India's Union Budget 2009-10 as a child might see it!

1. About the Title

1.1 The title of this essay on the latest Union Budget of India may look surprising at the first sight, since in our country only the professionals, no matter they where they hail from, academia or administration, consultancy firms or media, are in the eyes of a layman, competent enough to reflect on a tough subject like budget in general or India's Union Budget of 2009-10 in particular. However, the bare fact that stares in face all of us is that every person, be he or she a beggar, a vagabond, a prisoner, a forest dweller, a Dalit, a sex worker or a Maoist, whosoever lives in any part of India is a tax-payer, and his/her taxes form a part, maybe an infinitesimal one, of the public exchequer of both Union and States, and out of the coffers of the latter are made myriad expenditures and disbursements, all in the name of the people. The Budget is but the story of how the celebrated rupee comes in and goes out via the public exchequer. Viewed thus, the budget of the Union or that of a State, by its very nature, ought to be the concern of every citizen rich or poor, literate or non-literate, a villager or a city dweller, law-abiding or law-defying. But sadly enough, after 62 years of independence and 59 years of proclamation of a republican Constitution, the discourse on budget remains confined to a miniscule of our population, who either are subject professionals by virtue some training or practice in the past or who stand to gain or lose some instant stakes in the wake of a budget being passed in the legislature. Such a situation, especially in a democratic polity like ours, is good neither for the State, nor for the public at large.

1.2 Here in this essay the word 'child' is used in a double sense i.e. in a literal sense and as well in a metaphorical sense. The child in any country, who is placed at the bottom of its demographic ladder, happens to be the most prospective, and therefore most desirable constituent. The budget, or for that matter any serious dispensation of the State must be judged by the standard of treatment it metes out to the child population. The present essay shall therefore explore the manifold provisions that the Union Budget of 2009-10 holds forth for India's children as a whole. As mentioned, there is an additional sense, in which the word 'child' occurs in the essay's title. The child being untrained and untainted, as every body knows, usually perceives a reality or a concept or anything for that matter through a simple and unsophisticated manner, devoid of any jargons or catchwords. Conversely, a child is also capable of comprehending any matter, howsoever difficult or complex it may be, provided it is decoded or so to say, deconstructed into simple, ordinarily intelligible propositions. And mind you, not only the jargonized language typical of the Indian budget, but also the highly mysterious and awesome manner in which it is produced every year frightens away an average citizen of Indian literate and non-literate as well from entertaining even any gossip around it. Thus it won't be wrong to say that every average Indian is a budget-illiterate. And there have been credible efforts only few and far between by the State or by the non-State agencies to drop the abstruse, cumbrous lexicon of the Indian altogether for simple, indigenous sort or alternatively, to keep on rendering the ordinarily incomprehensible text of the budget into a popular version, that would be effortlessly intelligible to millions of average Indians, who are the ultimate stakeholders of State's budgetary dispensation. Here in this essay, a modest effort has been made to lay bare the quintessence of the Union Budget 2009-10 in a manner, with which a curious child would feel at ease. Since the teeming millions of ordinary Indians, irrespective of their level of literacy, are but mere children vis-à-vis the grandiose, awe-inspiring process of production and presentation of Indian budget.

2. Some Preliminaries

2.1 Union Budget 2009: Interim and General-

About a fortnight prior to the announcement of elections to 15th Lok Sabha was made on 2nd March 2009, an interim Budget for 2009-10 fiscal was introduced in Lok Sabha on 16th Feb. 2009 by the Union Finance Minister. While a new Government was yet to be installed duly at the Centre following the scheduled elections and a full fledged Budget (called General Budget) to be presented by the latter, it was barely necessary, as per Article 116 (Votes on Account, Votes of credit and Votes of Exceptional Grants) of the Constitution, to receive the approval of Lok Sabha for the withdrawal of money from the Consolidated Fund of India required for running the multifarious affairs of the Union beyond 31st March 2009 (closing day of the outgoing fiscal). The full-fledged Union Budget for 2009-10 was presented to both houses of Parliament on 6th of July, and following the debates by the members was passed with some amendments by a voice vote on 27th July 2009. The Finance Minister Shri Pranab Mukherjee himself had moved the said amendments. Earlier on 3rd July, Ms.Mamata Banerjee had presented the Railway Budget for 2009-10. But prior to it too the interim Railway Budget was introduced to Lok Sabha by Mr.Lalu Prasad Yadav the then Railway Minister on 13th February 2009. And in tune with the tradition, the Economic Survey for 2008-09 that included the Railway scenario had been presented to Parliament on 2nd July 2009.

2.2 Consolidated Fund, Public Accounts & Contingency Fund-

The Annual Financial Statement or Budget shall show separately estimates of Consolidated Fund, Public Accounts and Contingency Fund.

2.2.1 Consolidated Fund of India**-** As per Article 266(1) of the Constitution, all revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund. Similarly, all loans raised by the Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are also credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament.

2.2.2 Public Accounts**-** In the Public Account constituted under Article 266 (2) of the Constitution, the transactions relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to `Remittance' and `Suspense' shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of Government. Parliamentary authorization for payments from the Public Account is therefore not required.

2.2.3 Contingency Fund of India- The Contingency Fund of India records the transactions connected with Contingency Fund set by the Government of India under Article 267 of the Constitution of India. The corpus of this fund is Rs. 50 crores. Advances from the fund are made for the purposes of meeting unforeseen expenditure, which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an impressed account of Government of India and is held on behalf of President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs.

2.4 Budget Documents-

Most people take the Finance Minister's Budget Speech, which is of course a mandatory part of the Budget, as the sole or authoritative version of the contents of the budget. But the truth is far from it. The FM's Speech highlights only two important aspects of the budget; in the first part it provides an overview of the state of economy as a whole, the challenges facing it and the Government's broad initiatives to meet them; and in the second part, the said speech exclusively deals with the taxation (both direct and proposals of the Government for the new fiscal and the rationale behind each. The pack of Budget Documents, which is distributed to every MP along with the text of FM's speech, consist of the following:

A. Annual Financial Statement (AFS) **– Article 112**

B. Demand for Grants (DG)**- Article 113 (2)**

C. Appropriation Bill - **Article 114 (3)**

D. Finance Bill **(or Money Bill) – Article 110**

E. Memorandum Explaining the Provisions in the Finance Bill

F. Macro-economic framework for the relevant financial year**- FRBM Act 2003**

G. Fiscal Policy Strategy Statement for the financial year**- FRBM Act 2003**

H. Medium Term Fiscal Policy Statement**- FRBM Act 2003**

I. Expenditure Budget Volume -1

J. Expenditure Budget Volume -2

K. Receipts Budget

L. Budget at a glance

M. Highlights of Budget

It is worthwhile to mention here that the documents shown at Serials A, B, C and D are mandated by Article 112, 113, 114(3) and 110(a) of the Constitution of India respectively while the documents at Serial F, G and H are mandated under the Fiscal Responsibility and Budget Management Act 2003. Other documents are in the nature of explanatory statements supporting the mandatory documents with narrative or other content in a user-friendly format suited for quick or contextual references. Hindi version of all these documents is also presented to Parliament. A web version is hosted at http://indiabudget.nic.in/ub2009-10(I)/ubmain.htm, with hyperlinks, intended to make surfing more efficient. Moreover, another volume called Economic Survey of the previous fiscal (the latest one presented on 2nd July was titled Economic Survey 2008-09) would be already available with the Members quite some days prior to the presentation of the budget proper. However, all these documents taken together constitute a big, voluminous documentation, which is prepared by a select group of Ministry's officials well conversant with the official glossary of words and expressions used therein.

3. Budget, in the name of Child -

3.1 How the Child figures in the Budget? -

Every annual budget, not to talk of the Union Budget 2009-10 only, has been offering sops in the name child welfare. But so far, the very basic goals which were posited by the Constitution itself, such as universal education for children of 6-14 rears, prevention of child labour, proper nutrition and adequate health etc. remain as elusive as were at the time of proclamation of the Constitution in 1950. Needless to say, the interest of the child is integrally bound up with that of the various other demographic segments of the society. So to say, no State can do justice to its children ignoring or at the expense of justice to its population as a whole. We therefore need to critique the overall tenor of a budget for the nation as a whole before we find out the specific dispensation meted out to the children. For instance, a Government, which treats its minorities badly can't be and shouldn't be expected to treat its children justly and fairly. However, for all practically purposes, there are some provisions made in the budget, which directly concern the children (for instance, Sarva Siksha Abhijan- Demand No.57-1 of Department of School Education and Literacy), while quite many, spread across various Ministries and agencies of the State concern them somewhat indirectly (for instance, Education Work for Prohibition and Drug Abuse Prevention- Demand No. 88-13 of Ministry of Social Justice and Empowerment) Food Security for BPL families). A comprehensive list of both direct and indirect provisions for the children in the Budget for 2009-10 can be found in Statement-22 of Expenditure Budget (Vol-1) (http://indiabudget.nic.in/ub2009-10/eb/stat22.pdf). While the Finance Minister's Budget Speech mentions cursorily some new provisions on the front of child welfare, an exhaustive list of them can be extracted from *'Statement showing Details of New Service/New Instrument of Service for 2009-2010'* (http://indiabudget.nic.in/ub2009-10/eb/newservices.pdf) falling under the Demands for Grants series.

Table 10.11 : India — Selected health indicators

Sl. No.	Parameter	1981	1991	Current level
1.	Crude Birth Rate (CBR) (Per 1000 Population)	33.9	29.5	23.1 (2007)
2.	Crude Death Rate (CDR)(Per 1000 Population)	12.5	9.8	7.4 (2007)
3.	Total Fertility Rate (TFR)(Per women)	4.5	3.6	2.8 (2006)
4.	Maternal Mortality Rate (MMR) (Per 100,000 live births)	NA	NA	254 (2001-04)
5.	Infant Mortality Rate (IMR)(Per 1000 live births)	110	80	55 (2007)
6.	Child (0-4 years) Mortality Rate per 1000 children	41.2	26.5	17.0 (2006)
7.	Life Expectancy at Birth:	**(1981-85)**	**(1989-93)**	**(2002-06)**
	Male	55.4	59.0	62.6
	Female	55.7	59.7	64.2

Source : Office of Registrar General India.
NA : Not Available.

