RGICS

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RGICS
Policy Brief

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Union Budget 2015-16 – Pre-Budget Brief

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OUTLINE

OVERVIEW

It has been over nine months since the BJP led NDA Government came to power – but the promise of the NDA ("greater investment, improved economic performance, development, jobs) is yet to be delivered!

On the other hand, economic performance has worsened.

This is because NDA Government lacks clarity of vision on economic development because it is caught in an unresolvable internal contradiction -- ACCELERATING ECONOMIC GROWTH while ARRESTING SOCIAL DEVELOPMENT. The fact is there cannot be sustainable economic growth and development without progressive social change. A prosperous economy cannot be built on an unjust society.

While talking of encouraging market-led growth, the NDA Government is implementing a core right-wing obscurantist, isolationist, communalized, backward looking, anti-modern, ultra-nationalist, anti-globalization and divisive social agenda whose main purpose is to keep India from embracing new ideas and new opportunities. This approach will isolate India from the global mainstream.

The hall marks of the first 9 months of the NDA Government's economic record is "all talk and no action".

SECTION 1: MACRO-ECONOMIC CONCERNS

a) *Economic Stagnation*

- Growth of manufacturing in the July-September, 2014-15 quarter was 0.1%. (Times of India, 2014)
- The manufacturing sector has seen reduced growth from 5.6% in 2013-2014 to 5.4% in 2014-15 (Table 1)
- The growth of fixed investment, the foundation of future production, was virtually zero. (Times of India, 2014)
- There has been a massive reduction in growth in agriculture, forestry and fishing from 3.4% in 2013-14 to 1.4% in 2014-15 (Table 1)
- The agriculture, forestry and fishing sectors grew by 3.8% between Q3 2012-13 and Q3 2013-14. However, between Q3 2013-14 and Q3 2014-15, the said sectors saw a decline by 0.4%. (Table 2)
- The manufacturing sector grew by 5.9% between Q3 2012-13 and Q3 2013-14. Between Q3 2013-14 and Q3 2014-15, the said sectors grew by 4.2%. (Table 2)
- If the base price of 2004-2005 would have been taken the growth of manufacturing sector would have been lower in each of the quarters as opposed to the growth calculated by using 2011-12 as the base price. Thus for example with the base price of 2004-2005, the growth of manufacturing sector is 3.4% in Q3. However, the growth calculated by using 2011-12 base is 4.3% in Q3. (Table 3)

Table 1: Gross Value Added (GVA) in different sectors (with revised 2011-12 price)

	GVA (Rs. in crore)			Percentage change over previous year	
Sector	2012-13*	2013-14*	2014-15*	2013-14*	2014-15*
Agriculture, Forestry & Fishing	1119896	1158096	1174101	3.4	1.4
Mining & quarrying	190982	196928	203813	3.1	3.5
Manufacturing	1150644	1215643	1280989	5.6	5.4
Construction	537791	553695	579188	3.0	4.6
Service #	3182343	3500412	3873959	10.0	10.7

Source: CSO, GOI

Note: *: April to December

#: Service includes Trade, hotels, transport, communication and services related to broadcasting; Financial, real estate & professional services; Public administration, defence and Other Services

Table 2: Quarterly estimates of GVA in different sectors (with revised 2011-12 prices)

	GVA (Rs. in crore)									Percentage change over previous year					
	2012-13*			2013-14*			2014-15*			2013-14*			2014-15*		
Sector	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Agriculture, Forestry & Fishing	340922	276317	502656	350052	286299	521745	362212	292028	519861	2.7	3.6	3.8	3.5	2	-0.4
Mining & quarrying	66999	58628	65356	67555	61282	68091	71007	62732	70075	0.8	4.5	4.2	5.1	2.4	2.9
Manufacturing	391137	389495	370012	419403	404289	391951	445626	426929	408434	7.2	3.8	5.9	6.3	5.6	4.2
Construction	179529	173649	184614	182284	179756	191656	191492	192700	194996	1.5	3.5	3.8	5.1	7.2	1.7
Service #	1063392	1112429	1006521	1171597	1230664	1098150	1272523	1355274	1246162	10.2	10.6	9.1	8.6	10.1	13.5

Source: CSO, GOI

Note: *: April to December

#: Service includes Trade, hotels, transport, communication and services related to broadcasting; Financial, real estate &professional services; Public administration, defence and Other Services

Table 3: Comparison of Industry-wise Estimates with 2004-05 series and 2011-12 series (Rs. in lakh crore)

		Agriculture, Forestry & Fishing		Mining & quarrying		Manufacturing		Construction		Service #	
		2004- 05 series	2011- 12 series	2004- 05 series	2011- 12 series	2004- 05 series	2011- 12 series	2004- 05 series	2011- 12 series	2004- 05 series	2011- 12 series
2013-14	Q1	4.2	4	0.5	0.7	3.2	4.5	1.9	2	13.8	13
	Q2	3.6	3.5	0.5	0.7	3.3	4.4	2	2.1	15	14.2
	Q3	6.2	6.4	0.6	0.8	3.4	4.3	2.1	2.2	15.1	12.9
	Q4	5	4.9	0.6	0.9	3.6	4.9	2.2	2.4	15.9	13.8
2014-15	Q1	4.7	4.4	0.5	0.8	3.4	5	2.1	2.2	15.5	15
	Q2	3.9	3.7	0.5	0.7	3.4	4.8	2.1	2.3	16.6	16.3
	Q3		6.5		0.7		4.6		2.3		14.8

Source: CSO, GOI

Note: #: Service includes Trade, hotels, transport, communication & broadcasting; Financial, real estate & professional services; community, social & personal services

Table 4: Investment Scenario: Gross Fixed Capital Formation (GFCF) at Constant Price (2013-14 to 2014-15)

	GDP (Rs in lakh crore)	GFCF (at 2011-12 prices) (Rs. in Lakh Crore)	GFCF (% of GDP)
2013-14	99.21	30.5	30.7
2014-15	106.57	31.76	29.8

Source: Ministry of Statistics & Programme Implementation, Government of India

- Gross Fixed Capital Formation (GFCF) as a percent of GDP at constant price has declined in 2014-15 as compared to share in 2013-14, showing that investment has not geared up.

b) ***Doubts about fiscal health***

- Can Fiscal performance likely to meet target?
- What is the fiscal health?
- Is the fiscal deficit rising?

