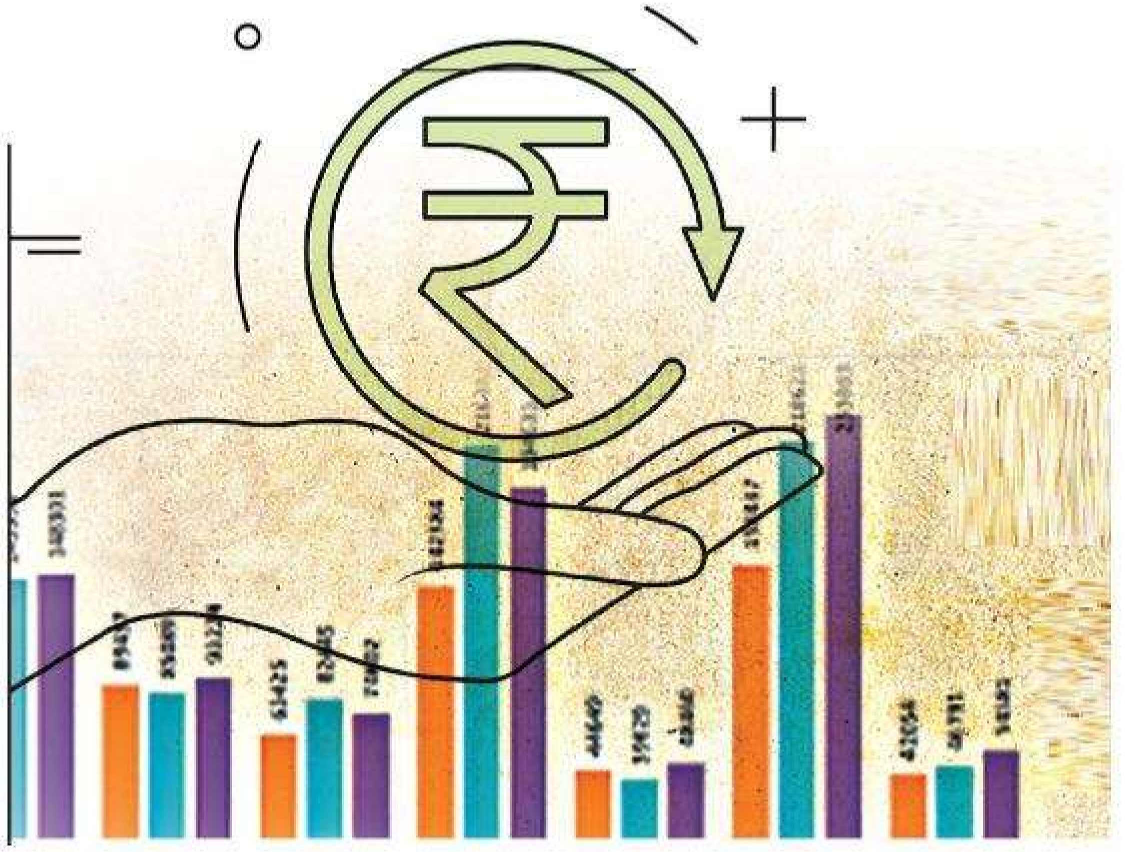
A look at the journey of budget



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The first budget in the independent India projected the expenditure estimate at Rs. 197.29 crore. The last financial year (2022-23) budget estimates were Rs.34.83 lakh crore.

Whatever be the budget estimates every year, the budget's main objective is purported to guarantee economic growth and upgrade education, health, job opportunities, industry, trade and distribution of resources as part of the government's political, social and economic duties.

Classification changes

In the budgets presented from 1951-52 to 1972-73, the general expenditure was classified into capital expenditure and revenue expenditure. The expenditure incurred for capital creation for public sector units, construction of dams for irrigational facilities, digging of canals, implementation of power projects and infrastructure including roads was classified as capital expenditure. Expenditure incurred for administration, defence, salaries for the government employees, grants and subsidies and paying interest on public debts was pigeonholed as revenue expenditure.

After 1973-74, this classification was changed into one of development expenses and non-development expenses. The development expenditure covered agriculture, industries, education, health and drinking water. Defense expenses, external affairs-related expenses, interest on loans, subsidies, administrative expenses, and public service expenses were covered under the non-development expenditure.

Effects of changes

Priority was given to expenditure for agricultural and industrial development in the 1951-1960 decade. During this period, several dams and reservoirs were constructed across the country and irrigation schemes drawn up and implemented. Several public sector enterprises were established.

Yet since 1980s non-development expenditure had been rising, triggering an economic crisis in 1990. Consequently the economic policies turned upside down. The professional politicians had since started taking over governance with the help of the ruling class.

In the budget schemes drawn up since 1991, great changes took place in the public expenditure. Fund allocations for non-development projects decreased. Funds earmarked for agricultural subsidies including fertilizer subsidy, farming schemes, rural development and social growth witnessed a fall. Lots of changes happened. The industry sector was liberalised; public sector enterprises were privatised and also sold for mobilizing funds for public expenditure; forex policies underwent changes and free trading zones were created.

The Financial Responsibility and Budget Management Act (FRBM Act) enacted in 2003 represented a great change. The law had main objectives of reducing the financial and revenue deficits and interest burden. As a result, subsidies for food and fertilizers, fund allocations for education and health were curtailed to a large extent. These expenditures seemed to be increasing for the namesake or going up from the perspective of an overall total expenditure. Nonetheless, viewed in terms of the proportions to the total national revenue, these expenditures have considerably and manifestly reduced.

On the one hand, prices soared owing to the curtailed food subsidies. On the other, agricultural production cost rose up as a result of the cut in farming subsidies. Though both farmers and consumers were affected consequently, it was mainly the small and tiny farmers who bore the brunt of this downfall. The prevalent suicides of farmers were an extension of this miserable trend. The changes have been effected in the budgets on the pretext of reducing the financial deficit.

Partial approach

While various kinds of expenditure were reduced as part of financial prudence to set right the financial deficit, changes were also made in the revenue resources. After 1991, revenue from indirect taxes rather than from direct taxes has been augmented. There are two features of direct taxes: One is the individual income tax and another corporate tax. After 1991 the corporate tax is being reduced.

The corporate tax which stood at 30 per cent was reduced to 8 per cent in 2019. The tax concessions granted to corporates are worth Rs.1.84 lakh crore. So, no wonder, the wealth of corporates, even in the toughest period of pandemic, increased 32 per cent. So, there was a need to make up for the loss of this type of revenue and hence, the indirect tax or GST and levies on petrol and diesel taxes were increased considerably, making 50 per cent of the people at the lowest rung of the society tax-payers.

There are people who say that it was our country's 'household savings' habit which helped India escape the global economic crisis way back in 2008. But even the domestic savings practice has been on a downswing.

On the contrary, the corporates' profits and savings have been witnessing an upswing. Our household savings have been converted into investments. The corporate funds saved here change into investments abroad.

Much water flowed under the bridge since 1947 when the independent India's first budget was presented. The 1991 budget reflected all changes witnessed since. However, India still continues to be a country with the highest number of poor people even now.

Several personalities from Mahatma Gandhi to Kaushik Basu, former Chief Economist of the World Bank, have been making clarion calls to design budgets focused on the welfare of the common people who constitute a majority of the country's population.

The rulers must pay heed to those sane voices.

Translated by V. Mariappan.