Budget can bypass these foundational questions of equity.

Turning to the second question of identifying immediate concerns one can spell out a legion. But here we mention only just two viz., macro-economic imbalances and inflation. The most important imbalances that the Budget may have to address are current account deficit (CAD) and fiscal deficit. It is a matter of serious concern that during the latter part of 2012-13 the current account deficit has crossed the all-time high water mark of 5.5% of GDP (Gross Domestic Product). Equally important is the persistently slipping revenue deficit targets and the yawning fiscal deficits. In Keynesian terms at a time of economic slowdown or depression, maintaining fiscal balance is not necessarily a virtue. Moreover, all said and done if your growth rate is higher than the interest on loans, there is not much to be worried about. Even so, fiscal prudence is the hall-mark of a good budget. Indeed, expanding fiscal space through taxation (which although a burden without quid pro quo is a sign of citizen participation) rather than fiscal consolidation through "expenditure compression" is the most relevant solution. A democratic budget cannot by-pass this issue.

Inflation is a scourge that no budget in a democratic society can treat lightly. India faced some of its worst inflationary pressures in recent years. Ideally the measuring rod should not be the Whole Price Index, which is currently in use, but the Consumer Price Index (CPI) which is a far better barometer of the people's consumption burden. The CPI has on several occasions crossed double digit number in recent times. The Budget has to confront this issue and hold the price line.

The third concern of building an inclusive social order is a long term goal. It is the crucial test of our progress. No Budget can ignore it but going beyond rhetoric is a political problem as much as it is an administrative one.

The panelists of this meeting are eminent persons in their own right. Each panelist was given a specific topic as will be evident from the summary of the presentations presented in this brochure. The topics covered include general evaluation, macro imbalances, resource mobilization, gender budgeting and media. Only a summary of the presentations is given in this brochure. Even so this small collection is a good addition to the literature on union budget studies in India. I wish to thank professors K K George, Praveen Jha, Nirmala Padmanabhan P.A.Vasudevan and Dr.Subrat Das, Dr. Jose Sebastian, Shri R.Mohan, IRS., and Shri. C J George.

A University centre ideally will have to do research, teaching and extension. This discussion belongs to the latter category. The academic hinterland of CUSAT consists of nearly 15 colleges and integrating them into the mainstream of the centre's activities is a desirable and much needed catalytic process which we seek to promote. There was good response and participation. We are thankful to all.

The Centre is happy in that the Vice-Chancellor Dr.Ramachandran Thekkedath inaugurated the discussion. All the senior officials of the University, notably the Pro-vice Chancellor Dr.Godfrey Louis, Registrar Dr.Ramachandran, Finance Officer Sri.Sebasitan Ouseph and several syndicate members participated in the meeting. We are grateful to all of them.

Dr.Sabu Thomas, the Co-ordinator of the Centre, the only official of this Centre worked cheerfully to make the meeting a success. I thank him.

We wish to place on record our sincere thanks to Dr.Subrat Das, Executive Director, Centre for Budget and Governance Accountability, New Delhi for participation and support.

1.0. RUNNING COMMENTARIES OR BUDGET ANALYSIS?

K K George*

At the outset, let me confess that I am not speaking about the current year's budget. It is more an old timer's laments about what goes on as budget discussions in the media today particularly in the visual media. It appears that the expiry date of budget discussions in recent years has become very short. It has only a shelf life of one day in the T.V studios. Like major earthquakes, there can be minor tremors on the next day too in the form of "exclusive interviews" with the Finance Minister or Finance Secretary and all channels get their due share of "exclusives". Of course much will depend on whether there is a rape or a murder in Delhi or its surroundings. Then all the channels will switch from budget discussion to more important discussion with higher TRP ratings on these events (If these incidents happen outside Delhi, it doesn't matter for the "National Channels").

In the past before the 24x7 channels with eye on the TRP ratings proliferated, there was not much hype about the budgets. In those days the budgets used to be introduced in the evenings. That gave some breathing time for the journalists to look cursorily atleast the *Budget in Brief*. Discussions based on explanatory memorandum, Finance Bill. etc had to wait. I understand that this year the budget documents were uploaded on the website only in the night. Obviously, the channel discussions were based purely on the live telecast of the budget speech. By the time the budget documents were made available in the website, the instant commentators have gone for their well earned rest. After all like the cricket commentators, they have reached the studio in their Sunday best much before the budget speech warm up and to speculate.

Now, I have two propositions to make. One is that there is an inverse relationship between the type on the budget and the importance of budgets and fiscal policy. After all, the importance of budgets depends on the role of the Government in the economy. With the liberalization and privatization of the economy the role of the Government and correspondingly, the budget is coming down; but the hype increases.

* Dr K K George, a public finance expert of long standing experience made this somewhat satirical comments to show the importance of deeper analysis and scholarly study on the subject in his opening remarks at the panel discussion.

The second proposition is that the length of the budget speech is inversely proportionate to the reliability and consistency of the budget figures. It requires to be reminded that the Constitution does not envisage a long budget speech. According to Article 112 of the Constitution the President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year. Few people remember that Dr. John Mathai had presented the budget papers with no written speech or text to dramatise it. Incidentally, one of the anchors of a 24 x 7 national channel embarrassed their permanent panelists by asking the name of the first Finance Minister of India. The nearest the panelists came up was with C. D. Deshmukh.

The avowed reason for the long winding and much laboured speech is that it gives indications of the policy direction of the Government. But there are other occasions to present the Government's intentions. For instance there is the President's speech to the Parliament which precedes the budget. There are also other equally important policy instruments available like the exchange rate policy, foreign trade policy and the monetary policy, all having implications for the economy and the macroeconomic stability and balances.

To my mind the budget speech, but for a brief statement about the figures influencing the macroeconomic balances is a bag full of proposals on taxes and expenditure schemes. The speech has enough for every constituency and more importantly for every commentator. It looks as though the budget bag has enough bite for each barking 'dog' chasing the Finance Minister. The Minister throws one bone after another, each commentator biting the bone which he gets. There is enough for everyone. For instance, in this year budget there is a surcharge on the super tax. Those "progressives" in the media who want to "soak the rich" are content with these bones. For the lower middle class there is another bone in the form of a tax rebate of a "fabulous" sum of Rs.2000/-. For the feminists there is the Nirbhaya Scheme and to top it all they have a Women's own Bank. It does not matter that all the commercial banks, public and private, with all their country-wide branch network have not been able to reach across the women. But we are asked to believe that this new bank with a capital of Rs.1000 crore will do the trick. It appears that creation of more institutions will help to fill the policy vacuum.

Though the budget speech is quite long it does not talk about the assumptions behind the tax proposals, expected revenue and the output that may result from the expenditure. It has also no time to explain the reasons for the shortfall or excess of expenditure and revenue collection. It just glosses over these apparently 'minor' details. The budget in other words is long on rhetoric and short on hard facts. The commentators do not realize that budgets increasingly tend to conceal more than they care to reveal. There is no longer any sanctity for the budget commitments. They turn out to be the grave yard of promises. It also requires to be reiterated that any Finance Minister can do a jugglery with numbers and to show lower deficit and its different variant simply by deferring the expenditure or deferring the payments for the expenditure made. Experts who know the truth too comment, and indulge in self deception.

Those who hype the budget consider it as a one day event, no doubt a mega event. It is no longer true. For instance the freight charges had been increased just before the railway budget was presented. Subsidy reduction was achieved by simply raising the diesel and petrol prices before the budget. Amendments to the Finance Bill do affect substantially the budget proposals. In the current budget, the Finance Minister made some brave comments about Mauritius route for tax evasion which depressed the capital market though all the captains of industry eulogise the budget. The Finance Minister watered down the proposal the very next day and the anxious feelings of the "Mauritius residents" were assuaged. The SENSEX and the NIFTY boomed. Alas where are we heading to?