3.2 Child Welfare in the Budget Speech-

In the chapter 'Towards Inclusive Development' of the Budget Speech, there is a sub-chapter 'Empowerment of Weaker Sections' under which the following 3 new provisions have found mention-

- **Female Literacy-** National Mission for Female Literacy to be launched with focus on minorities, SC, ST and other marginalized groups with the aim to reduce level of female illiteracy by half in three years.
- **Integrated Child Development Services (ICDS)-** All ICD Services to be extended to every child under the age of six by March, 2012.
- **Student Loans to Weaker Sections-** To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks to pursue any of the approved courses of study in technical and professional streams from recoganised institutions in India.

3.3 Children related provisions in various Ministries/Departments-

As already mentioned, Statement-22 of Expenditure Budget (Vol-1) provides a complete list of the provisions made for the ongoing and new schemes and services concerning the child welfare. As noticed from this Statement, such child related schemes and services are implemented by the following Ministries/Departments of the Union-

- Department of Telecommunications
- Ministry of Health & Family Welfare
- Department of School Education & Literacy
- Ministry of Labour and Employment
- Ministry of Minority Affairs
- Ministry of Social Justice & Empowerment
- Ministry of Tribal Affairs
- Ministry of Women & Child Development
- Ministry of Youth Affairs and Sports

The above Statement also mentions the child related provisions made for Union Territories such as Demand No.95 (Andaman and Nicobar Islands), Demand No.96 (Chandigarh), Demand No.97 (Dadra & Nagar Haveli), Demand No.98 (Daman & Diu) and Demand No.99 (Lakshadweep).

3.4 Social Sector Schemes bearing on Child welfare-

- *National Rural Employment Guarantee Scheme (NREGS)*-Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09, and convergence with other schemes to be initiated on pilot basis in 115 selected districts;
- *National Food Security Act*- National Food Security Act to ensure entitlement of 25 kilo of rice or wheat per month at Rs.3 per kilo to every BPL family in rural or urban areas;
- *Bharat Nirman* - Allocation for Bharat Nirman increased by 45 per cent in 2009-10 over B.E. 2008-09 to cover increased allocations for Pradhan Mantri Gram Sadak Yojana (PMGSY), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), Indira Awaas Yojana (IAY), and Rural Housing Fund in National Housing Bank (to boost the resource base of NHB for refinance operations in rural housing sector);
- *Pradhan Mantri Adarsh Gram Yojana (PMAGY)*- New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.
- *Swarna Jayanti Gram Swarozgar Yojana (SGSY)* restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks.
- There are over 22 lakh Women's Self Help Groups linked with banks. *Reach of SHGs* to be widened to enrol at least 50 per cent of all rural women in India as members of SHGs over the next five years.
- *Corpus of Rashtriya Mahila Kosh* to be increased from Rs.100 crore to Rs.500 crore over the next few years.
- *Welfare of Minorities*- Plan outlay of Ministry of Minority Affairs enhanced from Rs.1,000 crore to Rs.1,740 crore (74%). This includes Rs.990 crore for Multi-Sectoral Development Programme for Minorities, Grants-in-aid to Maulana Azad Education Foundation, National Minorities Development and Finance Corporation and pre and post matric scholarship for minorities, Allocations made for the new schemes of National Fellowship for Students from minority community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards, Rs.25 crore each allocated for establishing new campuses at Murshidabad in West Bengal and Malappuram in Kerala by Aligarh Muslim University.
- *Welfare of workers in the unorganized sector* - Action initiated to ensure implementation of social security schemes for occupation like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers and rickshaw pullers.
- *Employment Exchanges*- New project for modernization of Employment Exchange in public private partnership to be launched so that a job seeker can register on line from anywhere and approach any employment exchange.
- *Handloom*- One handloom mega cluster each in West Bengal and Tamil Nadu and one power-loom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).

- *Health* - Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore; All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 per cent over previous allocation to Rs.350 crore in B.E. 2009-10.
- *Environment and climate change*- In furtherance to National Action Plan on Climate Change, eight national missions representing a multi-pronged long-term and integrated approach to be launched, National Ganga River Basin Authority set up, Budgetary allocation under National River and Lake Conservation Plans increased to Rs.562 crore, Special one-time grant of Rs.100 crore given to Indian Council of Forestry Research and Education, Dehradun, Additional allocations to Botanical Survey of India and Zoological Survey of India.
- *Improving Delivery of Public Services* - Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents, Provision of Rs.120 crore made for this in the Budget, First set of unique identity number to be rolled out in 12 to 18 months.
- *Education*- Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore, Rs.827 crore allocated for opening one Central University in each uncovered State. Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs, the overall Plan budget for higher education is to be increased by Rs.2,000 crore, Rs.50 crore allocated for Punjab University, Chandigarh.
- *Commonwealth Games, 2010*- Outlays to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 crore in regular Budget 2009-10.

4. Poverty of 'Statistics of Poverty'

4.1 Official Method of Computation of Poor-

Table 10.2 : Incidence of poverty (per cent)

Sl. No.	Category	1993-94	2004-05
	By Uniform Recall Period (URP) Method		
1	Rural	37.3	28.3
2.	Urban	32.4	25.7
3.	All-India	36.0	27.5
	By Mixed Recall Period (MRP) Method	1999-2000	2004-05
4	Rural	27.1	21.8
5	Urban	23.6	21.7
6	All-India	26.1	21.8

Source : Planning Commission

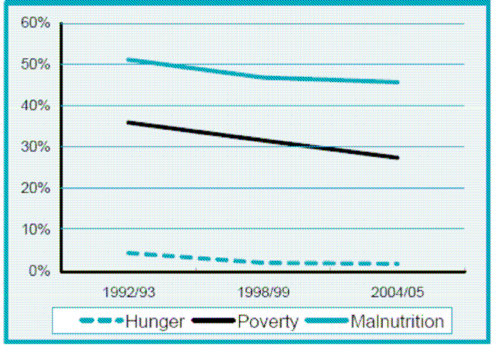
Before any concerted attempt is made to eradicate poverty, what is required most of all is to pool together both aggregate and disaggregated data through appropriate kind of surveys at round level, which can be relied upon in the matter of policy formulation or administrative direction. However, as admitted by the official literature including the Economic Survey 2008-09, there are serious disputes on the authenticity of the statistics of poverty. Were the Govt serious about ending poverty, it must first of all end the anomaly that has been coloring the statistics of poverty over decades. As regards how the discrepancy ridden statistics of poverty are collected, the Economic Survey 2008-09 mentions, *"10.4 Incidence of poverty is estimated by the Planning Commission on the basis of the large sample surveys on household consumer expenditure conducted by the National Sample Survey Organisation (NSSO) on a quinquennial basis. The Uniform Recall Period (URP) Consumption distribution data of NSS 61st Round places the poverty ratio at 28.3 per cent in rural areas, 25.7 per cent in urban areas and 27.5 per cent for the country as a whole in 2004-05. The corresponding poverty ratios from the Mixed Recall Period (MRP) consumption distribution data are 21.8 per cent for rural areas, 21.7 per cent for urban areas and 21.8 per cent for the country as a whole. While the former consumption data uses 30-day recall/reference period for all items of consumption, the latter uses 365-day recall/reference period for five infrequently purchased non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-day recall/ reference period for remaining items"*. The appalling statistical discrepancy to the extent of 5.7 percent between URP and MRP counts of poor are presented separately in a table below (Table 10.2).

4.2 Hunger, malnutrition and destitution-

It is a paradox that alongside of escalating rate of GDP in recent years, such primitive deprivations as hunger, malnutrition and destitution persisted too. The Economic Survey 2008-09 admits, *"2.59 The notion of hunger, malnutrition and poverty though related are distinct in nature, both conceptually and in terms of policies required to address them. While hunger refers to inadequacy of food, malnutrition refers to an imbalance of both macro and micronutrients, which could be because of inadequate or inappropriate intake and/or inefficient biological utilization due to physiological or environmental factors. The notion of poverty in India for estimating the incidence of poverty involves the use of a minimum consumption expenditure, anchored in an average (food) energy adequacy norm of 2,400 and 2,100 kilo calories per capita per day. At the all-India level*

1.9 per cent of the household suffer from hunger (NSSO data) and it is more prevalent in certain states like West Bengal, Orissa Assam and Bihar. Malnutrition, as measured by underweight children below three years, is estimated at 45.9 per cent as per National Family Health Survey 2005-06. The comparable estimates for 1998-99 at 47 per cent show a relatively stable incidence of malnutrition. The incidence of poverty at the all-India level in 2004-05 was estimated at 27.5 per cent". And the said Survey goes on further to say, *"2.60 It is indeed a matter of concern that despite the country having attained self-sufficiency in food production for nearly three decades, and with mounting public food stocks at its command, there is still hunger in the country and that malnutrition is so widespread. It is time that the various interventions, at the state and at the Central level addressing these issues are reviewed and redesigned, if required, to address these social concerns in a time-bound manner".*

Figure 2.11 : Incidence of hunger, malnutrition and poverty



Note : Hunger estimates from NSS data, proverty estimates from Planning Commission (interpolated for 1998-99) and malnutrition estimates from NFHS I, II, III. The data for the three variables corresponds to the year closest to the indicated years.