Table 5: Fiscal indicators: Targets

		(% of GDP)
Indicators	Revised Estimates (UPA)2013-14	Budget Estimates 2014-15
Fiscal Deficit	4.6	4.1
Revenue Deficit	3.3	2.9
Gross Tax Revenue	10.2	10.6

Source: Union Budget 2014-15

Table 6: Fiscal Performance (Rs crore)

Indicators	2013-14 *		2014-15*		% of Actual to Budget Estimates	
	Actual	BE	Actual	BE	(April 2013- Dec 2013)	Current (April 2014- Dec 2014)
Fiscal Deficit	516390	542499	532381	531177	95.2	100.2
Revenue Deficit	371242	379838	401775	378348	97.7	106.2
Primary Deficit	267926	171814	257161	104166	155.9	246.9

Source: Controller General of Accounts, Ministry of Finance, Government of India
Note: *: April to December

- The ratio between actuals to budget estimates for all fiscal, revenue and primary deficits implies that expenditure has been much higher than the promised level by the present government compared to the previous government as seen in the 2013-14 and 2014-15 data. (Table 6)

Table 7: Revenue & Expenditure Performance (Rs crore)

	Indicators	2013-14*		2014-15*		% of Actual to Budget Estimates	
		Actual	BE	Actual	BE	(April 2013-Dec 2013)	Current (April 2014-Dec 2014)
I	Tax Revenue (Net)	517661	884078	545714	977258	58.6	55.8
II	Expenditure						
a	Plan Expenditure	351263	555322	352631	575000	63.3	61.3
b	Non plan expenditure	812528	1109975	883757	1219892	73.2	72.4
III	Ratio (Plan to non-plan expenditure)	0.43		0.40			

Source: Controller General of Accounts, Ministry of Finance, Government of India
Note: *: April to December

Observations

- The ratio of actual to budget estimate of tax revenue (net) collected by UPA government from April to December in 2013-14 was higher than the ratio attained by the NDA government during the same period in 2014-15, indicating the better performance of the previous government.
- The ratio of actual to budget estimate of both plan and non-plan expenditure incurred by UPA government from April to December in 2013-14 was higher than the ratio attained by the NDA government during the same period in 2014-15, indicating the better performance of the previous government.
- The ratio of plan to non-expenditure of the UPA government in 2013-14 was higher than the NDA government in 2014-15 during the period April to December. This shows that NDA government pays less attention to plan expenditure, which largely caters to development issues across the population.

c) Controversial Revision of GDP Growth Rate

When the Government announced revised figures on GDP Growth, it was perhaps for the first time in India, the integrity of independent data on economic growth by professional government agencies have been called into question by eminent economists such as the RBI Governor (who said publicly that he needs to understand the basis of the new numbers)and also government's chief economic advisor (who said that he is puzzled by the new GDP numbers, in an interview to business standard).Pronab Sen, the Chairman of National Statistical Commission terms this data as "fizzling" and therefore rise in government expenditure needs to be carefully examined. This is not a healthy development for the country – such vital data needs to be revised in a manner that inspires the confidence of all. The revision of these numbers may have chance of getting mishandled and politicized.

The changes in the annual estimates of GDP released on 30.1.2015 have resulted in revision in the quarterly estimates. India now measures GDP by market prices instead of factor costs, to take into account gross value addition in goods and services as well as indirect taxes. The base year has been shifted to 2011-12 from 2004-05 earlier. Specific changes have been made in the following industries.

1. Mining and Manufacturing: Private corporate performances have been taken into account in the quarterly estimates.
2. Trade and other services: Use of quarterly information on sales tax and service tax.

A press note of CSO dated 30th January 2015 on new series estimates of National Income states that, 'users are requested to note that Gross Domestic Product (GDP) at factor cost will no longer be discussed in press releases. As is the practice internationally, industry-wise estimates will be presented as Gross Value Added (GVA) at basic prices, while GDP at market prices will henceforth be referred to as GDP. Estimates of GVA at factor cost (earlier called GDP at factor cost) can be compiled by using the estimates of GVA at basic prices and production taxes less subsidies. Detailed conceptual and statistical changes made in the new series, and its effect on the key estimates will be published by the last week of February 2015.'

The government's statistics department says that the new method is more in line with global practices and gives a better picture of economic activity. With the revised estimates, GDP growth rates are given below. (refer table 8)

Table 8: Growth Rate of Gross Domestic Product at 2011-12 Price (market prices)

<table>
<tr><td>Year</td><td>Growth rate of GDP
(at 2011-12 prices) %</td><td colspan="2">Growth rate of GDP
(at 2004-05 prices)</td></tr>
<tr><td>2014-15(Advance)</td><td>7.4</td><td colspan="2"></td></tr>
<tr><td>2013-14</td><td>6.9</td><td>5% at market price</td><td>4.7 % at factor cost)</td></tr>
<tr><td>Q12014-15(April-June)</td><td>6.5</td><td colspan="2"></td></tr>
<tr><td>Q2 2014-15(July-Sep)</td><td>8.2</td><td colspan="2"></td></tr>
<tr><td>Q3 2014-15(Oct-Dec)</td><td>7.5</td><td colspan="2"></td></tr>
</table>

Source: Ministry of Statistics & Programme Implementation, Government of India

This advance estimate for 2014-15 released by CSO based on such new methodology is projecting higher growth rate at 7.4% which is much higher than RBI's growth projection of 5.5% under old methodology. Though GDP growth has gone high with revised estimates, but during its third quarter of 2014-15, the growth rate of GDP has also declined.

There is general concern that the numbers may be used by the NDA government to disguise the rising fiscal deficit. NDA government is likely to achieve the target budget deficit of 3.6% of GDP for the FY 16 from expected 4.1% in FY 15.[i]The statistical fog makes it harder for policymakers to assess the size of the fiscal and monetary aid required to help spur even faster growth needed to generate jobs for millions of young Indians entering the labour force.