It was Ashok Mitra who years back commented that the budgets of Government of India are prepared in Washington. He is wrong. It is still made in Delhi. But the eye of the Finance Minister is on the few rating agencies in Washington. It doesn't matter that the rating agencies themselves are getting downgraded. If these agencies continue to down grade the ratings of one country after another from USA , France , UK etc where will the finance capital of the world find a shelter? In that sense our Finance Minister need not have bothered much. Probably he is preparing a comfortable shelter!.

At the beginning, I mentioned that I am not commenting on the current budget. Even with the best of intentions and even if, I keep aside all my other commitments I may take a minimum of two weeks to come out with a budget analysis. By the time there may not be any takers for my "scholarly" analysis as the budget season for the year will be over by then and many would have already stolen the thunder.

****

2.0. REVENUE-LED FISCAL CONSOIDATION- WHAT HAS THE UNION BUDGET STRIVED TO ACHIEVE?

R. Mohan*

General Background

Budgets presented by the Union Finance Ministers are the Annual Financial Statement for the Financial Year laid before the parliament. No money can be spent without the sanction of the House of the People through Demands for Grants and Appropriation bills. No tax can also be levied without legislative sanction. Briefly said, this is a Constitutional requirement. But the Budget speech giving details of schemes is a statement made by the Finance Minister on behalf of the executive and it is the contents of this speech that becomes the subject matter of marathon debates in the electronic and print media in contemporary India. How far these debates touch even the edge of reality is a question to be discussed. Voluminous budget papers of yester years are now available in electronic form. More often than not, the finer details are not debated at all. Mostly, certain sector-wise allocations, ratios and percentages are talked about. Sector wise allocations can be discussed only if one bothers to look at the previous two years' trend. For example, if one discusses the allocation for a sector in the 2013-14 budget, at least the Budget Estimates, Revised Estimates and Accounts (Actual figures) of 2011-12 and Budget Estimates and Revised Estimates of 2012-13 needs to be looked at. How far the allocation is under spent or over spent can be seen from this. This is indicative of the actual flow of spending or the capacity to spend of the respective government departments. If the impact of spending were to be talked about, the discussion will be more meaningful and purposive.

Likewise, discussion on tax proposals will not be complete without a detailed examination of the fine print of the Finance Bill and the Explanatory Memorandum which explains the legislative intent of the proposals of the Finance Bill. With the enactment of FRBMA, (Fiscal Responsibility and Budget Management Act) more details are available in the budget papers, like, revenue forgone through deductions and exemptions in tax laws and medium term framework of fiscal policy. In this paper, it is proposed to look at these papers broadly to see whether the fiscal consolidation is revenue-led as is the stated objective since the report of the Kelkar Task Force on Direct and Indirect Taxes 2004. We

---

* Additional DIT (Inv.), Directorate General of Income-tax (**Investigation**.) Kochi

look at the revenue and expenditure trends for a decade to analyse this, instead of relying on the figures of the current budget.

2. Expenditure and Revenue Trends at the Central level

2.1 *Growth Rate of Gross Domestic Product (GDP)- Trends*

Table-1 Growth Rates of GDP – at Current and Constant Prices

Year	GDP (Current) Growth Rate	GDP (Constant) Growth Rate
2001-02	8.29	5.52
2002-03	7.76	3.99
2003-04	12.14	8.06
2004-05	14.25	6.97
2005-06	13.92	9.48
2006-07	16.28	9.57
2007-08	16.12	9.32
2008-09	12.89	6.72
2009-10	14.69	8.39
2010-11	18.84	8.39
2011-12	15.40	6.48

Source: Computed from Hand Book of Statistics on Indian Economy, Various issues

The average growth rate of GDP increased from 6.20 % during 2001-02 to 2005-06 to 8.15 % during 2006-07 to 2010-11. During the sub-period 2008-09,to 2010-11, average growth rate fell to 7.50 %. As per latest indicators, further slowdown is evident for 2011-12, when GDP growth fell to 6.48 %. The trend is continuing for 2012-13 when economic growth is estimated at 5.5 %. Though it is generally thought that the slowdown trend which became visible in 2008-09 is part of the global macroeconomic meltdown, Mihir Rakshit (2009) has stated that the underlying trends in slowdown like deceleration of private investment and private consumption expenditure were surfacing much earlier to the global financial crisis. According to him there were unique underlying domestic factors which were slowing down the growth of the economy as there were during the latter half of the 1990s. The slowdown trends forced the government to adopt an expansionary fiscal policy in 2008-09 onwards. Later, demands for roll back of the expansionary fiscal policy were made even when the economy was still slowing down. Let us look at the trends in the expenditure and revenue side of the Central Government. This is exemplified in Table 2.

2.2 Trends in Expenditure Side

Table -2 All India Expenditure/Deficit Ratios of GDP

Year	Revenue Expenditure / GDP	Capital Outlay / GDP	Total Expenditure / GDP	Revenue Deficit / GDP	Fiscal Deficit / GDP
2000-01	12.81	1.14	15.01	3.93	5.48
2001-02	12.84	1.13	15.43	4.27	6.00
2002-03	13.38	1.15	16.33	4.26	5.73
2003-04	12.76	1.20	16.60	3.46	4.34
2004-05	11.85	1.61	15.37	2.42	3.86
2005-06	11.90	1.49	13.69	2.50	3.96
2006-07	11.98	1.40	13.58	1.87	3.32
2007-08	11.92	2.14	14.29	1.05	2.54
2008-09	14.10	1.35	15.70	4.50	5.99
2009-10	14.12	1.50	15.87	5.25	6.48
2010-11	13.56	1.52	15.60	3.29	4.87
2011-12	13.12	1.53	14.89	4.46	5.89
2000-01 to 2005-06	**12.59**	**1.28**	**15.40**	**3.47**	**4.89**
2006-07 to 2011-12	**13.13**	**1,57**	**14.98**	**3.40**	**4.84**
2008-09 to 2011-12	**13.72**	**1.47**	**15.51**	**4.37**	**5.80**

Source: Computed from Hand Book of Statistics on Indian Economy, Various issues

The growth rate of GDP fell during 2008-09 to 6.72 % after more than 9 % growth during the previous three years. In this year, the revenue expenditure as a proportion of GDP rose from 11.92 to 14.10. The budget estimate of Revenue Deficit at 1.0% of GDP quantum jumped to 4.50% of GDP for 2008-09. Fiscal accommodation resulted in increase of fiscal deficit from 2.7% of GDP to 6.2 % in 2008-09. This works out to Rs 1,86,000/- crore.

In 2009-10, when GDP growth rate picked up to 8.39 %, revenue expenditure as a proportion of GDP remained at 14.12%[2] and revenue deficit reached 5.2 % of GDP. During 2010-11, growth rate of GDP remained at 8.39 %, the revenue expenditure as a proportion of GDP fell from 14.12 % to 13.56 %. In the subsequent year, 2011-12, when GDP growth rate fell to 6.48 %, revenue expenditure as a proportion of GDP further fell to 13.12 %. Capital Outlay ratios have fallen from 2007-08 levels and recorded only very negligible increases. The trends in

[2] This is due to the impact of implementation of Sixth Pay Commission proposals

expenditure indicate phasing out of the expansionary expenditure policies even in the background of signs of slowdown in economic growth.