4.3 Revelations by Sengupta Commission on Unorganised Workers-

Government of India set up the 'National Commission for Enterprises in the Unorganised Sector' on 20th September 2004 under the Chairmanship of Prof. Arjun Sengupta, to review and recommend the status of unorganized/informal workers, who constitute nearly 92% of our total workforce. In his preface to the main Report (Vol-1) submitted to the Prime Minister in April 2009, Prof Sengupta mentions the quintessence of their finding thus, *"The Indian economy has been on a sustained path for economic growth since the early 90s' when economic reforms were introduced in this country. We concentrated on the records of the 10 years from 1993-94 to 2004-05… although in these ten years India experienced an impressive rate of growth of GDP, the benefits seem to have bypassed the overwhelming majority of India's population. Though the population suffering from extreme poverty and living below the so called official poverty line (approximately Rs. 12 per day per capita consumption in 2004-05) came down significantly from 1993-94 onwards, they seem to have moved only marginally above the poverty line and about 77% of them were stuck below the expenditure on average of Rs. 20/- per day per capita. We described these people as Poor and Vulnerable, as against the remaining 23% of Middle Class and Higher Income groups who seemed to have captured most of the benefits of the high income growth. We analysed the characteristics of this poor and vulnerable group, which contains about 88% of SC/ST, 80% of OBCs and 85% of the Muslim population of this country. Most of the population of this group were also either illiterate or without even primary education, and also suffer from malnutrition. These groups emerge as a sort of a coalition of socially discriminated, educationally deprived and economically destitutes, whereas less than one fourth of our population only was enjoying a high rate of growth or their purchasing power."* Elsewhere the Chairperson of the Commission observes that the NSS data divides the poor into six groups. Those who are extremely poor, whose average per capita consumption income is *Rs 9 per day*; those who are above the poverty line, earning *Rs 12 per day*; the marginally poor, earning *Rs 15*; the vulnerable, earning above Rs 15 but less than *Rs 20*; the middle income, earning *Rs 37*; and the high income, earning above *Rs 93* per day. And further he says, going by its statistics, we found that while 235 million people are in a position to take care of themselves, an unbelievable 836 million people, or 77% of the population (whose earnings are less than Rs.20/- per day), require assistance. He also emphasized the perturbing rise of Gini Coefficient (levels of inequality) from 30.3 in 1983 to 34.3 in 2004-05 among the population groups as pointed out by scholars Bibek Debroy and Laveesh Bhandari.

5. Growth Mania!

5.1 Return to High Growth, FM's goalpost-

The Finance Minister's speech in Paras 7-9 mentions the 3 challenges (growth, inclusive development and improving delivery mechanism) that the country's economy faces today. But he accords the highest status to the challenge of leading "the economy back to the high GDP growth rate of 9 per cent per annum at the earliest", since the growth being important in itself is also important for the resources that it brings in. He further reasoned, these resources provide us with the means to bridge the critical gaps that remain in our development efforts, particularly with regard to the welfare of the vulnerable segments of our population. And as evident from the following extract from Economic Survey 2008-09, the Minister meant by growth the very selfsame thing, both rise and fall of which India experienced during last five years. *"2.61 The economy grew at an average rate of 8.8 per cent during the five-year period from 2003-04 to 2007-08. The growth rate fell by 2.1* *per cent points to 6.7 per cent in 2008-09. …. A balanced perspective suggests that neither should one rest on the past laurels nor should the present setback weaken the determination to return the economy to the high growth path at the earliest. High growth is critical to generate the revenues needed for meeting our social welfare objectives on a sustained basis and ensuring inclusive growth".*

5.2 Drivers of GDP Growth-

Table 1.3 : Demand side growth in GDP, growth contribution and relative share (figures in per cent at 1999-00 market prices)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	Growth of GDP					
GDP at market t prices	8.4	8.3	9.3	9.7	9.1	6.1
Consumption (pvt.)	5.9	5.2	7.1	6.3	8.5	2.9
Consumption (Govt)	2.6	3.6	6.2	5.5	7.4	20.2
Gross capital formation	17.6	21.8	19.5	13.2	14.7	na
Gross fixed capital formation	13.6	18.9	17.6	14.5	12.9	8.2
Change in stocks	-8.0	140.1	61.9	5.4	51.7	2.9
Exports	9.6	27.2	17.6	21.1	2.1	12.8
Imports	13.8	22.2	41.1	24.5	6.9	17.9
	Contribution to growth (per cent)					
Consumption (pvt.)	45.1	38.8	46.3	38.7	53.8	27.0
Consumption (Govt)	3.6	4.8	7.1	5.8	8.0	32.5
Gross capital formation	52.4	71.3	63.8	45.6	55.7	na
Gross fixed capital formation	38.4	56.4	51.3	43.9	43.6	42.5
Net exports	-6.3	10.1	-41.1	-13.2	-14.0	-29.5
	Relative share (per cent)					
Consumption (pvt.)	62.3	60.5	59.3	57.5	57.2	55.5
Consumption (Govt)	11.1	10.6	10.3	9.9	9.8	11.1
Gross capital formation	27.1	30.5	33.3	34.4	36.2	na

Source : Central Statistical Organisation.

Note : Does not add to 100 because only major items are included in the table.

It is certainly true, whosoever are the beneficiaries of growth, there is a positive correlation between a higher rate of growth in the economy and improved revenue buoyancy for the Government. And here is the clue to the Government's insistence on high growth irrespective of to whom where and flow the increased revenues of the Government. But let's see, what were the drivers that propelled and maintained the an average growth rate of 9% per year in Indian economy during the 3 years previous to 2008-09 when it dipped to 6.7%. According to FM, *"The principal growth driver in this period has been private investment, which has been predominantly funded by domestic resources". (vide Para-10, Budget Speech 6th July 2009)*. Next, the FM spells out the contributions of different actors to this growth story thus, *"The structure of India 's economy has changed rapidly in the last ten years. External trade and external capital flows are an important part of the economy and so is the contribution of the services sector to the GDP at well over 50 per cent. The share of merchandise trade (exports plus imports) as a proportion of GDP has more than doubled over the past decade to 38.9 per cent in 2008-09. Similarly, trade in goods and services taken together has also doubled to 47 per cent during this period. Gross capital flows rose to a peak of over 9 per cent of GDP in 2007-08 before falling in the wake of the global financial crisis. The significant increase in the inflow of foreign capital is important, not so much for bridging the domestic savings-investment gap, but for facilitating the intermediation of financial resources to meet the growing needs of the economy".*

5.3 GDP- What and How?

The gross domestic product (GDP) or gross domestic income (GDI), a basic measure of a country's economic performance, is the market value of all final goods and services made within the borders of a nation in a year. "Gross" means that depreciation of capital stock is *not* subtracted out of GDP. If net investment (which is gross investment minus depreciation) is substituted for gross investment in the equation above, then the formula for net domestic product is obtained. GDP is an indicator of overall production activity of an economy. The level of production is important because it largely determines how much a country can afford to consume and it also affects the level of employment. The consumption of goods and services, both individually and collectively, is one of the most important factors influencing the welfare of a community. GDP is calculated for a specific period of time, usually a year or a quarter of a year. Based upon the Expenditure approach, the classic Keynesian equation on GDP stands as:

Y = C + I + G + (X-M) or +NX

Y- Income (or GDP)

C- Consumption (or Private Final Consumption Expenditure).

I- Investment (or Gross Final Consumption Exp)

G- Government Consumption or Public Spending

X- Gross Exports

M- Gross Imports

NX- Net Exports

As per Central Statistical Organisation (CSO), Ministry of Statistics and Programme Implementation, Govt of India, there are three equivalent approaches being followed here to measure the GDP, namely the production, income, and expenditure. **The production approach GDP** measures the sum of value added of all economic activities within the country's territory (sum of output minus intermediate consumption) plus indirect taxes minus subsidies on products. **The expenditure approach GDP** depicts the final use (demand) of the output and comprises (i) Government Final Consumption Expenditure (GFCE) (ii) Private Final Consumption Expenditure (PFCE) (iii) Gross Fixed Capital Formation (GFCF), (iv) Change in Stocks (CIS), and (v) Net Export of Goods & Services. The income (value added) generated through the production activity is distributed between the two factors of production, namely, labour and capital, which receive respectively the salaries and the operating surplus/mixed income of self employed. Thus **the income approach GDP** is the sum of compensation of employees, gross operating surplus and gross mixed income plus taxes net of subsidies on production. In the National Accounts Statistics of India, the production approach GDP is considered firmer estimate; and the NAS presents the discrepancy with the expenditure approach GDP explicitly. In India, expenditure approach GDP came last of all.

$$\mathbf{GDP = Y = C + I + G + (X\text{-}M)}$$

- C stands for consumption which includes personal expenditures pertaining to food, households, medical expenses, rent, etc
- I stands for business investment as capital which includes construction of a new mine, purchase of machinery and equipment for a factory, purchase of software, expenditure on new houses, buying goods and services but investments on financial products is not included as it falls under savings
- G stands for the total government expenditures on final goods and services which includes investment expenditure by the government, purchase of weapons for the military, and salaries of public servants
- X stands for gross exports which includes all goods and services produced for overseas consumption
- M stands for gross imports which includes any goods or services imported for consumption and it should be deducted to prevent from calculating foreign supply as domestic supply

5.4 The illusion of GDP

It may so happen that a country may show spectacular growth in GDP at one point of time just to dash against a sudden reversal resulting in severe jolt to the economy as a whole. Just take a look at Venezuela and Russia. Their GNPs soared when oil prices went up, but they are in deep trouble. Had their growing GDP reflected real economic gains, they would be in far better shape today. Thus, determination of GDP or GNP based upon a price regime, domestic or international, which is itself volatile exposes the concerned economy to shocks and turbulences as and when the wider price regime falters or falls by leaps.