Taken at face value, India became the fastest growing major economy in the world. But opinion says, ‘There is clearly need to look at the credibility associated with these numbers,’ as ‘Nothing on the ground has substantially changed to show that we are out of the trenches.’[ii] No substantive changes have been noticed in any of the manufacturing sectors, especially BHEL and L&T, the two flag bearers of crucial capital goods sector that are widely considered to be proxy for investment sentiments continue to face headwinds. BHEL announced a sharp 69% drop in third quarter net profit at Rs 212.6 crores, hit by lower revenue and operating income. L&T also indicated that recovery in its domestic business is ‘up to a year away’.[i]

Gross Value Added (GVA)at Basic Prices

GVA at basic constant prices (2011-12) is anticipated to increase from Rs 91.70 lakh crore in 2013-14 to Rs 98.58 lakh crore in 2014-15.Anticipated growth of real GVA at basic prices in 2014-15 is 7.5 percent against growth of 6.6 percent in 2013-14.

The sectors which registered growth rate of over 7.0 percent are, 'financial, real estate and professional services', ‘trade, hotels, transport, communication and services related to broadcasting’, 'public administration, defence and other services’, and ‘electricity, gas, water supply& other utility services. The growth in the ‘agriculture, forestry and fishing’, ‘mining and quarrying’, ‘construction’ and ‘manufacturing’ is estimated to be 1.1 per cent, 2.3 per cent, 4.5 per cent and 6.8 percent respectively.

The ‘agriculture, forestry and fishing’ sector is likely to show a growth of 1.1 per cent in its GVA during 2014-15, as against the previous year’s growth rate of 3.7 per cent. According to the information furnished by the Department of Agriculture and Cooperation (DAC), which has been used in compiling the estimate of GDP from agriculture in 2014-15, production of food-grains is expected to decline by 2.9 per cent as compared to increase of 3.0 per cent in the previous agriculture year. Production of pulses and oilseeds is also expected to decline by 3.4 and 9.6 per cent respectively as compared to increase of 5.0 and 6.3 per cent in the previous agriculture year. However, among the horticultural crops, production of fruits and vegetables is expected to increase by 1.1 per cent during the year 2014-15 as compared to increase of 3.5 percent in previous agriculture year.

The estimated growth in the ‘manufacturing’ ‘mining and quarrying’, ‘electricity, gas and water supply’, and ‘construction’ is estimated to be 6.8 per cent, 2.3 per cent, 9.6 percent and 4.5 per cent, respectively, during 2014-15 as compared to growth of 5.3 percent, 5.4 per cent, 4.8 per cent and 2.5 per cent, respectively, in 2013-14.

According to the latest estimates available on the Index of Industrial Production (IIP), the index of mining, manufacturing and electricity registered growth rates of 2.5 per cent, 1.1 per cent and 10.7 per cent, respectively during April-November, 2014-15, as compared to the growth rates of (-)2.1 per cent,(-)0.4 per cent and 5.4 per cent, respectively during April-November, 2013-14. Private corporate sector growth in the manufacturing sector during April-Dec 2014 was 8.0 percent.

The key indicators of construction sector, namely, cement production and steel consumption have registered growth rates of 7.9 per cent and 1.5 per cent, respectively, during April-December, 2014-15 as compared to corresponding growth rates of 3.7 per cent and 0.5 per cent, respectively, during April-December, 2013.
The estimated growth in GVA for the trade, hotels, transport and communication and services related to broadcasting services during 2014-15 is placed at 8.4 per cent as against growth of 11.1 percent in the previous year. This is mainly on account of decline of 5.7 per cent in the sales of commercial vehicles and reduced rate of increase in sales tax collection at 13.9 percent during April-December 2014 as compared to 19 percent in 2013-14. The sector, 'financial, real estate and professional services', is expected to show a growth rate of 13.7 per cent during 2014-15 as compared to growth rate of 7.9 per cent in 2013-14. There was 11.5 per cent growth in aggregate deposits and 10.5 per cent growth in bank credit as on December 2014as compared to 15.9 percent and 14.5 percent respectively as on December 2013. Also, private corporate sector registered growth of 32 percent in the real estate and professional services during April- Dec, 2014-15.

The per capita income in real terms (at 2011-12 prices) during 2014-15 is likely to attain a level of Rs 74,193 as compared to Rs 69,959 for the year 2013-14. The growth rate in per capita income is estimated at 6.1 per cent during 2014-15, as against the previous year's estimate of 5.4 per cent.

d) Deflation

Deflation can be defined when the economy experiences negative inflation with further expectation of prices to fall and therefore consumers prefer to postpone purchases leading to a fall and contraction in aggregate demand for goods and services. This hits industry in a way that creates idle capacity and in turn leads to losses and job cuts, which further enhances the negative sentiment in the economy.

While inflation is a measure signifying an increase in prices, deflation is just the opposite and indicates a contraction in demand for goods and services and hence a fall in prices. In inflation, the real value of money goes down. It thus follows that in deflationary mode the real value of money increases. So while people should, in general, be happy about the value of each Rupee going up, the situation is fraught with problems.

Coming to Indian scenario, a latest research note released by Morgan Stanley states that, “India has now entered the deflation club in (Asia outside of Japan) region where seven of the 10 countries already have (producer price indexes) in deflation territory.” [iii]

Inflation based on India's wholesale price index (WPI) fell below last year's level in January 2015 because of declining prices of crude oil and commodities. This has boosted the case for interest rate cuts by the Reserve Bank of India to lift demand. Inflation, as per WPI in ‘fuel and power segment’ was negative at (-) 10.69% in January 2015, while in manufactured products was at 1.05% (Table 1).