2.3 Trends in Revenue Ratios

Table -3 All India Revenue Ratios To GDP

Year	GDP Growth	Gross Tax Revenue/ GDP	Direct Tax Revenue/ GDP	Indirect Tax Revenue/ GDP
2001-02	5.52	7.97	2.95	5.02
2002-03	3.99	8.53	3.29	5.24
2003-04	8.06	8.96	3.7	5.26
2004-05	6.97	9.41	4.08	5.33
2005-06	9.48	9.91	4.4	5.52
2006-07	9.57	11.03	5.24	5.79
2007-08	9.32	11.89	6.26	5.63
2008-09	6.72	10.75	5.28	5.07
2009-10	8.39	9.67	5.69	3.98
2010-11	8.39	10.33	5.8	4.5
2011-12	6.48	10.18	5.65	4.5
Average 2001-02 to 2005-06	**6.80**	**8.95**	**3.68**	**5.27**
Average 2006-07 to 2011-12	**8.14**	**10.64**	**5.65**	**4.91**
Average 2008-09 to 2011-12	**7.49**	**10.23**	**5.60**	**4.51**

Source: Computed from Hand Book of Statistics on Indian Economy, Various issues

The revenue stimulus package has been mainly through rate reduction in service tax and excise duty, where as the direct tax rates and deductions have more or less remained stable. This can be seen from the steady fall in indirect tax-GDP ratio since 2008-09. The direct tax-GDP ratio has been stable. Since financial year 2012-13, the higher rates of service tax and excise duty have been restored. Over all, during the second sub-period 2006-07 to 2011-12, when average growth rate of GDP rose from 6.80 to 8.48% revenue expenditure and capital outlay increased. During 2008-09, when signs of economic slowdown started surfacing, the ratio of revenue expenditure went up but that of capital outlay fell/stagnated. The indirect tax revenues also fell partly due to rate reduction as part of stimulus package.

3. Post-Stimulus Phase of Fiscal Consolidation

The Economic Survey 2013 states that following the global financial crisis and the slowdown in the aggregate demand that followed, fiscal stimulus was injected in 2008-09 and 2009-10 and the fiscal deficit as a proportion of Gross Domestic Product (GDP) rose to 6.0 % and 6.5 % respectively. With the partial withdrawal of the stimulus, fiscal deficit was lowered to 4.8 % of the GDP in 2010-11. But in 2011-12, fiscal deficit as a proportion of GDP widened to 5.7 % of the GDP, mainly due to the slowdown in growth rate of GDP. This paper does not go into the issue of efficacy of stimulus packages and counter cyclical fiscal policy in raising growth rates. Here, we intend to briefly look at how the post-stimulus fiscal consolidation has been sought to be achieved. The main question addressed is whether it has been revenue-led. This is done with reference to the budget 2013-14, which is the first budget after roll back of stimulus package was officially declared in the budget of 2012-13.

The budget estimate of total expenditure for 2012-13 was Rs.490925/- crore and in the revised estimate it is Rs.1430825/- crore. There is a shortfall of Rs.60100/-.crore The cut in plan expenditure is Rs.77141/- crore and in capital expenditure is Rs.36433/- crore. In the non –plan side, the expenditure has risen by Rs.31738/- crore.

On the receipts side, there is a shortfall of Rs.39575/- crore in gross tax revenue. In non-tax revenue, there is a shortfall of Rs.34901 crore. It is clear that the deficit targets have been met at the cost of expenditure compression. The tax-GDP ratio as pointed out in the budget speech has been around 10.4% in 2012-13 and is estimated to be around 10.9% in 2013-14. This is admittedly lower than corresponding ratios not only developed but also in developing countries. This needs to go up by at least 3% to achieve revenue led fiscal consolidation. This fiscal consolidation will give room for spending in social sector schemes which is unavoidable given the poor level of human development indicators of our country.

How to achieve a rise in tax GDP ratio? Our direct tax rates have stabilised around 10, 20 and 30 % which is also on the lower side compared to the level of taxation in developed countries. In addition to this, the effective tax rate is still lower by almost 10 % due to various exemptions and deductions. The phenomenon of lower effective rate due to exemptions and deductions is also true in regard to indirect taxes like central excise and customs. Though, it is difficult to avoid exemptions and deductions in tax statutes, as many social objectives are built into them, it is desirable to target them as a percentage of GDP as is done for food, fertiliser and fuel subsidies. Presently, the tax revenue forgone due to exemptions and deductions is approximately 5.7% of Gross Domestic Product which certainly is a sizeable sum. In phases, we need to target them to say 3% and bring the effective rates of taxation closer to nominal rates of taxation. This will enhance the tax- GDP ratio and provide more fiscal room for spending in social sector. This is the basis of revenue led fiscal consolidation which will be growth inducing and more equitable.

The alternative view to fiscal consolidation can be summarised as follows. Government spending including social sector spending (like that of Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)) increases wages and pushes up demand. Given supply side bottlenecks, this leads to inflationary potential. To contain this, fiscal deficit targeting should be done so that there is limit to spending. This would limit demand and the need for higher interest rate and a tight monetary policy to contain inflation. In effect, deficit targeting is used as a measure for contraction of demand. The argument is that if government borrows less, more funds will be available for the private sector to borrow. But if demand is deficient this may not happen. Without going into the theoretical and empirical details of the latter argument, it can be clearly said that for a developing country with infrastructural bottlenecks government borrowing for higher capital outlay and mechanical deficit targeting can inhibit growth. Supply side bottlenecks need to be removed at all levels. Containing inflation through demand deflation may not be feasible in the long run as it may affect economic growth. In brief, revenue led fiscal consolidation appears to be more sustainable.

The budget 2013-14 aims to achieve 11.5 % tax GDP ratio, which was achieved in 2007-08, by 2015-16. But for revenue led fiscal consolidation, the net tax revenue to Central Government needs to go up by a minimum of 4%. Out of this 3% can be achieved by targeting exemptions and deductions and another 1 % by additional tax effort through widening of tax base and better tax administration. It is felt that these need to be the primary targets. Deficit targets will follow and fiscal consolidation will become revenue-led. Otherwise, expenditure cuts will become an easier option towards deficit targeting and it may have adverse consequences.

Going by the direct and indirect tax proposals in the budget 2013-14, it is clear that exemptions and deductions to meet various social and economic objectives continue to be given. Once the rates are rationalised and stabilised, the number of exemptions and deductions should be brought to the minimum and the gap between effective and nominal tax rates should be brought down considerably from the present 9-10% range. The resolve to implement Direct Tax Code (DTC) and the Goods and Services Tax (GST) is a step towards this direction. Raising effective tax rates and better tax mobilisation can lead to fiscal consolidation which can be realised without resorting to expenditure compression for meeting deficit targets. A goal has been set but the road towards it is arduous yet one to be strived for in the interests of the nation.

****

3.0. HOW PROGRESSIVE IS UNION BUDGET 2013-14?

Subrat Das*

The Finance Minister, in his Speech for Union Budget 2013-14, asserted that "Growth is a necessary condition and we must unhesitatingly embrace growth as the highest goal. It is growth that will lead to inclusive development, without growth there will be neither development nor inclusiveness". The Finance Minister also acknowledged that "Owing to the plurality and diversity of India, and centuries of neglect, discrimination and deprivation, many sections of the people will be left behind if we do not pay special attention to them"; but the 'special attention' paid to the poor and disadvantaged sections in terms of the resource allocations in the budget falls far short of the requirements at the present juncture. The allocations provided for social sectors, rural development, food security and social security schemes indicate the lack of urgency of the government to increase the budgetary resources for these crucial sectors.

Table 1: Priority for Social Services in the Union Budget

Year	Expenditure from the Union Budget on Social Services* (in Rs. Crore)	Expenditure from the Union Budget on Social Services*	
		as % of Total Expenditure from the Union Budget	as % of GDP
2004-05	39,123	7.9	1.2
2005-06	49,535	9.8	1.3
2006-07	55,246	9.5	1.3
2007-08	78,818	11.1	1.6
2008-09	1,10,542	12.5	2.0
2009-10	1,22,345	11.9	1.9
2010-11	1,51,013	12.6	2.0
2011-12	1,49,053	11.4	1.7
2012-13 (RE)	1,70,682	11.9	1.7
2013-14 (BE)	2,13,689	12.8	1.9

Notes:
*(1)This includes the Plan Expenditure and Non-Plan Revenue Expenditure from the Union Budget on the following services: Education, Youth Affairs and Sports, Art & Culture; Health & Family Welfare: Water Supply & Sanitation; Housing & Urban Development; Information & Broadcasting; Welfare of SCs, STs and OBCs; Labour&Labour Welfare: Social Welfare & Nutrition; and Other Social Services.