5.5 GDP dogma- A Caveat for India-

So far India is concerned, most of its production takes place beyond the ken of market. But GDP is simply a measure of the money that changes hands. It remains a fact that the more India depletes its natural resources, the more GDP increases. Industrial pollution adds twice to the GDP: one, when the chemical factories produce its byproduct and two, when the government spends [large sums of money] to clean up the toxic effluents. Furthermore, medical expenses incurred in fighting health hazards as a consequence of environmental pollution, also show up as growth in GDP. Thus, there stands a strong imperative to think out an alternative method of measuring the growth in a developing economy like the one India is,

Table 1.1 : Rate of growth at factor cost at 1999-2000 prices (per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture, forestry & fishing	10.0	0.0	5.8	4.0	4.9	1.6
Mining & quarrying	3.1	8.2	4.9	8.8	3.3	3.6
Manufacturing	6.6	8.7	9.1	11.8	8.2	2.4
Electricity, gas & water supply	4.8	7.9	5.1	5.3	5.3	3.4
Construction	12.0	16.1	16.2	11.8	10.1	7.2
Trade, hotels & restaurants	10.1	7.7	10.3	10.4	10.1	*
Transport, storage & communication	15.3	15.6	14.9	16.3	15.5	*
Financing, insurance, real estate & business services	5.6	8.7	11.4	13.8	11.7	7.8
Community, social & personal services	5.4	6.8	7.1	5.7	6.8	13.1
Total GDP at factor cost	8.5	7.5	9.5	9.7	9.0	6.7

Source : Central Statistical Organisation.

* Trade, hotels & restaurants, transport & communication (together) grew at 9 per cent, 2008-09.

Extracted from Chapter-1 (State of Economy) of Economic Survey 2008-09

5.6 Are USA and Rain-god the ultimate architects of India's Growth?

In Chapter-2 the Economic Survey 2008-09 mentions "2.43 The speed at which the Indian economy returns to the high growth path in the short-term depends on the revival of the global economy, particularly the US economy, and the Government's capacity to push some critical policy reforms in the coming months. If the US economy bottoms out by September 2009, there could be good possibility for the Indian economy repeating its 2008-09 performance, i.e. around 7.0 +/- 0.5 per cent in the fiscal 2009-10 (assuming a normal monsoon). The pattern of fiscal 2008-09 may be repeated in that case, though in an inverse sequence, with two not so good quarters followed by two good quarters making a 'U'-shaped revival of the growth path. However, in the event of a more prolonged external economic downturn, with revival of the global economy/US economy being delayed until early 2010, the growth may moderate to the lower end of the range". It shows, our economy, on one hand, is bound to the US-led growth network, and on the other depends upon the mercy of climate god, both of which are external factors beyond the control of India. Two questions arise, first, how can India pursue an economic policy, which would take advantage of its linkage with the outside world, yet remain relatively immune to the ups and downs taking place elsewhere? Second, while so many countries both developed and developing have developed their respective indigenous system of coping with such natural calamities as drought or flood or cyclone etc. why could India not achieve it despite the fact that India passed through a green revolution in 60s of the last century?

5.7 Invisible siege of India's financial market

The extent to which India's financial market was allowed to slip off into an uncontrollable whirlpool of messy and shadowy financial transactions during the heyday of global upswing, has been more or less fairly brought out in the following observation of Economic Survey 2008-09 (Chapter-2) thus, *"2.52 The events of 2007-08 and the outflows and inflows of FII equity has brought home with renewed force the volatile nature of certain capital flows. Global capital flows to emerging and developing economies tripled from US$ 202.8 billion in 2006 to US$ 617.5 billion in 2007 and then collapsed to US$ 109.3 billion. India shared in the global boom in private capital flows to emerging economies with private capital inflows more than doubling from about US$ 36.7 billion in 2006 to about US$ 88.8 billion in 2007, then falling back to US$ 31.2 billion in 2008. Total net capital inflows consequently increased from 4.4 per cent of GDP in 2006 to 9.1 per cent of GDP in 2007 and back to about 3.3 per cent of GDP in 2008. Though the private flows provide critical risk capital with long-term benefits to the economy, the volatile nature of these flows creates a negative externality for the real sectors in the short term. This negative externality can be overcome by internalizing this externality through some form of Pigouvian taxation"*. Though the disease has been correctly diagnosed, its treatment like in so many other critical areas fell short of a bare prescription as to how to prevent its recurrence in future. The so-called reference to Pigouvian taxation as a countervailing measure may spur an academic debate at maximum, but not carry us any further. We need to evolve our own model as to how to participate in an ongoing global boom while keeping our economy resilient enough to withstand the shocks of the bust if and when it ever rushes in.

5.8 Myth of Per capita income/consumption

In the introduction to the Chapter-1 (State of Economy) of Economic Survey it is stated, "*Per capita GDP growth, a proxy for per capita income, which broadly reflects the improvement in the income of the average person, grew by an estimated 4.6 per cent in 2008-09. Though this represents a substantial slowdown from the average growth of 7.3 per cent per annum during the previous five years, it is still significantly higher than the average 3.3 per cent per annum income growth during 1998-99 to 2002-03".* Again, translated into monetary terms, it stood thus, *"1.22 The per capita income in 2008-09, measured in terms of gross domestic product at constant 1999-2000 market prices, was Rs. 31,278. In 2007-08 this stood at Rs. 29,901. Per capita consumption in 2008-09 was Rs. 17,344 as against a level of Rs. 17,097 in 2007-08. While there has been an increase in levels of per capita income and consumption, there has been a perceptible slowdown in their growth rate (Figure 1.1). The growth in per capita GDP decelerated from 8.1 per cent in 2006-07 to 4.6 per cent in 2008-09, while the per capita consumption growth declined from 6.9 per cent in 2007-08 to 1.4 per cent in 2008-09".* Without questioning the rationale of the across-the-board computation of per capita income as mentioned above, a pertinent question arises, is it believable that an average Indian, who may be a rural wage labour, a tribal forest dweller, an urban slum dweller, a Dalit man or woman earned as much as Rs.31,278/- or consumed the goods worth as much Rs.17,344/- per year in 2008-09? Then how to reconcile these tall figures with equally dismal figures suggested by Prof. Arjun Sengupta, Chairperson NCEUS that as many as 77% of Indians as of today earn less than Rs.20/- a day ?

6. Fiscal Deficit- the bone of contention

6.1 A massive deficit, indeed!

Perhaps the most contentious plank of the Union Budget 2009-10 is its huge fiscal deficit to the tune of 6.8% of the GDP, the highest in last 16 years. The background to such an unprecedented decision has been brought out in FM's speech thus, *"77. … given the possibility of the economic downturn persisting in the current year, the gross tax receipts are budgeted at Rs.6,41,079 crore in BE 2009-10, compared to Rs.6,87,715 crore in BE 2008-09. The non tax revenue receipts are, however, likely to be better and are estimated at Rs.1,40,279 crore in BE 2009-10 compared to Rs.95,785 crore in BE 2008-09. The revenue deficit as a percentage of GDP is projected at 4.8% compared to 1% in BE 2008-09 and 4.6% as per provisional accounts of 2008-09. The fiscal deficit as a percentage of GDP is projected at 6.8% compared to 2.5% in BE 2008-09 and 6.2% as per provisional accounts 2008-09. This level of deficit is a matter of concern and Government will address this issue in right earnest to come back to the path of fiscal consolidation at the earliest"*. As regards its rationale, he maintained, *"The Budget Estimates 2009-10 provide for a total expenditure of Rs.10,20,838 crore consisting of Rs.6,95,689 crore towards Non Plan and Rs.3,25,149 crore towards Plan expenditure. The increase in Non Plan expenditure over BE 2008-09 is 37% whereas the increase in Plan expenditure is 34%. The total increase in expenditure in 2009-10 over BE 2008-09 is 36%"*. Then he mentions the considerations that prompted the increase in non-plan expenditure, thus-

- Implementation of the Sixth Central Pay Commission recommendations,
- Increased food subsidy,
- The total provision for subsidies are up from Rs.71,431 crore in BE 2008-09 to Rs.1,11,276 crore in BE 2009-10,
- Higher interest payment arising out of the larger fiscal deficit in 2008-09, Interest payments are estimated at Rs.2,25,511 crore constituting about 36% of Non-Plan revenue expenditure in BE 2009-10.
- The outlay on Defence has gone up from Rs.1,05,600 crore in BE 2008-09 to Rs.1,41,703 crore in BE 2009-10.

6.2 Current Deficit's nexus with global meltdown-

The Finance Minister recounted how the Government has been contemplating since the Interim Budget 2009-10 to raise Plan expenditure for general budget 2009-10 as a part of counter-cyclical measures to minimise the impact of global recession and economic slowdown. Against the backdrop of limited fiscal space occasioned by a reduction in CENVAT and Service Tax rates, Government have taken 'a conscious and bold decision' to enhance the Gross Budgetary Support (GBS) for the Annual Plan 2009-10 by Rs.40,000 crore over Interim Budget 2009-10. Bulk of this enhanced GBS shall be directed towards public investment in infrastructure with special emphasis on rural infrastructure, raising growth potential and leading to income generation. Moreover, the State Governments will be permitted to borrow additional 0.5% of their GSDP by relaxing the fiscal deficit target under FRBM from 3.5% to 4% of their GSDP. This will enable the State Governments to raise additional open market loans of about Rs.21,000 crore in the current year. In other words, the total additionality in Plan expenditure by Centre and the States put together would be Rs.61,000 crore over Interim Budget. The Finance Minister believes that this fiscal expansion will go a long way in reversing the impact of economic slowdown and accelerate our growth revival in the medium term.

