Budget 2023 Has Chilling Implications for India's People*

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The annual budget is generally supposed to be a statement of not only the Union government's actual and proposed revenue raising and spending plans, but also of its general economic policy intent. If so, the indications this year are chilling.

It seems that the Narendra Modi government has decided, in an election year, that general elections can be fought and won without efforts to improve the material conditions of the bulk of the people, and even simply ignoring their suffering. (Presumably other strategies are to be used for the coming elections.) Instead, the focus of the government will be on infrastructure investment, which may have some positive fallout over the longer term, but in the short run will only generate profits (and kickbacks) for a very select few.

The Economic Survey already suggested that the government is innocent of – or in denial about – the material conditions of the vast bulk of the Indian population. Remember that aggregate employment rates are at historically low levels; formal employment is coming down and job losses are hitting even the most "dynamic" sectors like IT; median money wages are lower than they were two years ago; official surveys are finding horrifying nutrition indicators and micro surveys reveal evidence of growing incidence of absolute hunger. But for the finance ministry, there is hardly any mention of any of this, as cherry-picked data are produced to suggest that the period since 2014 (and before that, the term of the A.B. Vajpayee government of 1999–2004) have been golden periods for the Indian economy despite all the challenges. In other words, "sab changa si", and our only concern is how to insulate ourselves from global economic problems, since we apparently have none of our own.

One important caveat: we need to remember that most of the numbers for the Union Budget 2023-24 – both the declared intentions for the coming year and the so-called "Revised Estimates" for the current financial year 2022-23 – are dubious. The current fiscal year's numbers are based on the available (and still preliminary) data for April to December 2022, since numbers for January 2023 are not yet available even to the finance ministry, and February and March have yet to occur. Since the numbers for the last quarter of the year are as yet unknown, the finance ministry is free to fill in whatever it likes as the total for the entire year, and thereby claim whatever to meet whatever revenue, expenditure and fiscal deficit targets it chooses. And it can also declare whatever numbers it chooses in the coming year without informed scrutiny about the underlying assumptions.

Given this, the numbers provided in Budget 2023-24 are startling to say the least. It is safe to say that we have not experienced such a savage cutback of essential social spending in a very long time, and certainly not in the last two decades. In a period of falling employment and lower real wages especially for the rural poor, the allocation for the MNREGA has been cut by around one-third from the likely spending in the current year, to only Rs 60,000 crore. The group People's Action for Employment Guarantee has estimated that the allocation for the coming year should be at least Rs 2,72,000 crore if the promise of 100 days' work is to be met even for those who worked on the programme in the current year – this would be only around one-fifth of that.

The massive cut in the allocation for the food subsidy by nearly one-third is similarly striking given all the evidence on undernutrition and absolute hunger. The increase in allocation for the National Health Mission will not keep pace with inflation, implying a cut in real terms and an even bigger cut in terms of per capita spending. The much-celebrated public health insurance scheme PM Swasthya Suraksha Yojana was allocated Rs 10,000 crore in the current year but will apparently manage to spend only Rs 8,270 crore. For the coming year, the allocation is only Rs 3,365 crore! So what will happen to all the unfortunates who are currently covered under this scheme – will their "insurance" simply lapse?

Unlike most countries in the world that significantly increased public spending on schooling to allow for students to deal with learning losses during the pandemic, the Indian government did not do so. Instead, even the budget estimate of Rs 63,449 crore for 2022-23 is not expected to be met, with a shortfall of Rs 4,396 crore. And the budget outlay for the coming year is only Rs 5,356 crore more, once again just about keeping pace with expected inflation. The higher education outlay is slated to increase by a pathetic Rs 3,267 crore, suggesting no real expansion.

The finance minister spent what seemed like an aeon talking about agriculture – but the total budgetary outlay for agriculture is down, as is that for rural development. Some of the reductions are striking: the Market Intervention Scheme that is supposed to provide price support for farmers when market prices fall below a certain minimum level was announced with much fanfare a few years ago. But the allocation for that scheme has fallen from Rs 1,500 crore to only Rs 1 lakh! (You read that right – it's not a typo.) The finance minister announced that the PM-KISAN payments would increase from Rs 6,000 per farmer to Rs 8,000 per farmer in what is clearly one of the few pre-election sops – but that is not reflected in the expenditure budget, where the amount allocated is the same as the previous year, Rs 60,000 crore.

Even the much-hyped capital expenditure numbers are also padded up in ways that should now be familiar over the tenure of this finance minister. For example, support to oil companies is included under "capital expenditure to fund the green transition"!

One of the biggest cons is in the declaration that state governments are being provided hugely increased funds to finance their capital expenditure. In reality, the total transfers to the states are projected to come down. In 2021-22, such transfers amounted to Rs 4,60,575 crore, but they were reduced to Rs 3,67,204 crore in Budget 2022-23, and the Revised Estimates suggest only Rs 3,07,204 crore will be transferred in the current fiscal year. The Budget 2023-24 provision is for Rs 3,59, 470 crore. Meanwhile the states' share of tax revenues has come down to only 30.4% in the upcoming Budget, down from 33.2% in 2021-22, and a very far cry from the 42% share promised by the 14th Finance Commission.

All this is very bad news for ordinary people, and also for domestic demand, since this will impact directly on mass consumer demand. This has already affected industrial production: consumer durable production in 2021-22 was 13% lower than in 2018-19, while non-durable consumer goods production increased by less than 1%

over the same period. In the circumstances, it is hardly surprising that private investment as a share of GDP fell from 23.1% to 19.6% over those years.

Clearly, this government is either not interested in genuine macroeconomic revival or persists in the foolish belief that just announcing big capital spending plans can cause people to overlook the actual realities. It is evident that stock markets – after the initial knee-jerk euphoria – were not fooled by this; and it is increasingly evident that international investors are not going to be fooled either, especially as the Adani unravelling continues. It remains to be seen whether the electorate will once again persist in being fooled.

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