* Executive Director of the New Delhi based policy research organisation, Centre for Budget and Governance Accountability (CBGA). This is an edited versionof his presentation at the panel discussion. For a more detailed account and critique of the Budget the attention of the readers is invited to the paper. *How has the Dice rolled? Response to Union Budget 2013-14* at www.cbgaindia.org

(2) This does not include Non-Plan Capital Expenditure from Union Budget on Social Services, if any. Non-Plan Capital Expenditure on Social Services is sporadic and usually of a very small magnitude. Hence, this figure captures almost the entire magnitude of expenditure on Social Services from the Union Budget.

Source: CBGA (2013), "How Has the Dice Rolled? – Response to Union Budget 2013-14", Centre for Budget and Governance Accountability, New Delhi, March 2013.

Total Union Budget outlay for **social sectors** (excluding only Non-Plan Capital Expenditure on such sectors, which is usually negligible), registers a modest increase from 1.7 % of GDP in 2012-13 (Revised Estimates or RE) to 1.9 % of GDP in 2013-14 (Budget Estimates or BE). Moreover, with the Union Budget contributing funds worth only 2 % of GDP (or less) for social sectors (such as, health, education, water and sanitation, nutrition, and social security for marginalised sections), the country's total budgetary spending on these sectors would continue to be around 7 % of GDP in 2013-14, which is way behind the average level of social sector spending not only in the developed countries (like, the OECD countries for which this average is as high as 14 % of GDP) but also in regard to several developing countries.

With regard to **social security schemes**, the only concrete measure in the Budget 2013-14 pertains to *Rashtriya Swasthya Bima Yojana (RSBY)*, which would be extended to a few other categories. However, beyond a proposal for convergence among some of the existing schemes in this domain, the Finance Minister did not mention anything substantive with regard to social security schemes in his Speech. The allocation for *National Social Assistance Programme (NSAP)* has been increased from Rs. 8382 crore in 2012-13 (BE) to Rs. 9541 crore in 2013-14 (BE), but this small increase would hardly help the improvements required in the coverage of beneficiaries or in the amounts of entitlements in schemes like the *National Old Age Pension Scheme*, *Widow Pension Scheme* and *Disability Pension Scheme* and *National Maternity Benefit Scheme*, all of which are part of the *NSAP*.

The lack of adequate allocation for social sectors in the Budget 2013-14 has resulted in low priorities for a number of critical sectors, such as, education and health. The budget for the **Ministry of Human Resource Development** was Rs. 74056 crore in 2012-13 (BE), it has fallen to Rs. 66819 crore in 2012-13 (RE), and it is pegged at Rs. 79451 crore in 2013-14 (BE). Thus, the UPA promise to realise the norm laid down by to Kothari Commission of 1966 remains unfulfilled even in 2013-14, as India's total public spending on education at 3.31 % of GDP (2012-13 BE as per the Economic Survey for 2012-13) is nowhere near the promised level of 6 % of GDP. Union Government's total allocation for Education in 2013-14 (BE) stands at 0.69 % of GDP, which is slightly better than the 0.66 % of GDP recorded for 2012-13 (RE).Union Government's spending on Education as a proportion of total Union Budget has increased marginally from 4.66 % in 2012-13 (RE) to 4.77 % in 2013-14 (BE). The allocation for *Sarva Shiksha Abhiyan (SSA)* has gone up by just Rs. 3613 crore, from Rs. 23645 crore in 2012-13 (RE) to Rs. 27258 crore in 2013-14 (BE). Needless to say this is extremely inadequate to meet the deadlines of the Right to Education Act.

Similarly, the budget for the **Ministry of Health and Family Welfare** was Rs. 34388 crore in 2012-13 (BE), which has been reduced to Rs. 29273 crore in 2012-13 (RE); it shows only a small increase to Rs. 37330 crore in 2013-14 (BE). The combined budgetary expenditure of the Centre and states on health stands at around 1 % of the GDP in 2012-13. The Centre's total expenditure on Health & Family Welfare as a proportion of the GDP stagnates at 0.3 % in 2013-14(the allocation on health is 2.25 % of the total Union Budget in 2013-14). The *National Rural Health Mission (NRHM)* has been expanded into *National Health Mission (NHM)* to include the Urban Health Mission and the proposed allocation is of the order of Rs. 21,239 crore, which is 24.3 % higher than the 2012-13 Revised Estimate. The cash-less health insurance programme of the Union Government for BPL families *Rashtriya Swasthya Bima Yojana (RSBY)*, is proposed to be extended to include rickshaw-pullers, auto and taxi drivers, rag-pickers and sanitation workers but the allocation for the scheme shows only a marginal increase from Rs. 1060.7 crore in 2011-12 (RE) to Rs. 1141.5 crore in 2013-14 (BE). According to the government's own report, there is an acute shortage of 64 lakh allied health professionals in the country; the gaps in infrastructure in healthcare are also quite significant. Actually, the Union Government ought to have provided separate allocations for addressing the manpower shortage as well as the infrastructural gaps. Moreover, the budget belies the expectation of separate allocation towards universal access to free generic drugs. No concrete proposal towards achieving Universalisation of Health Care has been made in Union Budget 2013-14, which is the second budget of the 12thFive Year Plan period.

The **Department of Rural Development** had been allocated Rs. 73221.8 crore in 2012-13 (BE), which in 2013-14 (BE) has been increased marginally to Rs. 74477.6 crore. In constant prices, the allocation for the Department of Rural Development in 2013-14 would be less than the same last year. In 2013-14 (BE), total budget allocation for the Department of

Rural Development has been increased to Rs. 74,477.65 crore from Rs. 73,175 crore in 2012-13 (BE), which is a minor increase of less than Rs. 1302 crore. The 2013-14 allocation for the Department of Rural Development is 0.7 % of GDP and 4.8 % of total Union Budget.There is a visible increase in the allocation for *Indira AwasYojana (IAY)*; the allocation for which has gone up from Rs.11,075 crore in 2012-13 (BE)to Rs.15,184 crore in 2013-14 (BE). However, the allocation for *Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)* in 2013-14 (BE) is Rs. 33,000 crore, which is the same as previous year's allocation and therefore much less in real terms.

Food Subsidy is` pegged at Rs. 90,000 crore in 2013-14 (BE), a small increase from Rs. 85,000 crore in 2012-13 (RE) – despite the growing recognition of the need to expand coverage of the Public Distribution System (PDS) for food grains, the food price spiral and the urgency of implementing the National Food Security Bill when it is passed. This allocation of Rs. 90,000 crore for 2013-14 includes an amount of Rs. 10,000 crore that the government expects to be the incremental cost towards implementation of the National Food Security legislation. This expectation of the government that the incremental cost of implementation of the National Food Security legislation in 2013-14 would be a meagre Rs. 10,000 crore not only implies the lack of urgency on its part to enact the bill but also an evident underestimation of the additional resources required.

Turning to the vital issue of resource mobilization efforts, the proposals and policy measures in Union Budget 2013-14 are far from adequate to help the country move towards a significant increase in its **tax-GDP ratio**, which is necessary to allocate larger magnitudes of resources for critical development sectors .The Budget Speech admits that India has a low tax-GDP ratio compared to other developing countries and that 'fiscal consolidation' cannot be accomplished without mobilizing adequate tax revenue. However, the budget proposals do not have any substantial policy measure to ensure a visible increase in the country's tax-GDP ratio. The ratio of Union Government's gross tax receipts (i.e. including the share of States in the same) is projected to increase from 10.4 % of GDP in 2012-13 (RE) to only 10.9 % of GDP in 2013-14 (BE), a negligible increase from its low level equilibrium.