6.3 Whither the FRBM mandate?

6.3.1 FRBM Act & Rules-

The FRBM (Fiscal Responsibility and Management) Act 2003 was passed by NDA Government and notified on 26th Aug 2003 on official gazette. But it came into effect on 5th July 2004 along with the notification of Rules made under it by the Ministry of Finance during the succeeding UPA Government. The FRBM Act read with the Rules bind the Government of India to four mandates. First, it requires the Government to place before Parliament three statements each year along with the Budget, covering Medium Term Fiscal Policy, Fiscal Policy Strategy and Macroeconomic Framework. Second, the Rules lays down fiscal management principles, making it incumbent on the Centre to "reduce the fiscal deficit" by 0.3% of GDP each year so that by the end of 5 year period, it is brought down to 3% only, and, more categorically, to reduce revenue deficit by 0.5% each year so as to eliminate it altogether within the same timeline i.e. by March 31, 2008. It requires the Government to set a ceiling on guarantees (the Rules prescribe 0.5 per cent of GDP). The Act provides that the ceilings may be exceeded on grounds of "national security or national calamity or such other exceptional grounds as the Central Government may specify". Third, in its most stringent provision, the Act prohibits the Centre from borrowing from the Reserve Bank of India to provide for `deficit financing' through Money creation. The RBI is also barred from subscribing to primary issues of Central Government securities. Temporary Ways and Means advances to tide over cash flow problems are permitted. This provision is not to apply till April 2006. Exceptions are also allowed whenever the Government declares an exceptional situation, as mentioned earlier. Fourth, the Finance Minister is required to keep Parliament informed through quarterly reviews on the implementation, and to take corrective measures if the reviews show deviations. The Act provides that no deviation shall be permissible "without the approval of Parliament". Within three days of the Act coming into force, i.e. on 8th July 2004, the then Union Finance Minister Mr.Chadambaram informed the Parliament to amend the FRBM Act to postpone the date for elimination of revenue deficit from March 2008 to March 2009.

6.3.2 Return to FRBM level of Fiscal Deficit (3%)- A gambler's hope-

The Economic Survey 2008-09 observes, "2.49 The Centre's fiscal deficit will have to be restored to the FRBM target of 3 per cent of GDP at the earliest. A number of factors will make it possible to do so: (a) The Pay Commission arrears would have been paid out in 2009-10 (60 per cent of total) with no further liability in 2010-11; (b) most of the farm loan waiver amounts would be paid out in 2009-10 leaving marginal amounts for the next year; (c) much of the decline in business and corporate tax collections is cyclical and will tend to be reversed when growth accelerates from the second half of the year; (d) the expected introduction of the GST in 2010-11 provides an opportunity for setting indirect tax system on the path to producing a sustained increase in revenues, reversing the temporary stimulus provided during 2008-09 and 2009-10". Before advancing the first two hypotheses (a) and (b), the Finance Minister should have looked at the shabby state of governance that afflicts every branch of administration in our country, and due to which no entitlement from the Government, be it wages of NREGA workers, relief to flood affected people, rehabilitation of victims of communal riots or even financial award to Kargil heroes reaches in time, and that is the crux of the problem. And neither in the Budget Speech nor in any Budget document is there any concerted roadmap to improve the present state of mal-governance. The hypothesis (c) is simply unfounded since it is not time yet to predict the end of the downswing and start of the upswing. Similarly the hypothesis (d) that foresees introduction of GST in 2010-11 is far-off and has little to do with ending the present crisis.

Table 3.1 : Trends in deficits of Central Government

Year	Revenue deficit	Primary deficit	Fiscal deficit	Revenue deficit as per cent of fiscal deficit
	(As per cent of GDP)			
1996-97	2.4	-0.2	4.1	58.2
1997-98	3.0	0.5	4.8	63.5
1998-99	3.8	0.7	5.1	74.8
1999-2000	3.5	0.7	5.4	64.6
2000-01	4.1	0.9	5.7	71.7
2001-02	4.4	1.5	6.2	71.1
2002-03	4.4	1.1	5.9	74.4
Enactment of FRBM				
2003-04	3.6	0.0	4.5	79.7
2004-05	2.5	0.0	4.0	62.6
2005-06	2.6	0.4	4.1	63.0
2006-07	1.9	-0.2	3.5	56.3
2007-08	1.1	-0.9	2.7	41.4
2008-09 (RE)	4.5*	2.5	6.1*	73.9

Source : Union Budget documents.

* The Interim Budget 2009-10 had placed the Revenue Deficit of 2008-09 (RE) at 4.4 per cent and the Fiscal Deficit at 6.0 per cent, based on GDP data available at that time.

Note: 1. The ratios to GDP at current market prices are based on CSO's National Accounts 1999-2000 series.
2. Fiscal deficit excludes transfer of states' share in small savings collections.

6.3.3 How to dispose of dysfunctional FRBM?

As such the FRBM Act and Rules had mandated that during the 5 year period 2004-05 2009-10 the revenue deficit would be gradually brought to nil while fiscal deficit to 3%of GDP. But as revealed from the Table 3.1, except the year 2007-08 (2.7%), the rest of the 4 years during 2004-05 to 2008-09 experienced annual fiscal deficit higher than 3%, and the trend of revenue deficit was found to be erratic. Instead of declining the revenue deficit grew from 2.5% in 2004-05 to 2.6% in the next fiscal. Then again it showed a decline in next two years, i.e. 1.9% and 1.5%. After this it shot up into a whopping 4.5% in 2008-09 (R.E.). And for the current year i.e. 2009-10, the revenue deficit and fiscal deficit have been projected as 4.8% and 6.8% of GDP respectively. Both Economic Survey and Finance Minister's Speech have sought to explain away the failure of the Central Government in adhering to the statutory commitments of FRBM Act and Rules on the grounds of different external and domestic compulsions. Such an unexpected situation calls for a concerted debate on what to do with FRBM Act and Rules sanctioned by Parliament, given the volatile and uncertain state of economy.

7. Is India heading towards a Debt trap?

As mentioned in Medium Term Fiscal Policy Statement presented as a part of Union Budget 2009-10, "The borrowing requirement of the Government is determined by the level of fiscal deficit, which essentially reflects the uncovered gap between total expenditure and total non-debt capital receipts and revenue receipts of the Central Government. This deficit is financed largely through domestic public debt and to a smaller extent through external debt and other internal liabilities or through cash draw down. Government is financing major part of its deficit through resources raised at market determined interest rates". As a result of continual, growing debt, the Government spends every year a huge amount towards repayment of interest only. The above Statement further mentions, "the interest payments as percentage of total revenue receipts (net) of the Central

Government has shown a significant improvement from 47 per cent in 2003-04 to 31.6 per cent in 2007-08. However, due to increased deficit and hardening of interest rates during 2008-09, this ratio has deteriorated to 35 per cent in 2008-09 provisional accounts. This ratio is further estimated to deteriorate to 36.7 per cent in B.E.2009-10. Interest payments are estimated at Rs.2,25,511 crore constituting about 36.4 per cent of non-plan revenue expenditure in B.E.2009-10. The increase is primarily on account of the higher borrowings resorted to during 2008-09 to finance the higher deficit and interest on Special Securities issued to Oil Marketing Companies and Fertilizer Companies." As per another calculation, for every rupee that the government will spend next fiscal, 20 paisa will go toward interest payments owing to increased borrowing, while 18 paise would be spent on central plan. Revenue Deficit is being incurred in order to meet the current expenditure, and doesn't lead to any creation of assets, which can otherwise help the payment of borrowed money. The government resorts to market borrowing to bridge the gap between revenue and expenditure. The borrowing of the central government more than doubled to Rs 306000 crore (Rs 3060 billion), the Revised Estimates for 2008-09 compared to Rs 145146 crore (Rs 1451.46 billion) budgeted estimates for 2008-09. A sort of vicious circle has engulfed our public finance. In order to cover our deficit, we have to borrow. And in order to keep on borrowing every year, we have to spend more and more money for paying at least the interest, not to talk of principal. As the magnitude of interests piles up more and more with every passing year, we need to borrow more and more. The situation has come to such a pass, where we are borrowing simply to borrow more. This phenomenon is also notorious as Spongie Finance in West and USA.

8. Jugglery of Inflation Statistics-

8.1 RBI Governor mocks FM-

According to FM "Another feature of the year 2008-09 was a sharp rise in the wholesale price index to nearly 13% in August 2008 and an equally sharp fall close to 0% in March 2009". But the experience of common man is that the price level at ground level has been galloping fast and running out of their reach. Even Dr. D. Subbarao, Governor, Reserve Bank of India took a dig at the Finance Minister when he recently observed, *"Most economies have to contend with an uncertain future; here, in India, we are having to contend with an uncertain past as well. …. For example, currently, the WPI inflation is in negative territory - a sign that could be misinterpreted as the economy being in deflation even when there is no contraction in aggregate demand – while the inflation rates from the four CPIs are in the range of 9-10 per cent"*. He further explained, *"In India, given the heterogeneity of the economic structure and large differences in consumption baskets, we have four consumer price indices, apart from the wholesale price index. Given the relatively low-income levels, food items constitute a very large proportion of the consumption basket and this is reflected in their weights in the CPI indices (46-70 per cent) relative to the WPI index (27 per cent). Fuel group has a weight of 14 per cent in WPI but only in the range of 6-8 per cent in the consumer price indices. Commodities like metals and products have a significant weight (8 per cent) in the WPI, but are not directly included in the CPIs. Thus, differences in the weights of the items included in the various indices, along with divergent price movements, not only create a wedge between the different inflation measures but also move them in different directions"*. (*Inaugural address delivered by Dr. D. Subbarao, Governor, Reserve Bank of India at the third Annual Statistics Day Conference of the Reserve Bank at Mumbai on July 2, 2009)*

8.2 WPI-CPI Conundrum

It is a sad commentary on the FM's budget speech and as well on budget documents that they never recognized a very visible, painful problem, which the teeming millions have been experiencing day in and day out for more than six months now. Only in Economic Survey 2008-09, there is a scant mention of the inflationary consumer price index, which runs thus, *"2.55 Another aspect that is worth noting is the emergence of a large gap between wholesale (WPI) and consumer (CPI) inflation rates. It suggests that the supply chain is unable to cope with accelerating growth in income and consumer demand. This points to the urgency of reforming the land market and real estate sector, retailing, public transport and food supply chain, with a view to promoting modernization and competition"*. However, in absence of any concrete remedial roadmap to check rising CPI the concern so expressed carries no assurance or message to the common man who is all the time worrying about sky-rocketing price of essential commodities.