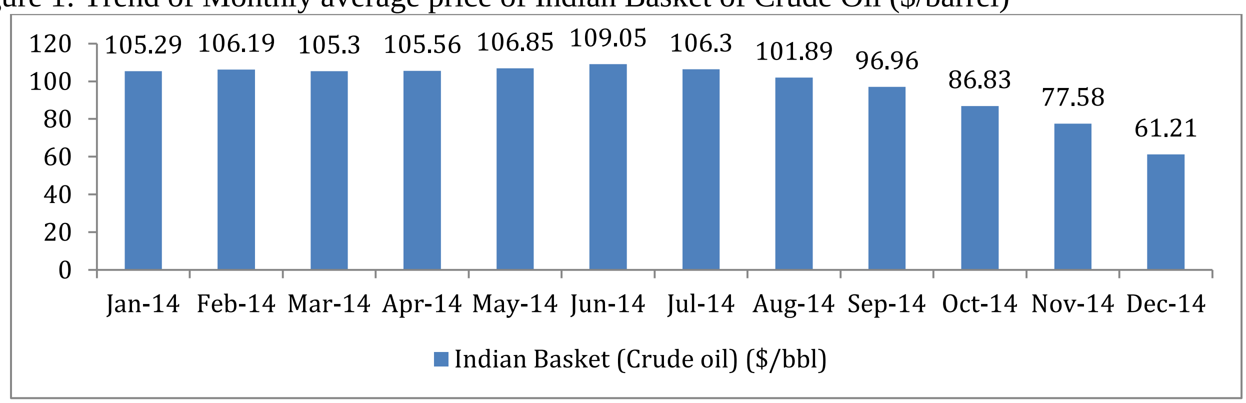
The global price of crude oil has shown a declining trend from $105/bbl in January 2014 to $61.21/bbl in December 2014 (Indiastats) (Figure 1). The global decline in crude oil prices can be one of the major reasons for such tendency towards deflationary stage in India(Table 9).

Table 9: Inflation based on Wholesale Price Index (WPI) (Base- 2004-05)

	All commodities	Primary articles	Fuel & Power	Manufacturing commodities
Jan-14	5.1	6.8	9.8	3.0
Feb-14	5.0	6.3	8.7	3.4
Mar-14	6.0	7.3	11.8	3.7
Apr-14	5.5	7.0	9.3	3.7
May-14	6.2	8.6	10.5	3.9
Jun-14	5.7	7.0	9.0	3.9
Jul-14	5.4	6.8	7.4	4.1
Aug-14	3.9	3.7	4.5	3.7
Sep-14	2.4	2.0	1.3	3.0
Oct-14	1.7	0.8	0.5	2.5
Nov-14	-0.2	-1.6	-4.5	1.9
Dec-14	0.1	2.2	-7.8	1.6
Jan-15	-0.4	3.3	-10.7	1.0

Source: RBI, GOI

Figure 1: Trend of Monthly average price of Indian Basket of Crude Oil ($/barrel)



Source: Indiastats

Inflation, as per Consumer Prices Index (CPI) also witnessed a declining trend in last few months. All India Inflation rates for rural, urban and general have seen continuous decline over the months from August 2014 to December 2014. (Table 10)

Table 10: Inflation Rates in India: August 2014- February 2015 (%)

	August	September	October	November	December	January	February
Rural	8.45	8.33	6.68	5.6	4.02	4.71	5.27
Urban	7.34	7.04	6.34	5.55	4.69	5.32	5.33
General	7.96	7.86	6.46	5.6	4.3	5	5.15

Source: Estimated from monthly CPI figures of MOSPI

Observations

- All India Inflation rates for rural India were recorded to be high till October 2014, but thereafter the decline in the rural India was steeper as compared to urban India and general.
- Since January 2015, the rates have increased marginally across its rural, urban and general.

Persistent fall in investment by government or individuals may sometimes lead to deflation.One can notice that The ratio of Gross Fixed Capital Formation (GFCF) (i.e. investment) at constant revised (2011-12) prices is to GDP has declined from 30.7% in 2013-14 to 29.8% in 2014-15.

e) *Scenario of Disinvestment in India* (2013-15)

Company	Opening Date	%age Govt. Equity Divested (as % of Post-Issue Capital)
COAL INDIA LTD.	30/01/2015	10
SAIL	05/12/2014	5.00
BHEL	03/03/2014	4.66
STC LTD.	02/08/2013	1.02
PGCIL LTD.	03/12/2013	4.00
ITDC	02/08/2013	5.00
NHPC LTD.	29/11/2013	10.00
NLC LTD.	02/08/2013	3.56

Source: Department of Disinvestment, Ministry of Finance, GoI[iv]

Forthcoming Disinvestments – Government Approval Received (Department of Disinvestment, Ministry of Finance, GoI) [v]

1. RASTRIYA ISPAT NIGAM LTD.
2. HINDUSTAN AERONAUTICS LIMITED
3. OIL & NATURAL GAS CORP. LTD. (Sale of 5% stake approved)
4. NHPC (Sale of 11.36% stake approved)
5. POWER FINANCE CORP. LTD.
6. RURAL ELECTRIFICATION CORP. LTD.

7. DREDGING CORPORATING OF INDIA LTD.
8. MOIL LTD.

The Finance Minister is likely to announce an ambitious Rs 45,000 crore disinvestment programme for the year starting April 1 when he presents the Budget in parliament. That would allow him to keep the fiscal deficit on a tight leash while finding the money needed for a public spending push. Asset sales of that magnitude would put it on par with what government wants to raise in this fiscal year. The Narendra Modi administration is likely to seek an early start to the disinvestment programme by lining up about 10 share-sale initiatives, including IPOs. The overall target could be higher after including residual stake sales. Companies likely to be in the list include rail companies such as Container Corporation of India (Concor) and Ircon International.

The Cabinet has already approved stake sales in companies such as PFC, REC, NHPC and ONGC. Others in the pipeline include IOC, BPCL, NMDC Ltd, Nalco, BHEL, Dredging Corporation of India and National Buildings Construction Corp. (The Economic Times, 2015)[vi]

These moves towards disinvestment cater to the demands of the big corporates in India and it is a clean sheet from robust public sector based economy to a privatised economy. The question remains whether India is ready to make this shift where it still has a large number of vulnerable sections who need protection and security benefits which can be provided alone by public sector and certainly not by the private sector. The impact of unbridled privatisation has not been carefully evaluated and the government is following the path of indiscriminate sale of public assets, in order to meet fiscal deficit targets, under the garb of revival of the economy.