The proposed income tax surcharge on super rich (i.e. 10 % on persons whose taxable income exceeds Rs. 1 crore per year) is welcome, but it would imply a small increase of only 3% on the peak tax rate paid by such people, as there have been no changes in the income tax brackets or tax rates. Proposals to increase surcharge on companies (i.e. from 5% to 10% on domestic companies whose taxable income exceeds Rs. 10 crore per year and from 2 % to 5 % on foreign companies) too are steps in the right direction, but it is questionable whether such minor increases will be able to reduce the pronounced gap between the statutory and effective rates of corporate income tax in India. Moreover, the fact that these increases in surcharge are supposed to be applicable only for one year raises a question on the present government's intent to improve the tax-GDP ratio of the country along with an improvement in the progressivity of the tax system in the long run. Hence, the Union Budget for 2013-14 seems to have been formulated with 'fiscal consolidation' or 'reduction of government borrowing' as the overarching policy priority of the government; however, compression of public expenditure has been the key mechanism for pursuing such fiscal consolidation instead of a stronger reliance on increasing mobilization of tax revenue.

****

4.0. RESOURCE MOBILISATION EFFORTS IN UNION BUDGET 2013-14

Dr. Praveen Jha*

The government at the Centre has adhered to a conservative fiscal policy, relying primarily on compression of public expenditure for reducing the magnitude of its borrowing instead of a stepping up of tax revenue, for most of the last nine financial years. The current Union Budget too carries forward this kind of expenditure compression based 'fiscal consolidation' by the government ignoring the acute need for stepping up public spending on a host of development sectors in the country.

The magnitude of the Union Budget is projected to increase marginally from 14.3 % of GDP in 2012-13 (RE) to 14.6% of GDP in 2013-14 (BE). The overall size of the Union Budget had been around 15.7% to 15.4% of the GDP during 2008-09 to 2010-11, i.e. the years of global economic recession in which the Union Government had recognized and tried to address the need for stepping up public spending in the country. In the last two budgets, the overall size of the Union Budget has shrunk as compared to the size of India's economy, in particular during 2012-13 (RE). Given that the persistence of acute development deficits in many areas requires the country to improve significantly the coverage and quality of public provisioning in social sectors, which would be possible only when the Union Government adopts a fiscal policy that is much more progressive, its conservative approach to fiscal policy is a matter of serious concern.

The Union Budget 2013-14 and the Economic Survey 2012-13 do recognize the need for augmenting the country's tax base. However, apart from some piecemeal efforts, there is no indication of a comprehensive plan to do so. Union Budget 2013-14 expects to raise around Rs 12.4 lakh crore from tax revenue, Rs 1.7 lakh crore from non-tax revenue, Rs 0.7 lakh crore from non-debt receipts and around Rs 5.4 lakh crore from borrowing. However, even at these levels of projection, the Union Government's gross tax to GDP ratio is expected to reach only 10.9 %, which is way below the level of 11.9 % that had been achieved in 2007-08.

---

* Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi. He is also the Honorary Economic Advisor to Centre for Budget and Governance Accountability (CBGA), New Delhi.

A narrow tax base, as reflected in a low tax-GDP ratio, is one of the main weaknesses plaguing the Indian tax system. A comparison of tax-GDP ratios for general government across G20 countries and India (Centre and State governments combined) also substantiates the fact that India has one of the lowest tax-GDP ratios compared to most developed countries as well as a number of other developing countries. Though Union Budget 2013-14 includes some policy measures for increasing tax revenue, these are not adequate to help the country move towards a significant increase in its tax-GDP ratio as well as an increase in the share of direct taxes within total tax revenue.

The *proposal to set up a Tax Administrative Reforms Commission to review application of tax policies and tax laws* is a welcome measure in the light of the fact that India has a low compliance level and also that there is a plethora of exemptions in the Central tax system. The proposed *surcharge of 10 % on persons whose taxable income exceeds Rs 1 crore per year* was much needed given the high degree of inequality in India. However, a 10 % surcharge on peak income tax rate of 30 % will increase the effective tax rate by 3 % only; even after this increase, the peak income tax rate in India will continue to be way below that in many developed and developing countries of the world. Likewise, the proposed *increase in surcharge from 5 % to 10 % for domestic companies (whose taxable income exceeds Rs. 10 crore per year) and from 2 % to 5 % for foreign companies* is also a welcome step given the huge gap that exists between effective and statutory corporate tax rates in India due to aggressive use of tax planning and tax avoidance practices. However, it is questionable whether such minor increases will help to reduce the visible gap between the statutory and effective rates of corporate income tax in India. Moreover, the fact that these increases in surcharge will be applicable only for one year raises a doubt on political will of the present government to improve the direct tax collections and make the country's tax system more progressive in the long run.

The proposed *increase in surcharge on Dividend Distribution Tax from 5 % to 10 %* is another positive step as it would help increase the share of direct taxes in total tax revenue of the country. The policy measure for imposition of *Tax Deduction at Source at the rate of 1 % on the value of the transfer of immovable property exceeding Rs 50 lakh* too is a positive development in view of the fact that property transactions are grossly underreported in India to avoid stamp duties and capital gains tax.

Another positive development has been the fact that the Union Government did not roll back the retrospective amendment introduced in Section 9 of the Income Tax Act in the last year's Budget; this can have positive implications for the tax base of the country by bringing under the tax net international transactions involving indirect transfer of capital assets based in India. However, there are some other proposals in Union Budget 2012-13, which are likely to have adverse implications for the tax revenue raised by the government. *Reduction of Securities Transaction Tax on Equity futures* (from 0.017 % to 0.01 %), Mutual funds (MF) / Exchange Traded Funds (ETF) redemptions at fund counters (from 0.25 % to 0.001 %) and MF/ETF purchase/sale on exchanges (from 0.1 % to 0.0001 %) would result in revenue loss and these could also promote speculative transactions.

We must also pay attention to the Union Finance Minister's remark (in the Budget Speech) that it is not possible for the tax authorities to keep track of service tax payers and hence there is need for a '*Voluntary Compliance Encouragement Scheme*'. Such an approach by the government might have a demoralizing effect on honest taxpaying individuals and also promote complacency and laxity among the non-complying citizens. Strict deterrent measures to increase compliance and increased investment in administration to ensure better tracking of tax evaders are some other alternatives that the government could resort to.

The progressivity of tax system of a country broadly refers to the share of direct taxes in total tax revenue of the country. In the year 2011-12, while revenue from direct taxes stood at 5.99 % of GDP, that from indirect taxes stood at 10.65 % of GDP (for the Centre and States combined). Hence, direct taxes account for only around 36 % of total tax revenue in India. Union Budget 2013-14, which expects to yield additional direct taxes amounting to Rs 13,300 crore and additional indirect taxes amounting to Rs 4,700 crore (as compared to the previous year, 2012-13), has some measures in the right direction, but a lot more needs to be done to bring about a structural change in the Indian tax system.

The overall magnitude of public resources available to the government of India has been grossly inadequate in comparison to several other countries, mainly owing to the low magnitude of tax revenue collected in the country. In this context, it is important to note that the total magnitude of tax revenue forgone due to exemptions/ deductions/ incentives in the Central government tax system is estimated (by the Union Ministry of Finance) to be Rs. 5,73,630 crore in 2012-13.

What it implies is that – the estimated amount of additional tax revenue that could have been collected by the Union Government in 2012-13, if all exemptions/ deductions/ incentives (both in direct and indirect taxes in the Central tax system) had been eliminated, is a staggering 5.7 % of GDP.

The actual magnitude of revenue that would be possibly collected if all exemptions in the Central tax system are eliminated would be less than the above stated figure of 5.7 % of GDP, since the estimation by the Union Ministry of Finance is based on some assumptions (that are inevitable for such an exercise of estimation); however, the actual revenue potential associated with elimination of tax exemptions cannot be small. Moreover, not all kinds of exemptions/ deductions/ incentives in the Central government tax system are meant for corporations alone; these exemptions also include those that are meant for common people (like exemptions in some of the indirect taxes) and a number of other purposes linked to the direct benefit of the masses. However, there is a need for a detailed scrutiny of all kinds of tax exemptions to find out which of them are justified on the basis of sound social and economic reasons, and which ones should be eliminated or reduced.