9. Trend & fate of social sector expenditure-

9.1 Rising Social Sector Expenditure-

As per Economic Survey 2008-09 (Chapter-10), "Central Government expenditure on social services and rural development has gone up consistently over the years.. The share of Central Government expenditure on social services including rural development in total expenditure (plan and non-plan) has increased from 11.23 per cent in 2002-03 to 19.44 per cent in 2008-09 (RE)…. Major programme specific funding is available to the states through the Centrally sponsored schemes… Expenditure on social services including education, sports, art and culture, medical and public health, family welfare, water supply and sanitation, housing, urban development; welfare of SCs, STs and OBCs, labour and labour welfare, social security and welfare, nutrition, relief for natural calamities etc. by the General Government (Centre and States combined) has shown increase in recent years (Table 10.9) reflecting higher priority to social services. Expenditure on social services as a proportion of total expenditure increased from 19.3 per cent in 2003-04 to 21.6 percent in 2006-07 and further to 22.4 per cent in 2007-08 (RE) and 24.1 per cent in 2008-09 (BE). Expenditure on education as a proportion of total expenditure has increased from 9.5 per cent in 2003-04 to 10.8 per cent in 2008-09 (BE). Share of health in total expenditure has also increased from 4.3 per cent in 2003-04 to 5.1 percent in 2008-09 (BE)". But the said Survey, reluctantly though, admits (Para 10.22), "However, the reach of public and quasi-public goods and services supplied by the state to people still leave a lot of scope for improvement. There are still leakages in the schemes and the benefits in full do not reach the intended target groups of people." As for the remedial measures, the said Survey could go beyond suggesting a couple of measures such as (1) Internet accessible public accountability information system (PAIS) in every programme. However, it is necessary that for every programme, where information about the funds allocated and the expenditure made along with the name of the beneficiaries would be displayed; (2) a system of integrated smart card bearing identification and unique ID number for all residents, which would record all services/subsidies/entitlements received by its bearer and serve as a basis of efficient delivery of services. It was expected that the Finance Minister would highlight the problem and as well the remedy of massive pilferage of public money through corruption, inefficiency and red-tape. But he didn't recognize this problem at all, though he used a specious caption 'Towards Building Accountable Institution' merely to remind the nation that the RTI Act 2005 was there in place to ensure 'greater transparency and accountability in the public decision making process' and to announce the Survey's proposal for 'setting up of the Unique Identification Authority of India (UIDAI)' against an initial expense of Rs.120 crore.

Table 10.9 : Social services expenditure (Centre and State Governments combined)

ITEMS	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 RE	2008-09 BE
Total Expenditure	7,96,384	8,69,757	9,59,855	11,09,174	13,55,831	14,85,536
Expenditure on Social Services	1,53,454	1,72,812	2,02,672	2,39,340	3,03,490	3,57,381
of which:						
i) Education	75,607	84,111	96,365	1,14,744	1,35,679	1,60,642
ii) Health	34,066	37,535	45,428	52,126	66,423	75,055
iii) Others	43,781	51,166	60,879	72,470	1,01,388	1,21,684
			As percentage of GDP			
Total Expenditure	28.91	27.62	26.76	26.86	28.70	27.91
Expenditure on Social Services	5.57	5.49	5.65	5.80	6.43	6.72
of which:						
i) Education	2.74	2.67	2.69	2.78	2.87	3.02
ii) Health	1.24	1.19	1.27	1.26	1.41	1.41
iii) Others	1.59	1.62	1.70	1.76	2.15	2.29
			As percentage of total expenditure			
Expenditure on Social Services	19.3	19.9	21.1	21.6	22.4	24.1
of which:						
i) Education	9.5	9.7	10.0	10.3	10.0	10.8
ii) Health	4.3	4.3	4.7	4.7	4.9	5.1
iii) Others	5.5	5.9	6.3	6.5	7.5	8.2
			As percentage of social services expenditure			
i) Education	49.3	48.7	47.5	47.9	44.7	44.9
ii) Health	22.2	21.7	22.4	21.8	21.9	21.0
iii) Others	28.5	29.6	30.0	30.3	33.4	34.0

Source : Budget Documents of the Union and State Governments, RBI.

9.2 Massive pilferage- is there a way-out?

Yes. It is worthwhile to listen to what Prof.Sengupta, Chairman National Commission on Enterprises in Unorganised Sector says in course of an interview with Rashme Sehgal, "The finance minister has given a lot of money for social development programmes but these have bypassed the poorest of the poor. . . . The poor have no voice and even less representation. So they were not targeted or looked at. When an entire section of society is bypassed, how are they going to lift themselves out of this morass?… Our report (Report on the Conditions of Work and Promotion of Livelihoods in the Unorganised Sector) has stressed .. that the whole approach to planning should change. .. Planning has to occupy itself entirely with the improvement of vulnerable sections of society through social engineering." In view of this, it may be suggested that every scheme should provide for an in-built mechanism of transparency, grievnce redressal and accountability and a stern penalty clause like the one we have under RTI Act 2005, to punish the concerned official against his failure to deliver the service within a specified time line.

9.3 No roadmap for Governance Reform-

The Economic Survey 2008-09 rightly observes, "2.56 It has been variously argued that the government at the cutting-edge level, where it interfaces with individuals and economic agents, is the most important constraint on raising and sustaining the growth rate of the economy. As substantial resources, both public and private, are being mobilized to fuel the growth of the economy and make it more inclusive in character, there is a legitimate concern that every bit of the public effort should count and yield better results. There is a need to strengthen the accountability mechanisms in the public domain and give them teeth". So far, so good. But where is the precise roadmap in the Survey or Budget to realize the said objective? Except a reiteration of a versos praise for Right to Information Act 2005, which is already in existence for more than four years now, there is not a single well thought measure suggested in any of budget documents laying down graphically as to how to plug the loopholes bedeviling the government not only at cutting edge, but atop too. It seems, the budget pundits frenzied as they were with the growth mania have given the agenda on governance reform a conspicuous miss.

10. Whither the agenda of unearthing Indian black money in Foreign Banks-

The first serious work on the global stock of illicit money was done by Raymond W Baker, a Harvard and Brookings scholar. His book *Capitalism's Achilles Heel - Dirty Money* and *How to Renew Free Market System* (2005) estimates the stock of illicit money at $11.5 trillion, to which one trillion gets added annually. It puts the outflow from India during 2002-06 at $137.5 billion (Rs 6.88 lakh crore). Besides the Global Financial Integrity (GFI), a programme of Washington-based Centre for International Policy, which made a country wise study on illicit capital flight from developing countries to foreign banks, had estimated that black money to the tune of $22.7-$27.3 billion left India annually during 2002-2006. A US State Department report also estimated that hawala transactions in India ranged between $13-17 billion annually. Mr.Dominique Dreyer, the Swiss Ambassador to India said at the 60th anniversary of the Indo-Swiss Friendship Treaty last year that a lot of black 'wealth' from India flows to Switzerland. The opacity surrounding the operations of offshore financial centres, tax havens, and on-shore banks, which hold these illicit assets, mean that no one knows what that stock of slush fund is. Illicit outflows have now come to outstrip official development assistance by a factor of 10 to 1, which means that for every dollar in aid ten dollars leaves through the backdoor. The volume of black money outflows from India is only the fifth or sixth highest (depending upon the method of estimation) among developing countries. It is further estimated that if the Indian black money so stashed in foreign banks, if distributed, shall provide each Indian with Rs.100,000/- (one lakh). During the last electioneering, every party became agog about the recovery of Indian illicit money from the foreign banks. It was also further expected that the interim Budget and the general budget as well would make necessary provision for recovery of the said wealth and thereby overcome the problem of fiscal deficit. Ironically enough, neither the Budget 2009-10 made any mention of this issue nor any Member of Parliament across the parties took to task the Finance Minister for giving it a conspicuous miss.

11. Keynesian dogma dies hard-

It is true, Keynes's proposition that left to itself a capitalist market doesn't self-adjust as per Say's law (Demand creates Supply and vice versa) and State intervention in the form of increased public spending was barely necessary to pull an economy out of a recession did hold, ground for several decades following the Great Depression (1929) right upto mid 1970s that witnessed a global oil crisis and concurrent plunging of economies into a deflationary spiral. However when the too well known Keynesian pump-priming was applied to fight the persistent downswing of mid-70s, it proved counterproductive in giving birth to a new, unheard kind of crisis called stagflation, that meant a simultaneous scale-up of both inflationary and deflationary trends. Since then Keynesian prescriptions are treated with doubt and skepticism all over the world, except perhaps in India. Going by the budget documents of last decade including that of current fiscal, it would be evident that the entire think-tank of India's Finance Ministry are Kenyesian dogmatists. Take for instance the FM's ringing plea for a huge fiscal deficit in the name of enhanced social sector spending, which is premised on the hypothetical prospect of pushing up the effective demand in the market so as to trigger off the revival of business and production in the sluggish economy. Does it not sound classical Keynsianism? But as already discussed, despite powerful bouts of deficit financing since the Budget of 2008-09, there is no robust signal of industrial revival, and the problem of galloping price inflation in consumer goods hits hard day to day the common mass of people. As irony would have it, the Finance Minister can't see this blindingly obvious truth, and says in the budget papers that there is zero rate of inflation at the moment in the economy. Under the circumstances, not only Keynesinism deserves a silent burial at the earliest, but an indigenous macroeconomic model that adequately grapples with the role of non-monetised and non-formal elements in an otherwise modern economy is necessary to evolve out to the level of a 'General Theory' to address to the typical challenges that stare us in face today.