While the BJP-led NDA Government is giving a dedicated push to initiate disinvestment in major public sector enterprises, equitable and fair allocation of natural resources is the major topic of public discourse. The disinvestment move is being projected as a measure to revive the economy. But it only shows the lack of clarity on energy policy and the failure to ensure that public sector entities contribute to making the country self-sufficient in energy. An expert in the field, Prabir Purkayastha has said, “The larger issue here is of CIL not being able to put in investments to enhance its productivity as it has not been granted the autonomy to utilise its investible surplus. The Ministry of Coal still decides the manner in which the public sector entity utilises its surplus, resulting in a situation where CIL is not able to develop mines or improve its capacity. Also, the disbanding of the Planning Commission without an alternative being put in place as yet has meant that there is no estimate of the amount of power and electricity required. Also, the money being generated through disinvestment will only be used to meet the fiscal deficit target instead of helping CIL generate funds internally. Ashok Rao, president of the National Confederation of Officers Association of Central Public Sector Enterprises, said: “The nationalisation of coal was carried out to stop indiscriminate, savage mining by the private sector, which was only leading to private gains without a substantial improvement in the energy security of the country. Following nationalisation, there was a comprehensive thinking on energy policy in the 1970s as a result of which fuel policy committees were set up and fluidised bed boiler technology and coal gasification technology were developed.” (Frontline, 2014)[vii]

A group of five central trade unions, including the Bharatiya Janata Party (BJP)-backed Bharatiya Mazdoor Sangh, are vehemently opposing the government move. The working conditions, social welfare benefits and the salary of the workers in coal mines have improved substantially after nationalisation. The privatisation move is only going to undo these benefits. Besides, the private players do not necessarily care for maintaining ecological balance in their projects. The move for privatisation, thus, defies economic logic and is only set to undo the social impact that has been achieved since Independence.

SECTION 2: FATE OF KEY NDA INITIATVES: ALL TALK AND NO ACTION

- ***Make in India***

  - The Government is likely to provide a big thrust for the 'Make In India' scheme in the Union Budget.(Times of India, 2014)[viii]

  - But where are its implementation details? As in many other areas (e.g., the nuclear deal with the US), the Government has yet to develop and announce any details on how "Make in India "will be implemented and funded.

  - These details should have been announced and a national debate held on them before allocating new huge budgetary resources for this scheme.

  - So far, the scheme seems to be more a PR exercise.

- ***Financial Inclusion***

Another important scheme initiated by the government is 'Pradhan Mantri Jan Dhan Yojana' with the aim of large scale financial inclusion. Even though 115 million bank accounts have been opened, but only 28% of them are active. (Business Standard, 2015)[ix] . In order to keep the accounts open under the scheme the ministry has already put in the Direct Benefits transfer (DBT) scheme, a UPA initiative.(Business Standard, 2015)[ix]

- ***Ease of Doing Business***

➢ For improving on 'Ease of Doing Business' in India, Department of Industrial Policy and Promotion (DIPP) has requested all Secretaries of government of India and Chief Secretaries of the States/UT to simplify and rationalize the regulatory environment. For this, following measures on priority: (Major Initiatives on Improving 'Ease of Doing Business' in India, 2015)[x]

- All returns should be filed on-line through a unified form
- A check-list of required compliances should be placed on Department's web portal
- All registers required to maintained by the business should be replaced with a single electronic register
- **No inspection should be undertaken without the approval of the Head of the department**

- **For all non-risk, non-hazardous businesses a system of self-certification should be introduced**

- DIPP is implementing the **eBIZ** project aimed at creating an investor centric hub-and-spoke based online single window model to avail business and investment related services. This single player mechanism can be apportioned, split and routed to the respective heads of accounts of Central/State/Parastatal agencies along with generations of challans and MIS reports.
- Employees provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC) registration have been automated and ESIC registration number is being provided on a real-time basis.
- Partial commencement of production is being treated as commencement of production of all the items included in the license. This has obviated the hardships of licensees to get their industrial license extended even though they have started production.
- MHA has stipulated that it will grant security clearance on Industrial License applications within 12 weeks. In matters other than explosives and FIPB cases, security clearances are valid for three years unless there is a change in composition of management and shareholding. Initial validity period of Industrial License has been increased to three from two years. This will give enough time to licensees to procure land and obtain the necessary clearances/ approvals from authorities.
- Application forms for Industrial Licenses (IL) and Industrial Entrepreneur Memorandum (IEL) have been simplified.
- Process of applying for IL and IEM have been made online and this service is now available to entrepreneurs 24x7 at the eBIZ website. This had led to ease of filling applications and online payment of service charges.

In addition to these guidelines the DIPP has also set in place certain guidelines for State Governments to put in place: (The Economic Times, 2015)[xi]

- Single-window clearance institutional mechanism for offices of various departments
- Combining all forms required to start a business into a combined application form
- Provisions for deemed approvals along with penalty on officers who fail dispose cases in time
- A portal for providing online services for various labour law compliances and registrations and renewal of license
- Consolidated and rationalised all-state specific labour laws
- Specialised Courts or Commercial Divisions in existing courts to resolve commercial disputes

1. **SECTION (3) ANTI-PEOPLE REDUCTION OF UNION GOVERNMENT EXPENDITURES; CUTTING BACK SOCIAL EXPENDITURES; DISMANTLING THE ROLE OF THE UNION IN SOCIO-ECONOMIC TRANSFORMATION**

- In the name of decentralization to states, the crucial role of the Union in bringing about Social and Economic Transformation is being dismantled by reducing allocations and/or transferring funds and programmatic authority for centrally sponsored schemes to the State Governments.
- This will also give power to BJP-led State Governments to redesign or dismantle central schemes with which they had ideological disagreement, and also to undermine the rights based approach (as has been done in Rajasthan). (e.g., schemes promoting gender equality, empowering marginalized sections such as SC/ST to give them new rights and new power)
- The incremental share of social sector ministries like women & child development, social justice & empowerment, labour & employment was less than 1% each of the total budget allocation in 2014-15.

a) Budget Reduction Affecting Common People (refer table 11)

- Petroleum & Natural Gas experienced huge decline in the union budget 2014-15 as compared to both revised and budget estimates of 2013-14. This was mainly on account of crucial drop of crude oil in the international market.
- Chemicals & Petrochemicals, shipping, consumer affairs and heavy industry are the other departments/ ministries that suffered a huge decline in the union budget 2014-15 as compared to both revised and budget estimates of 2013-14.