Thus, the proposals and policy measures in Union Budget 2013-14 are far from adequate to help the country move towards a significant increase in its tax-GDP ratio or an increase in the share of direct taxes within total tax revenue.

****

5.0. BUDGET 2013-14: A LOST OPPORTUNITY

Dr. Jose Sebastian*

Let me begin by expressing my deep gratitude to Professor M.A Oommen, my guru and mentor for giving me this opportunity. Oommen Sir has turned 80 but he is still agile and active. The enthusiasm of Oommen Sir and Dr.K.K George is a great source of motivation to the young and middle aged people assembled here.

Coming to the Budget 2013-14, there are different ways of looking at it. I would like to look at it from two angles: will it take the Indian economy out of the ongoing recessionary trend? Will it contribute to reduction in poverty and inequality?. Of course these are issues which cannot be achieved in a single budget. But the initiatives in a budget can definitely contribute to it. We all know that economic growth is an essential condition for poverty reduction but not a sufficient condition. A recent article in *Economic and Political Weekly* shows that poverty reducing impact of growth is much more if it is combined with policies for reducing inequality. This provides me a framework to analyse this budget. I would like to divide the initiatives announced in the budget under two heads: growth promoting initiatives and inequality reducing initiatives. There are a large number of initiatives under the first. Measures to promote investment such as investment allowance, incentives for power generation, various infrastructural investments and allocations, incentives for housing sector are some of them. There are also schemes meant to promote entrepreneurship and innovation and also for skill development programmes among youth. Coming to initiatives reducing inequalities, the overall increase of 46% in allocation for various rural development schemes is the most noteworthy. The allocations for rural housing scheme, women bank and various schemes for the farm sector are examples. However, a closer look at the budget will reveal that there are not many programmes which would directly increase the purchasing power of the rural people. The allocations for the MNREGS have not gone up much. Similar is the case with Indira Gandhi National Old Age Pension Scheme. Increased allocations for such programmes would have helped to reduce migration of rural people to the urban areas. I feel that our whole development strategy has an urban bias. If the budget is analysed in–depth, it will be revealed that the allocations for the urban areas are much higher than that of rural areas. Of course, our cities are under severe pressure with the ever growing

---

* Faculty, Gulati Institute of Finance and Taxation, Thiruvananthapuram

migrant population. This vicious circle has to be broken by creating more economic opportunities in the rural areas. I feel that this budget does not have a clear strategy to address this problem.

I feel that the Union Finance Minister should have presented a "populist budget" purely for economic reasons. Going by the recessionary trends in Europe and United States, the country has to regenerate domestic demand. The growth promoting policy initiatives will be fruitful if only there is sufficient demand in the economy. The incremental demand has to come from the rural and semi-urban areas of the country. It is reported that the fast moving consumer goods manufacturers (FMCG) are already facing sluggish demand. A question may be asked how can the Finance Minister be expected to do this given the pressure to reduce fiscal deficit and its associated evils. I think he missed an opportunity here. Ours is a country with one of the lowest tax-GDP ratio in the developing world. Tax-GDP ratio of some of the developed countries are as high as 40%. Most of them provide cradle to grave social security to the citizens. In our country nobody is sent to jail for evading tax. The tax system is extremely complex and cumbersome. It has opened up umpteen avenues of tax evasion and avoidance. Rather than tinkering with tax rates, the efforts should be to plug tax evasion effectively. But the Finance Minister has again come up with solutions like amnesty schemes. This will only help to undermine the morale of honest tax payers. The proposal to form a commission on tax administration is a welcome step.

It was expected that the Finance Minister would announce the switch over to Goods and Services Tax (GST) regime. Service sector contributes over 50% of the GDP but its contribution to tax revenue is insignificant. The heavy reliance on the goods producing sectors to mobilize resources has several harmful effects on the economy. It adversely affects the competitiveness of Indian products in the international market. The rich consumes more services than the poor. Taxing services lightly therefore has an equity implication. These distortions would have been corrected with the introduction of GST. This would have considerably widened the fiscal space of both Centre and the states.

Given these reasons, I think the present budget is unlikely to take the country out of the recessionary trends. The incentives and concessions offered in the budget might prove to be ineffective. Therefore, the projections on growth and fiscal deficit are unlikely to be realized.

****

6.0. A GENDER PERSPECTIVE OF UNION BUDGET 2013-14

Dr Nirmala Padmanabhan[*]

I am asked to comment on the gender dimension of the budget. Statement 20 in Volume I of the Expenditure Budget titled Gender Budget highlights the quantum of public expenditure earmarked for women in the union budget 2013-14. Such an attempt at mainstreaming gender in the budget statement in India was first introduced in the year 2005-06. Since then every year, the Ministries / Departments are requested, through the Annual Budget Circular, to highlight the quantum of public expenditure earmarked for women in their budgets and on the basis of this information the Gender Budget Statement is prepared. This statement indicates, in two parts, the budget provisions for schemes that are specifically meant for the benefit of women. 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. The rationale of Gender Budgeting arises from the valid assumption of the fact that the national budget impacts various sections of the society differently through the pattern of resource allocation and priority accorded to competing sectors. Gender Budgeting in simple terms is 'Gender Analysis' of the budget which examines the budgetary allocation through a gender lens. The purpose of gender budgeting is to monitor expenditure and public service delivery from a gender perspective, as a means of mainstreaming women's concerns in all activities and improving their access to public resources.[1]

As per the Gender Budget statement, the budgeted allocation for women has gone up from Rs 88,143 crore in 2012-13 to Rs.97,134 crore in 2013-14 registering an increase of 10.2%. Allotment for Part A schemes increased by 18.6% whereas that for part B schemes has increased only by 7.2%. The allocation under gender budget in 2013-14 aims at retaining the figure of 5.83% of total public expenditure attained in 2011-12 which by 2012-13 had dropped to 5.46% (Revised estimate) despite an initial higher budgeted estimate of 5.91% . Thus the proportion of total government expenditure set apart for women has hovered around 5-6% since the inception of gender budgeting in 2005-06 except for one or two years when it was even lower (Table 1). The number of demands in the budget has also not increased substantially having only increased from 34 in 2012-13 to 35 in 2013-14 as against 33 attained five years ago in 2007-08.

---

[*] Associate Professor, Department of Economics, St Teresa's College, Ernakulam

Table 1 Allocation for women under Gender Budget in various years (Rs in crore)

Year	Allocation under part A (RE)	Allocation under part B (RE)	Total Magnitude of Gender Budget (RE)	GB as proportion of total union budget expenditure
2005-06	8273.88	15966.63	24240.51	4.77
2006-07	4618.95	17632.46	22251.41	3.83
2007-08	8428.66	13919.43	22348.09	3.15
2008-09	14875.15	34748.2	49623.35	5.51
2009-10	15480.95	40813.27	56294.22	5.51
2010-11	18473.3	48601.38	67074.68	5.51
2011-12	20496.57	56449.52	76946.09	5.83
2012-13	18878.48	59232.96	78111.44	5.46
2013-14(BE)	27248.19	69885.51	97133.70	5.83

Source: Statement 20, Expenditure Budget, volume 1 and Budget at a Glance, Union Budget, Government of India, various years

Fund allotment for Protection of Civil and Political Rights of Women

A much highlighted feature of this budget is the allocation of Rs 1000 crore for setting up a 'Nirbhaya Fund' to enhance security to women. While this is a welcome step, following two points need be kept in mind while evaluating this scheme.