12. Some basic issues concerning Budget related Constitutional Provisions

12.1 The word ‘Budget’ extra-Constitutional!

Strange may it seem, there is no word ‘Budget’ as such in the Constitution of India. However, as per Article 112 of the Constitution of India, the President shall cause to be laid before both the Houses Parliament a Statement of the estimated receipts and expenditure of the Union for every financial year. Correspondingly, as per Article 202 of the Constitution of India the Governor of a State shall, cause to be laid before the House or Houses of the Legislature of the State a Statement of the estimated receipts and expenditure of the State for a financial year. This estimated statement of receipt and expenditure for a financial year named in the Constitution as the “Annual Financial Statement” is commonly known as ‘Budget’.

12.2 Separate Rail Budget – a colonial legacy

One may be curious to know as to why the Railway Budget in India is presented separately from the General Budget. This tradition in fact goes as far back as 1924 during British Raj, when the first exclusive budget for Railways was presented separately from the General Budget. There was ample justification for the same too. At that time, the Railway Budget formed about 70% of the country's budget. So separating it out allowed better focus on each budget's priorities. However, the Railway Budget is now less than 15% of the national budget. Moreover, the Budget of the Indian Railways though presented and dealt with separately, the receipts and expenditure of the Railways form part of the Consolidated Fund of India and the figures relating to them are also included in the 'Annual Financial Statement' of the Union. Still for no rhymes or reasons we have been sticking to the British tradition of separate budget for Railways.

12.3 Timing of the Budget presentation

As we go deeper into the history of budgetay practices in India, we get struck by a great resemblance between the pre-independence British practices and our current ones, not only in respect of the framework for budget preparation but also in relation to the logistics such as maintenance of secrecy and timing etc. As regards the latter, until the year 2000, the Union Budget was announced at 5 pm on the last working day of the month of February. This practice was inherited from the colonial era, when the British Parliament would pass their general budget in the noon followed by the budget for India in the evening of the same day. It was Mr.Yashwant Sinha, the then Finance Minister of India who broke the ritual by announcing the 2001-02 Union Budget at 11 am. on 28th Feb. 2001.

12.4 Secrecy surrounding the budget

12.4.1 Still another colonial legacy that has struck deep roots in Indian budgetary practice is the absolute secrecy with which the budget papers (now a total of 13 voluminous documents) are treated by the Minister Finance and the entire crop of Finance Ministry officials until the budget is formally presented before the Parliament at the stipulated time. As per a budget transparency survey called ‘Open Budget Survey 2008’, conducted by Centre for Budget and Governance Accountability (CBGA) in collaboration with Washington-based International Budget Partnership, India though the biggest democracy in the world has failed to secure a rank among the top ten budget-transparent countries. The Open Budget Index (OBI) ranked a total of 85 countries according to their openness of Budget-making process, based on parameters such as accessibility of public to the process, and participation and articulation of people’s need on the Budget. Each country was then assigned marks out of 100. India scored 60 marks and ranked 13 and was categorised among Argentina, Russia, Bosnia and Herzegovina, Bulgeria, Columbia, Kenya, Nepal etc. According to CBGA researcher Siba Sankar Mohanty, “India publishes detailed in-year reports, however, its mid-year review lacks important details. For instance, it does not reflect revised expenditure and revenue estimates. Also, it does not provide a breakdown of how much is spent for individual programmes.”

12.4.2 It is interesting to read another critical commentary on Indian budgetary practice published in ‘Times of India’ New Delhi way back in 2001- “Of India's many colonial legacies, the fetish about budget secrecy is one of the most absurd and anachronistic. A British Chancellor of the Exchequer once had to resign after dropping a hint that the tax on cigarettes might go up in his budget proposals. And for some reason we in India have come to believe this is appropriate behaviour. Of course, no minister resigns when corruption in his department is rampant, or officials are callous to public needs or the quality of service they provide. Those are seen as minor matters, but budgetary secrecy is seen as paramount. …There is no budget secrecy in the USA. There, the President typically talks of his key budget proposals for months before the event, to canvass public support.” (***Why This Secrecy?*** *The Times of India, February 18, 2001*)

12.5 How good are the Constitutional provisions on Budget?

12.5.1 No Voting Power of Parliament on items of Charged Expenditure-

Another hallmark of colonial legacy that India's budgetary practice is marked with is the Parliament's lack of voting power in respect of Charged items of Expenditure from the Consolidated Fund of India *[Article 113(1)]*, which reads similar as the corresponding provision in *Section-34 (1) of Government of India Act 1935.* Let's see what are those privileged or charged items of expenditure, over which Parliament has no voting power, but only the right to discuss *[Article 112(3)]-*

"(a) the emoluments and allowances of the President and other expenditure relating to his office;

(b) the salaries and allowances of the Chairman and the Deputy Chairman of the Council of States and the Speaker and the Deputy Speaker of the House of the People;

(c) debt charges for which the Government of India is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt;

(d) (i) the salaries, allowances and pensions payable to or in respect of Judges of the Supreme Court;

(ii) the pensions payable to or in respect of Judges of the Federal Court;

(iii) the pensions payable to or in respect of Judges of any High Court which exercises jurisdiction in relation to any area included in the territory of India or which at any time before the commencement of this Constitution exercised jurisdiction in relation to any area included in a Governor's Province of the Dominion of India;

(e) the salary, allowances and pension payable to or in respect of the Comptroller and Auditor-General of India;

(f) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal;

(g) any other expenditure declared by this Constitution or by Parliament by law to be so charged".

12.5.2 Absolute Immunity to the top executives in respect of their emoluments etc.

It needs to be mentioned here that the emoluments, salary, allowances and pension etc. payable to the top executives of the Union as named under Sub-clauses (a) to (e) of Article 112 (3) above are also given absolute protection under Second Schedule of the Constitution, where the exact amount of salaries besides the corresponding norms for determination of other perks and privileges admissible to each is mentioned. And the said Schedule attaches no performance-linked or other kinds of conditionality incidental to the disbursement of the said entitlements. Similar is the case with the top executives of any State Government, which also finds mention under the Second Schedule. Thus the top functionaries of the Union or a State are doubly protected by the Constitution against any possibility of diminution in their entitlements, firstly because these are treated as Charged items of expenditure that lie beyond the ken of Parliament's voting power, and secondly because the exact amounts thereof have been specified in the Second Schedule.

12.5.3 Limited Voting Power of Parliament in respect of 'Other Expenditure'-

As per Article 112(2) of the Constitution, the Annual Financial Statement of a year, must, in addition to showing the sums of charged expenditure, present "the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India.." And in respect of this 'Other Expenditure', the Article 113(2) says, *"….the other expenditure shall be submitted in the form of demand for grants to the House of the People, and the House of the People shall have power to assent, or to refuse to assent to any demand, or to assent to any demand subject to a reduction of the amount specified therein."* However, as is the practice now, both Charged expenditure and Other Expenditure are mentioned in each Demand for Grant under the captions 'Charged' and 'Voted' respectively. Each Ministry thus brings out Books of 'Demand for Grants' mentioning both charged and voted items of expenditure, which are presented as a part of the Annual Financial Statement on the day of the presentation of the Budget. Now let us see, what and how Parliament's voting power is exercised over the 'Other' or 'Non-Voted' Expenditure so presented.

12.5.4 Procedure relating to Demands for Grants-

12.5.4.1 Discussion on Demand for Grants

Keeping in view the Constitutional dos and don'ts, the detail procedure to be followed in the aftermath of the presentation of the budget till its approval has been laid down in 'Rules of Procedure and Conduct of Business in the Lok Sabha'. As it goes, there shall be no discussion of the Budget on the day on which it is presented to the House. It is the Speaker who decides the dates and allotment of time for allowing the discussion on the budget so presented. Accordingly, the House shall be at liberty to discuss the Budget as a whole or any question of principle involved therein, but no motion shall be moved nor shall the Budget be submitted to the vote of the House. The Finance Minister shall have a general right of reply at the end of the discussion. The Speaker may, if he thinks fit, prescribe a time limit for speeches. The Speaker shall, in consultation with the Leader of the House, allot so many days as may be compatible with the public interest for the discussion and voting of demands for grants. On the last day of the allotted days the Speaker shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants. Motions may be moved to reduce any demand for grant. No amendments to motions to reduce any demand for grant shall be permissible. When several motions relating to the same demand for grant are offered, they shall be discussed in the order in which the heads to which they relate appear in the Budget.

12.5.4.2 Role of Standing Committees-

It is worth mentioning here that since the Budget Session of 1993-94, the system of consideration of Demands for Grants by the Standing Committees has been introduced. A Departmentally related Standing Committee consists of 45 Members, 30 from Lok Sabha and 15 from Rajya Sabha. Besides the various kinds of Bills, a Standing Committee deals with Demand for Grants of the concerned Ministry. After the first stage of General Discussion on both Railway as well as General Budget is over, the House is adjourned for a fixed period. During this period, the Demands for Grants of various Ministries/Departments including Railways are considered by concerned Standing Committees. These Committees are required to make their reports to the House within specified period without asking for more time. But the bottom-line is that the reports of such Standing Committees shall be of persuasive and advisory nature and be treated as such (Rule 331N) and no such report shall suggest anything in the nature of cut motions.