Table 11: Expenditure Budget of Union Ministries/ Departments (Rs. in crore)

				Change in Budget from 2013-14 to 2014-15	
Ministry/ department	2013-14 (BE)	2013-14 (RE)	2014-15 (BE)	BE to BE	RE to BE
REDUCTION OF UPA 2013-14 BUDGET ALLOCATION					
Land Resources	5772.85	2508.28	3755.54	-2017.31	1247.26
Petroleum & Natural Gas	65188.41	85566.1	63543	-1645.41	-22023
Chemicals & Petrochemicals	1343.01	1241.28	270.68	-1072.33	-970.6
Animal Husbandry, Dairying & Fisheries	2110.16	1882.97	1360.65	-749.51	-522.32
Power	10073.07	5410.86	9543.9	-529.17	4133.04
Social Justice & Empowerment	6725.32	5723.35	6204.49	-520.83	481.14
Shipping	1712.67	1745.03	1408.74	-303.93	-336.29

Consumer Affairs	556.9	412.86	295.79	-261.11	-117.07
Staistics & Programme Implemnetation	4951.68	4957.68	4923.88	-27.8	-33.8
Drinking Water & Sanitation	15265.7	12006.2	15263.4	-2.35	3257.11
NO REDUCTION OF UPA 2013-14 BUDGET ALLOCATION					
Panchayati Raj	7000.7	3500.63	7000.7	0	3500.07
Law & Justice	1815.47	1973.15	1987.25	171.78	14.1
Minority Affairs	3530.98	3130.84	3724.01	193.03	593.17
Tribal Affairs	4295.94	3896.05	4497.96	202.02	601.91
Heavy Industry	1028.97	1254.92	1243.62	214.65	-11.3
Textile	5431.59	4698.8	5697.43	265.84	998.63
Development of North Eastern Region	2030.97	1830	2332.78	301.81	502.78
Agriculture Research & Education	5729.17	4881.08	6144.39	415.22	1263.31
Women & Child Development	20440	18285.7	20900.9	460.92	2615.27
Labour & Employment	5081.2	4307	5605.2	524	1298.2
Agriculture & Cooperation	21933.5	19306.8	22651.8	718.25	3344.93
Higher Education	26750	24485	27565.2	815.2	3080.2
Health & Family Welfare	33278	27531	34874.9	1596.86	7343.86
School Education & Literacy	52701	50136.3	54844.2	2143.18	4707.88
Telecommunications	11703.14	9991.1	14528.1	2824.92	4536.96
Road Transport & Highways	31209.23	29934.1	34309.3	3100.03	4375.14
Housing & Urban Poverty Alleviation	1468.02	1207.72	5558.6	4090.58	4350.88
Railways	26000	27000	30100	4100	3100
Rural Development	74477.65	59355.7	79999.8	5522.15	20644.2
Fertilizers	66269	68009	73100	6831	5091
Urban Development	10363.75	9548.2	19989.5	9625.71	10441.3
Water Resources	2076.55	1241	13836.6	11760.09	12595.6
Food & Public Distribution	91034.55	92927	115657	24622.29	22729.8

Source: Union Budget, 2014-15

b) <u>Cutting Back on Social Sector Spending and on UPA Flagship Schemes</u>

- Downsizing & removing the central role of union government in social sector. Allocation to key flagship public interest schemes of UPA government has already been frozen or reduced in real terms in the union budget 2014-15.

- Thus for example scheme like PMGSY, the absolute amount has gone down to Rs 14391 crores in 2014-15 from Rs 21700 crores in 2013-14.
- Similarly in IWSM scheme, the amount has gone down to Rs 2142 crores from Rs 5387 crores in 2013-14.

- **MGNREGA:**
  - **Budget Reduction by NDA Government**: Compared to the period April 1 2013 – November 30 2013, the total budget sanctioned by the NDA central government to 28 states on MGNREGA head in the period April 1 2014 – November 30 2014 has been reduced by Rs. 6089 crores, a reduction of about 21%. *This contradicts the statement made by Mr. Arun Jaitley the Finance Minister of NDA government on 10th December 2014 in Parliament where he mentioned that there has been no budget squeeze in the MGNREGA head.*[1]
    - Assam has seen a fall of Rs 263 crores in the same period, (from Rs. 57349.95 in 2013-14 to Rs. 31001.66 in 2014-15) which is about 46% fall.
    - Since the wages have gone up across states, the budget squeeze (reduction in sanctions) is even more apparent.The average wage in FY 2013-14 was Rs. 132 and in FY 2014-15 is Rs.142

  - **Fall in Job Creation in MGNREGA**: The total number of jobs created (person days generated) has seen a fall of about 30 crores, about 20% decline, from 2013 (April to December 2013- 147 crores jobs) to 2014 (April to December 2014- 117 crores jobs)
    - Assam has seen a fall in jobs in MGNREGA by 62.89 lakhs from 2013 to 2014, which is about 31% fall.

  - **Delayed Wage Payment**: About 4.1 lakh workers[2]received delayed wages (Number of Muster Roll Pending Payments) in 2014 as compared to about a mere 47,000(forty seven thousand) workers in 2013 across all Indian States and Union Territories. This shows an increase of about 3.6 lakh people who have not received wages on time under MGNREGA scheme.
  - Currently the delay in payment is 70% i.e. out of around Rs. 16,000 crore wage payment Rs.11,000 has been delayed.
- Through such cuts in resource allocation in pro-poor flagship programmes, the budget is likely to make a huge shift from redistributive justice of UPA ideology.
- This also shows the intension of the government to sideline all pro-poor agendas and boost the profit-seekers.
- This will in all possibilities further widen the gap between the billionaires and the rest.

[1] Please note that the budget allocation for 2014-15 under NDA government for MGNREGA is Rs. 33,989 crores (Rs. 33353 crore in the State Plan and Rs 636 crore in the Central Plan), which is the same as UPA government's interim budget of 2014-15. However, the amount actually sanctioned for the April-November period under the MGNREGA budget has been reduced by the NDA government as mentioned in point one.