Allocations for protecting the civil and political rights of women have always been and continue to be an insignificant share of total funds allocated in the gender budget. For instance studies report that 99% of allocations for women in previous union budgets have gone for protecting economic, social and cultural rights while civil and political rights have received less than 1 % [2]. While feminisation of poverty does warrant a predominant focus on the former, increasing atrocities against women necessitate greater efforts for protection of civil and political rights. Analysis of fund allocation in 2013-14 for some important schemes aiming at protection of women's civil and political rights, reveal a continuation of past trends with the total fund allocation for the same amounting to only around 1% of total funds allotted for women under the GB statement (Table 2)

Table 2 Allocation of funds in Union Budget for some important schemes for protection of civil and political rights of women (Rs. In crore)

Department/ Ministry	Group / Sub Group/ / Scheme/Sub Scheme / Programme/ Sub Programme	Budget Estimate 2012-13	Revised Estimate 2012-13	Budget Estimate 2013-14
Ministry of Women and Child Development	Hostels for Working Women	10.00	8.30	20.00
	National Commission for Women (NCW)	15.13	15.57	19.13
	Swadhar Greh	100	55	75
	Comprehensive Scheme for Combating Trafficking (Ujjawala)	12	7.40	13
	Priyadarshini Scheme	15	14	15
	Women's Helpline	2.00	...	18.00
	One Stop Crisis Center	5.00	...	9.00
	Implementation of Protection of Women from Domestic Violence Act.	20.00	...	67.50
	Other Programmes (Relief to and Rehabilitation of Rape Victims)	*19.00*	----	*85.0*
Ministry of Overseas Indian Affairs	Legal assistance to Indian women facing problems in NRI marriages	0.75	0.65	0.75
Ministry of Social Justice and Empowerment	Machinery for implementation of Protection of Civil Rights Act, 1955 and Prevention of Atrocities Act 1989	29.40	24.60	26.40
Ministry of Labour and Employment	Improvement in Working conditions of Child / Woman Labour	150	132	200
Ministry of Home Affairs	Gender sensitization and other welfare schemes for ITBP*	0.21	0.12	0.04
	Gender sensitization and other welfare schemes for CRPF*	37	37	41.50
	Gender sensitization and other welfare schemes for Sahastra Seema Bal*	1.0	0.15	0.42
	Organizing courses on crime against women (BPR&D)	0.10	0.09	0.20
	Organizing workshop /seminar on trafficking in the states(BPR&D)	0.20	0.68	0.56
	Organising virtual interactive courses for IPS and other senior police officers on issues relating to Gender categories (BPR&D)	0.20	0.13	0.15
	Research projects on women related issues by the women professionals proposed by The Correctional Administration Division	0.01	0.01	0.01
Ministry of Panchayati Raj	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) and other schemes	106.0	141.75	455
Total funds for protection of civil and political rights		523	438.29	1046.66
Total as %age of total funds allocated in Gender Budget Statement		0.59	0.56	1.07

* Figures under these schemes also include funds for health and nutrition and is thus higher than the actual amount spent for sensitisation

Source: Statement 20, Expenditure Budget, volume 1, and Note on Demand for Grants, Ministry of Women and Child Development, Expenditure Budget, volume 11, Union Budget 2013-14, Government of India

Another fact that warrants attention in this context is the low utilisation of funds in 2012-13 in critical schemes- such as Women's Helpline, One Stop Crisis Center, Implementation of Protection of Women from Domestic Violence Act, Relief to and Rehabilitation of Rape Victims etc. indicating that mere allocation of funds need not ensure its utilisation for the same.

Women's Bank

The budget provides Rs 1000 crore for setting up India's first Women's Bank. The bank, which is to be set up in the public sector, proposes to lend mostly to women and women-run businesses, support women self help groups and women's livelihood, employ predominantly women and address gender related aspects of empowerment and financial inclusion. Some term it a political gimmick while others welcome it on the grounds that it will promote financial inclusion in rural areas. Its impact will ultimately depend on the effectiveness of its implementation. As stated earlier, mere allocation of funds need not translate into utilisation as is observed in the case of Rashtriya Mahila Kosh where funds allotted to provide micro credit to poor and under privileged women remains very much underutilized.

Gender Budget Statement 2013-14: Some Shortcomings

Some lacuna reported in initial years of gender budgeting[3] remains unaddressed in this budget also. For instance lack of clarity regarding the criteria for estimating amount of funds allotted for women in various schemes under part B of the Gender Budget Statement. Water supply and sanitation which is a very important sector for women still do not find mention in the Gender Budget Statements.

Scheme for Rural housing - Indira Awaz Yojana - under Department of Rural Development continues to be shown under part A and treated exclusively for women despite studies indicating that about 10% houses are allocated to men and 15 % in joint names. Gender sensitisation and awareness campaigns are adopted by very few Ministries / Departments. Ministry of Home Affairs is the only one which has emphasised such sensitisation programmes. Certain ministries such as that of Panchayati Raj show more than 100 % allocation under specific schemes in part B of the GB statement whereas the scheme will benefit both men and women. For instance allocation for Rajiv Gandhi Panchayat Sashakthikaran Abhiyan (RGPSA) is shown as Rs 406 crores in the statement of the Ministry whereas under part B of GB statement it is Rs 455 crore.

Finally GB exercise in India continues to be confined to resource allocation and has not advanced into beneficiary analysis or analysis of outcome which will capture the true essence of gender responsive budgeting .

Notes

(The author is thankful to Jawed Alam Khan, Senior Research Officer, Kanika Kaul Programme Officer and Saumya Shrivastva Research Assistant at Centre for Budget and Government Accountability, New Delhi for their valuable comments)

1. www.indiabudget.nic.in
2. Mishra, Yamini and Bhumika Jhamb (2007) " What Does Budget 2007-08 offer Women?" *Economic and Political Weekly*, April 21, pp1423- 1428
3. Das, Subrat and Yamini Mishra(2006) "Gender Budgeting Statement: Misleading and Patriarchical Assumptions", *Economic and Political Weekly*, 29 July, pp 3285-3288
4. Mishra, Yamini and Bhumika Jhamb (2009) " An Assessment of UPA-I through a Gender Budgeting Lens" *Economic and Political Weekly*, August 29, Vol XLIV, No 35, pp 61-68
5. Das, Subrat and Yamini Mishra *(ibid*)

****

7.0. A FINANCIAL MARKET PERSPECTIVE

C J George*

Dr. K. K. George, Prof. M. A. Oommen, distinguished panel members, Ladies and Gentlemen,

I think I also have the responsibility to defend the Finance Minister, since I am the only one who represents the financial markets among the panelists.

One introductory point about the fiscal deficit targeting in the background of the debate that is going on regarding fiscal deficit is absolutely necessary. The very first paragraph of the Minister's speech mentions about the biggest challenge the Indian economy is facing is current account deficit (CAD) and this was subsequently reiterated by Prof. Reghuram Rajan, the Chief Economic Advisor to Government of India as well as Finance Minister during many television interviews and press statements. In this background it is unfortunate to say that the government is looking at financing current account deficit through FII investments that may not be the right way to manage the economy. But at the same time currently the Finance Minister is in a difficult situation as the global credit rating agencies have been planning to down grade India to junk grade.

Last year alone we have received 24 billion US dollars of FII investments through the portfolio route which helped Indian rupee to hold the current levels. And if indeed there was a down grade of India's economy, this time, then all these hot money would have gone back. So the country would have been in a very difficult current account deficit situation, if there was a down grade. So before the budget, particularly two months before the budget, Finance Minister was travelling all over the world, meeting international investors and giving them the confidence and comfort that the Indian Economy will be well managed. He even went on to add that" I will see to it that fiscal deficit will be managed' .His body language was particularly conveying a reassuring message to them when he said". I will see that the fiscal deficit will be reduced to 5.3%". The intention was to give an assurance to investing community that India will not be downgraded. The CAD situation has been worsening thanks to the significant amount of gold import, large

* Managing Director, Geojit BNP Paribas Financial Services Ltd., Eranakulam and Chairman, Confederation of Indian Industry (CII), Kerala.

part of that was coming to Kerala, unfortunately and hence any downgrade due to worsening fiscal deficit would have further aggravated the CAD. Therefore the fiscal deficit targeting became very important this time and hence instead of 5.3% fiscal deficit as promised by the Finance Minister, he even managed to reach 5.2% although by cutting plan expenditure. It is debatable, whether the right way of managing fiscal deficit is by cutting plan expenditure. But I must tell you this is why fiscal deficit assumed a very large importance in the budget and subsequent discussions. One close look at the budget will lead one to think that even GDP growth rate was compromised for the sake of keeping fiscal deficit target as Rs 90000 crore of cut in plan expenditure is partially responsible for pushing down the GDP growth rate.