12.5.4.3 Voting on Demand for Grants-

After the reports of the Standing Committees are presented to the House, the House proceeds to the discussion and Voting on Demands for Grants, Ministry-wise. The time for discussion and Voting of Demands for Grants is allocated by the Speaker in consultation with the Leader of the House. On the last day of the allotted days, the Speaker puts all the outstanding Demands to the Vote of the House. This device is popularly known as 'guillotine'. Lok Sabha has the power to assent to or refuse to give assent to any Demand or even to reduce the amount of Grant sought by Government. In Rajya Sabha there is only a General Discussion on the Budget. It does not vote on the Demands for Grants. Members have full opportunity to criticise the budgetary provisions during the course of discussion as also to make suggestions for improving the financial position of the country.

12.5.4.4 Cut Motions-

As regards so-called 'Cut Motions' *[permissible under Article 113(2)]* the members of Lok Sabha shall have the power to move Cut Motions seeking to reduce the sums sought by Government, on grounds of economy or difference of opinion in matters of policy or just in order to voice a grievance. A motion may be moved to reduce the amount of a demand in any of the following ways:- (a) that the amount of the demand be reduced to Re.1/-' representing disapproval of the policy underlying the demand. Such a motion shall be known as 'Disapproval of Policy Cut'. A member giving notice of such a motion shall indicate in precise terms the particulars of the policy, which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy; (b) that the amount of the demand be reduced by a specified amount' representing the economy that can be effected. Such specified amount may be either a lump sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as 'Economy Cut'. The notice shall indicate briefly and precisely the particular matter on which discussion is sought to be raised and speeches shall be confined to the discussion as to how economy can be effected; (c) that the amount of the demand be reduced by Rs.100/-' in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government of India. Such a motion shall be known as 'Token Cut' and the discussion thereon shall be confined to the particular grievance specified in the motion. Thus the Cut Motions are simply tools to initiate discussion on Demands for Grants only. Once the discussions have taken place, the cut motions are disposed of. Thereafter, the Demands for Grants are put to vote of the House. And the situation becomes such that there is no way out for the Members than to put their voice of approval to the Demands for Grants so presented.

12.5.4.5 No power of Parliament to demand increase in Demand for Grants-

It is very much possible that our parliamentarians might wish to raise the issue of augmenting the amount of this or that demand for grant, since the latter largely deals with developmental concerns like health, education, agriculture, industry or women or children's welfare etc. But the Article 113(2) of the Constitution had preemptively tied their hands in respect of the same, since it says, they can only vote for cutting the proposed demand for grant, not for increasing it. Further, as we have already seen, the procedural complexities as prescribed under the Parliament's rules of business coupled with the severe limitations of the Standing Committees practically prohibit the Parliament from rendering into reality the option allowed to them for downsizing any demand for grant. And above all, while the Parliament has virtually little power over determining the nature or amount of Demand for Grants, the Article 113(3) puts the ultimate condition, "No demand for grant shall be made except on the recommendation of the President".

12.5.4.6 Role of Members of Parliament-

In the post independence period the Members of Parliament were expected to raise above mentioned constitutional issues in and outside the Parliament with a view to cleanse the budget related constitutional provisions of colonial dross. But so far, except the departure from the timing tradition of budget presentation in 2001 by then Finance Minister Mr.Yashwant Sinha, no other matter has been given any serious thought. It is interesting to note that in the last budget session on , some Members including aforesaid Sinha sought to raise some questions that related to the intents and purposes the existing budget procedure serves. It is worthwhile to quote at length how Mr.Sinha candidly spoke out his mind on the floor of house on 27th July 2009, *"In my personal view, you do not need a Finance Bill at all because in effect what happens is that the Finance Bill is a consequence of the policy that you have announced in the Budget and through the instrumentality of the Finance Bill, you introduce all the various changes and taxes. I think, this annual orgy of Budget-making that we engage in is totally wrong. I am not an economist but I say this on the basis of experience that this system is far inefficient and antiquated. After all, the Finance Bill gets reduced to changes in Direct Taxes and in the Indirect Taxes. What is so sacrosanct or secret about the Direct Taxes? So, the kind of ritual that we go through here is totally unnecessary and time consuming. Discretion is equal to dictatorship and corruption. If you start granting discretion to officials that they can exempt this thing or tax this thing, the law must be specific….. There is this preoccupation with Gross Domestic Product. A common citizen cannot eat GDP. GDP eventually must result in growth. Of much greater value, would be a concept of Gross National Contentment. The fiscal deficit and revenue deficit are real areas of worry. We have to firstly reform the mindset about the entire budgetary process. This is the most tedious method. It is a very difficult job. …. We have to collectively address this question, not simply of the reforms of the mindset in which we are approaching the entire economic management of the country but also the methodology. Why do you want to do only once a year? Break it up. Do it three or four times in a year. The Finance Bill is after all only a question of tax reforms. Let the Finance Minister do it. The Finance Ministry is the only Ministry of the Government of India which has not been reformed since the British day. It is vital; it is very important that you change it. You reform the Finance Ministry as an instrument for the development of India and not for torturing citizens of India. Please reform it. The Finance Ministry should be an example of the moral authority of the country. It is very important that the treasury operations must be separated so that the Finance Minister can apply himself or herself to the reality of the economic management of the country. I would make one more request that please either abolish or merge the Planning Commission and the Railways into the Finance Ministry. There should be one authority and that should be the Finance Ministry. Call the Planning Commission the Reform Commission or some such appropriate nomenclature may be given to it and make it a part of the Finance Ministry. So, the Finance Ministry be renamed as 'Ministry of Economic Development' because that is what India needs".* Though Mr.Sinha wished to make the budgetary process more transparent, participatory, intelligible and above all realistic, he missed to identify the very anachronistic provisions that still adorn our Constitution and statutes, which if not removed or amended, would continue to thwart the reform process. However, it must be noted to the credit of Mr.Sinha, he was the only person among the speakers on the budget, who could at least venture to sensitise the house on the need for cleansing the entire budget process of the bureaucratism, formalism, ritualism and anachronism. If more and more members voice similar concerns on the floor of the house, supplemented by the advocacy by media and civil society outside, the day is not far off when India shall have acquired a more participatory, open and transparent process of budget making, characteristic of the mature democracies.

15. A Wish List

- Amendment of Budget related Constitutional Provisions so as to endow the Members of Parliament with absolute power in respect of their voting right over any component of Budget estimates;

- The entire Budget process to be made transparent and participatory with ample scope being in place for a public debate across the nation over the budget estimates drafted by the Ministry of Finance;

- The Budget being the prime handbook of the nation for facilitating the conduction of all material transactions in a fair manner needs to acquire an inclusive character in real sense of the term; it calls for a radical break with India's existing Constitutionally sanctioned budget process, which, for instance, cares little for the bulky 77% of country's workforce and focuses its exercises only on a smaller, but relatively affluent segment of population;

- A radical reform of the system of governance so as to ensure a foolproof delivery mechanism in respect of people's entitlements allowed under any legislation or scheme of the Government; Towards this end, necessary built-in provision for transparency, grievance redressal and penalty against the defaulter public servants be incorporated into every public oriented scheme of the Government; and

- Neither the anachronistic Classical/Neo-Classical theory, nor the dysfunctional Keynesianism is relevant to the present world in general and developing world in particular. Every country needs to develop its own indigenous macroeconomic model keeping in view the need for accounting of non-monetised, non-formal elements working in its system of production; Perhaps all this calls for scripting of a new, comprehensive theory of economics that takes adequate care of every segment of society's population including those who are not yet drawn into the system of exchange in conventional sense of the term.

Annexure-1 : Budget at a Glance (http://indiabudget.nic.in/ub2009-10/glance.htm)

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ANNEXURE-1

Budget at a Glance **(In Crore of Rupees)**

	2007-2008 Actuals	2008-2009 Budget Estimates	2008-2009 Revised Estimates	2009-2010 Budget Estimates
1. Revenue Receipts	**541864**	**602935**	**562173**	**614497**
2. Tax Revenue (net to Centre)	439547	507150	465970	474218
3. Non-tax Revenue	102317	95785	96203	140279
4. Capital Receipts (5+6+7)$	**170807**	**147949**	**338780**	**406341**
5. Recoveries of Loans	5100	4497	9698	4225
6. Other Receipts	38795	10165	2567	1120
7. Borrowings and other Liabilities*	126912	133287	326515	400996
8. Total Receipts (1+4)$	**712671**	**750884**	**900953**	**1020838**
9. Non-plan Expenditure	**507589**	**507498**	**617996**	**695689**
10. On Revenue Account of which,	420861	448352	561790	618834
11. Interest Payments	171030	190807	192694	225511
12. On Capital Account	86728	59146	56206	76855
13. Plan Expenditure	**205082**	**243386**	**282957**	**325149**
14. On Revenue Account	173572	209767	241656	278398
15. On Capital Account	31510	33619	41301	46751
16. Total Expenditure (9+13)	**712671**	**750884**	**900953**	**1020838**
17. Revenue Expenditure (10+14)	594433	658119	803446	897232
18. Capital Expenditure (12+15)	118238	92765	97507	123606
19. Revenue Deficit (17-1)	**52569** ***(1.1)***	**55184** ***(1.0)***	**241273** ***(4.4)***	**282735** ***(4.8)***
20. Fiscal Deficit {16-(1+5+6)}	**126912** ***(2.7)***	**133287** ***(2.5)***	**326515** ***(6.0)***	**400996** ***(6.8)***
21. Primary Deficit (20-11)	**-44118** ***-(0.9)***	**-57520** ***-(1.1)***	**133821** ***(2.5)***	**175485** ***(3.0)***

$ Does not include receipts in respect of Market Stabilization Scheme.

* Includes draw-down of Cash Balance.

Note : GDP for BE 2009-2010 has been projected at Rs.5856569 crore assuming 10.05% growth over the revised estimates of 2008-2009 (Rs.5321753 crore) released by CSO. Deficit indicators in RE 2008-09 have been retained on the basis of advance estimate for 2008-09 (Rs. 5426277 crore).