[2] NOTE: Data on delayed wage payment is available only for each month. It is not available on a cumulative basis. We have calculated the figure for April-December taking the eight all India average for 2013 and 2014.

- ***Cutting Back on Other Pro Poor Sectors***
  Further, as per sources, key ministries, including those of agriculture, rural & urban development, and infrastructure, might see cuts of up to 20 % in Plan allocation compared to the FY15 Budget estimates. (Business Standard, 2015)[xii]. Thus there will be shift in government spending from socially relevant areas.

c) <u>Cutting back on Subsidies</u>

Reduction of subsidies is a priority for the present government responding to the strong demand of big business. Subsidy reduction will badly hit the poor.

The FM on January 19, 2015 said the government will take “special steps” to boost public spending on infrastructure and initiate measures to rationalize subsidies.(The Pioneer, 2015)[xiii].

Subsidies are likely to be reduced significantly in FY16 Budget, possibly contained well within 1% of GDP.(Live Mint, 2015)[xiv]

- Among the three major subsidies, fertilizer, food and petroleum subsidy, unlike fertilizer and food subsidy, petroleum subsidy witnessed a huge decline from 2013-14 to 2014-15. (Table 12.1)
- One of the components of fertilizer subsidy namely subsidy on sale of decontrolled fertilizers with concessions to farmers witnessed a decline from 2013-14 to 2014-15. (Table 12.1)
- Among the interest subsidies, subsidy on interest subvention to co-operative sugar mills through NABARD, interest subsidy to Hindustan shipyard limited, Interest subsidy to LIC for pension plan for senior citizens and Payment of subsidies to nodal agencies i.e. RBI & National Housing Bank experienced a fall during 2013-14 to 2014-15. (Table 12.2)
- Unlike aggregate major subsidies and interest subsidies, other subsidies experienced a huge decline from 2013-14 to 2014-15. (Table 12.3)
- Four components under the other subsidies experienced 100% decline in subsidies from 2013-14 to 2014-15. (Table 12.3)

Table 12.1: Major Subsidies: 2013-14 to 2014-15

(Rs in crore)

	Subsidies	2013-14 (RE)	2014-15 (BE)	Difference	% change
	Major Subsidies	245452	251397	5945.75	2.4
1	Fertilizer subsidy (Total)	67971.5	72970.3	4998.8	7.4
1.1	Imported (Urea) fertilizers	12044.6	12300	255.36	2.1
1.2	Indigenous (urea) fertilizers	26500	36000	9500	35.8
1.3	Sale of decontrolled fertilizers with concessions to farmers	29426.9	24670.3	-4756.6	-16.2
2	Food Subsidy	92000	115000	23000	25
3	Petroleum Subsidy	85480	63427	-22053	-25.8

Source: Union Budget, 2014-15

Table 12.2: Interest Subsidies: 2013-14 to 2014-15

(Rs in crore)

	Subsidies	2013-14 (RE)	2014-15 (BE)	Difference	% change
	Interest subsidies	8174.85	8312.88	138.03	1.7
1	Interest subsidy to banks under export promotion	1475	1625	150	10.2
2	Interest subvention to co-operative sugar mills through NABARD	9.6		-9.6	-100
3	Interest subsidy to Hindustan shipyard limited	7.22	5.67	-1.55	-21.5
4	Interest subsidy to LIC for pension plan for senior citizens	115.81	111.49	-4.32	-3.7
5	Payment of subsidies to nodal agencies i.e. RBI & National Housing Bank	80	50	-30	-37.5
6	Interest equalization support to Exim bank of India	416	450	34	8.2
7	Interest subvention for promoting short term credit to farmers	6000	6000	0	0
8	Interest subsidy to Hindustan Steelworks construction Limited for loans raised for implementation of VRS	44.11	44.11	0	0
9	Interest subsidies to khadi industries	21.25	21.25	0	0
10	Interest subsidy to other village industries	5.36	5.36	0	0

Source: Union Budget, 2014-15

Table 12.3: Other Subsidies: 2013-14 to 2014-15

(Rs in crore)

	Subsidies	2013-14 (RE)	2014-15 (BE)	Difference	% change
	Other subsidies	1889.9	947.49	-942.41	-49.9
1	Other programmes for write off of loan, interest and penal interest on GOI loan outstanding against HFCL, MFL, FACT, FCI & PDIL	0.01	0.01	0	0
2	Subsidy for operation of Haj charters	690.76	550	-140.76	-20.4
3	Subsidy on import of pulses	158.39	10	-148.39	-93.7
4	Subsidy on import of edible oil	318.34		-318.34	-100
5	Subsidy on maintenance of buffer stock of sugar	7.5	5	-2.5	-33.3
6	Scheme for extending financial assistance to sugar undertaking- 2007	90		-90	-100
7	Scheme for extending financial assistance to sugar undertaking- 2014		100	100	
8	Reimbursement of shortages in handling of imported fertilizers by FCI	42.75		-42.75	-100
9	Other subsidies to non central PSU Shipyards & Private sector shipyards	282.23	0.01	-282.22	-100
10	Implementation of MIS/PSS	46	80	34	73.9
11	Subsidy for helicopter service in north east region	35	76.45	41.45	118.4
12	Other programmes for development of textile procurement of cotton by cotton corporation of India under price support	152.32	120	-32.32	-21.2
13	Other programmes for development of jute etc, subsidy to jute corporation of India towards market operation	61.59	0.01	-61.58	-100
14	Subsidy to Assam gas project	0.01	0.01	0	0
15	Assistance to national ship design and research centre	5	6	1	20

Source: Union Budget, 2014-15

d) <u>Neglecting Rural India</u>

Budgetary allocation increased by 93% for urban development in 2014-15 as compared to budgetary allocation in 2013-14.