The government wanted somehow avoids downgrade by global rating agencies. Now I will also talk about some of the interesting market-related proposals in the budget. I should make a mention about the most important and most interesting proposal which was the tax on super rich and I must tell you how this tax is actually working. This tax on super rich is only for the gallery as parliament election is not far away. I must talk about the Industrialist who welcomed the proposal to impose a tax on super rich. This industrialist in the previous year had a tax free income of Rs.1470 core and a taxable income of Rs,2 crore. Now let us apply the surcharge of 10% on Rs.2 crore of taxable income. When you apply that 10% surcharge on his 30% tax, his additional tax out go is calculated as just Rs 6 lakhs, whereas his total income is Rs.1472 crore which is working out to 0.004%, taxation. So the effective tax rate of this industrialist who welcomed tax on super rich was 0 .004%, if we consider his last year's income statement. Then there is another interesting industrialist who had reported the highest income in the country last year. His taxable income was Rs.15 crore last year and when we apply the same rate of taxation of 10% surcharge on income tax, his additional tax outgo is only the Rs.45 lakhs. And his non-taxable income was Rs.2700 crore. So in effect the total additional tax that this industrialist will have to pay on his last year income is Rs.45 lakhs which is working out to 0.016 %? That is the tax we are talking about as the tax on super rich ! This is a very interesting statistics and therefore I must tell you that this is actually designed for the gallery keeping the next year elections in view.

Another interesting point is the investment allowance which I consider as the most significant point of this budget as far as the manufacturing industries are concerned. The budget proposes 15 % investment allowance for investment in plant and machinery if that exceeds Rs 100 crore. This is particularly significant as around Rs 4 lakh crore of investment in plant and machinery is in the process of completion. As this allowance is only for two years, the corporate sector will rush to finish these projects to take advantage of the investment allowance. That means we will see an accelerated growth of implementation of projects in manufacturing industry in next two years pushing the rate of growth of GDP upward. Hence this is probably the one significant step in the budget by the finance minister that will see the economy getting a push . These are the most important budget proposals that will have lasting impact on private corporate sector in my view. To conclude please let me congratulate Dr M A Ommen and his team at the K M Mani Centre for Budget Studies for organizing this discussion on union budget 2013-14.

****

8.0. MEDIA PERSPECTIVE ON BUDGET

P A Vasudevan*

Once upon a time media was more interested in the histrionics of budget, than in its content and future impact. The Finance Ministers also were more concerned with an uninterrupted reading of the budget on the floor than in ensuring its implementation. This was so with almost every budget that I have come across. Once presented and passed quite often with meaningless rhetoric, they are cold-storaged, even the opposition party or the critical press look back at the end for any evaluation. As the wheel of time moves on and the Finance Minister stands up again to present a new Budget with new slogans, sounds and fury.

This is a boring and grisely experience and a total negation of parliamentary responsibility and democratic accountability. In this context the media of all genre have greater responsibility now than before to explain the budgeting implications to the public. Normally the media reporters are not fully qualified to analyse the budget and hence the immediate media task will be to present the text and in rare cases short analytical notes. Recently there is a welcome change that media seek inputs from economists and other experts in concerned areas. They too comprise a motley host of good, bad and indifferent lot.

The main media tasks regarding reporting the budget are:

1. Presentation of the summary of the text (in some papers the full text appears)
2. Bring out impact of the budget on the thrust areas of the economy
3. Bring out hidden implications that common readers cannot understand
4. If necessary explain certain basic terminologies.

Looked at from these angles only a few news papers and T V channels, satisfy these requirements. In most of the cases the presentation are superficial and trite. Limiting the comments to some very limited areas and presenting the arguments to suit political or other vested interests make a mockery of the whole exercise.

The channels often far out compete the print media in presenting very partial and shabby reports. They invite ‘experts’ to suit their

*Retired Professor of Economics and currently Manager-Public Relations, *Mathrubhumi*, Kozhikode.

interests. In such cases they, grossly mislead the entire constituency of viewers. Most of the budget analyses are over run by political considerations. Impartial and normative evaluations are exceptions than the rule.

I think the media when reporting the budget should concentrate primarily on two points:-

1. As far as possible preserve the technical details and bring out the thrust areas and possible impact of the budget
2. At the same time media must remember that they are addressing common readers who are more interested to know the budget impact on their daily lives.

The pre-budget run-up are in many cases very analytical and give vital points to the Finance Minister. Instead of concentrating wholly on the presented text, the media should make a look back analysis, such as

1. What the Finance Minster promised in the previous budget and what has been the gap in promises and performance
2. The budget allotment and the realized spending
3. Targets and outcomes achieved, including the tax revenue realization, deficits and development projects
4. Projects abandoned or left incomplete.
5. How many of the old are tucked within the fold of the current budget

So a look back to the last budget and the actual position after one year, shows the difference between promises and performance and enables the public to recall and reflect. The media have to do this for them. So the present budget is to be viewed in the background of at least the previous budget if not a few earlier ones. No such serious academic exercises exist. It is the prime tasks of the media to tell the public that the government has erred, mismanaged and caused drain on the public exchequer.

The media should not limit their budget analyses as an annual routine. Instead, they can publish periodic reviews, so that corrective mechanism of governance can be alerted to rectify the gaps. Media may not only find fault, but do well offer constructive criticisms keeping the common good fully in view.

Under utilization or non-utilisation or even unusual re-allocation and bulging of budgetary allocation during the year, makes a mockery of the budgetary process and fiscal targeting . In the 2012-13 budget Rs.364 crore and 400 crore were set apart for the formation of the National Intelligence Grid and the crime and criminal net work tracking systems respectively. The actual spending was only of the order of Rs. 11 crore and 193 crore. Another example the rural development ministry the Gram Sadak Yojana got Rs.75000 crore and 24000 crore respectively of which they could spend only Rs.35000 crore and Rs.10000 crore. The amount allocated for public sector bank recapitalisation is still remaining on paper. Obviously alternative priorities stand to suffer. There are a few examples of implementation gap, which the public may not be aware of. Only investigative media can bring such government lapses into the domain of public discussion. This is to avoid the loss of credibility of the budget and to ensure that the budgetary provisions go fully down the implementation channel. Budget sanctity is not always respected. That is the sad story that unfolds before us.

Press ensures that the Finance Minister is responsible to the text of the budget and periodic press interferences keep the Finance Minister and his close officials alert and vigilant. What the Finance Minster presents in the house is the glossy and window dressed side of the budget. The hard part begins after that. Timely interventions appearing in columns can ensure vital factors like:

1. Rationalisation of expenditure
2. Arrears of under or non-implementation
3. Dark or cryptic intentions in the budget like the revenue foregone on direct tax concession to the corporate sector in the 2013-14 budget. Very few people know that 61% of the total tax benefits given to direct tax payers go to corporates. Also in many cases, the indirect tax concessions in the budget benefit big companies and generally do not result in price reduction.

Such areas as these are beyond the ordinary range of perception and can easily be kept away from public domain. To effectively and realistically speak about the budget 2013-14, we should wait till the end of the year. At best the press can write about the previous budget in the light of which some possible projections.

****