On the other hand, the budgetary allocation increased by only 7% for rural development in 2014-15 as compared to budgetary allocation in 2013-14, signifying the anti-rural bias of the current government.

e) <u>Exacerbating the Class Divide: Pro-Rich, Anti Poor Economic Ordinances</u>

Increasing Disparity: Findings of Gandhi and Walton (2012) show that in mid-1990s, India began with two billionaires, worth a combined total of $3.2 billion, and by 2012 there were 46 billionaires with total net worth of $176.3 billion.[xv] The latest newspaper report says that the number of billionaires in India has nearly doubled in 2014 to 109 from 59 in 2013, with total net worth of $ 422 billion. The top 10 of them have wealth worth $ 138.04 billion.[xvi] This trend indicates a big challenge of restoring balance across different groups of people.

The current government introduced a number of economic ordinances which in all possibilities will further increase disparity. They will have adverse impact on the poor and the lower middle class. These ordinances are measures demanded by big business mainly in "rent-thick" sectors, which will marginalize vulnerable groups. They are introduced under the pretext of improving India's economic performance – but in fact amount to corporate appeasement at the expense of the poor and further marginalizing the already backward and oppressed section of the society.

- **The Insurance Law (Amendment) Ordinance:** By opening up the insurance sector, the Government has clearly indicated its intention of inviting more and more private players. With the projected expansion of private players there is a need to strengthen regulatory capacity to ensure accountability of companies to customers. The regulatory overlap between IRDAI and SEBI remains unresolved and the Government has failed to address this issue in this Ordinance.
    - The Ordinance has not specified much on rural penetration, the Ordinance does not have adequate safeguards to maintain fund flows towards Indian infrastructure development. With the Ordinance of, 2014 the fund flow can be expected to go mainly into equities rather than to infrastructure.
    - By increasing the minimum paid up equity share capital from 50 crores to 100 crores will discourage small players. Only the big players will now have a chance to enter the market, which may affect competitive environment.
    - The Central Government shareholding at all times should not be more than 51 % shows high level of interference of the Central Government.
    - The Ordinance is strongly reflective of industry concerns. It neglects the need to strengthen access to health and life insurance for the poorest with their extremely tight income constraints. Government needs to ensure that the schemes initiated by UPA to provide insurance to the poor such as RSBY are protected and strengthened in the new environment.

- **The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Amendment) Ordinance, 2014**:
    - The ordinance blatantly subverts the crucial distinction between public and private purposes. It widens the scope of private purpose acquisitions. The ordinance makes it legitimate to forcibly acquire land for private projects in health, tourism, cold storage sectors, SEZs.
    - The prohibition against acquiring irrigated and multi-cropland has been done away with, which potentially endangers food security provisions.

- The ability of land owners whose land has been expropriated for 5 or more years prior to the 2013 Act to benefit from the enhanced compensation under the 2013 Act has been diluted, by tweaking with the way the term 'five years' are calculated. The Right given to farmers under 2013 Act to get back acquired land, if it was not used for five years from the date of possession has been significantly diluted.
- The amendment expands the scope for use of sovereign eminent domain power to include more private players.
- In the absence of Social Impact Assessment, the full benefits of resettlement and rehabilitation will not be either calculated or provided to affected people.
- It gives the Government sweeping residual powers to take any action necessary to support their interpretation of the Act, for five years.
- Since a plethora of projects have been exempted from the ambit of Social Impact Assessment, the participation of the local bodies/panchayats has effectively been removed. However, this lacks credibility as the ordinance nullifies all the safeguards put in by the 2013 Act of the UPA.

- **The Coal Mines (Special Provision) Second Ordinance, 2014:** In its hurry to restart coal mining the government has issued an Ordinance and seems to have ignored interests and rights of other stakeholders, namely tribals and workers.
  - Government is neglecting issue raised in the contentious areas and violating the rights of tribal community by denying them a say in auction of their land. It has 'assumed consent' on behalf of the people. Thereby completely ignoring the rights of the tribals.
  - Coal India Limited is that second largest employer in the nation and its workers have raised issues regarding the impact of opening of the coal-mining sector to the private companies on their livelihood. The private companies can sell coal at depressed prices and Coal India will have no option but to cut jobs to reduce costs and compete with them, and retain business.
  - The Ordinance imposes penalty of Rs 1-2 lakhs per day for any person accused of causing obstruction in 'taking possession', 'management' or 'operation' of mines. Such a wide definition of 'obstruction' may severely constraint worker's ability to hold demonstration against issues of concern. This may drown voices and opposition to mining projects and can prevent organizations and individuals from raising genuine issues of concerns regarding working conditions and environment.
  - The Ordinance proposes that powers of the state with regards to prematurely terminating a prospecting mining license or such period as notified by the government. It may severely undermine the role of states with regards to decision-making regarding mining licenses.

- **<u>The Mines and Minerals (Development and Regulation) Amendment Ordinance, 2015:</u>**
  - The Mines and Minerals Amendment Ordinance 2015, seeks to boost transparency in operations for the main ferrous and non-ferrous ores like iron ore and bauxite, and streamline the development delivery mechanism in mining areas as well.[xvii](Economic Times, 2015), by creating new category of mining license i.e. the prospecting license-cum-mining lease, which is a two stage-concession for the purpose of undertaking prospecting operations (exploring or proving mineral deposits), followed by mining operations.
  - In the process the Union Government did not consult the mineral bearing states on the various provisions of the ordinance. Thus the states and parties claim that the Ordinance is 'Unilateral' and 'Undemocratic'. (Times of India, 2015)[xviii]
  - The ordinance may result in limiting the power of the State Governments, while Centre will decide everything including the modalities of the auction to be made by the State Governments. (tathya.in , 2015)[xix]

These Ordinances are introduced by the government under the pretext of improving India's economic performance – in reality they respond to corporate concerns at the expense of the poor and limit states power and the Central's role will become much more powerful.

<u>Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishment) Amendment Bill, 2011[xx]</u>

- The Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishment) Amendment Bill, 2011 has been passed by the Parliament in November, 2014.
- It has revised the definition of the expression "small establishment" so as to cover those establishments in which not less than ten and not more than forty persons are employed or were employed on any day of the preceding twelve months; instead of not less than ten and not more than nineteen persons, as at present;
- Under the principal Act, these establishments are exempted from furnishing returns and maintaining registers under certain labour laws. Small establishments are also exempted from furnishing returns and maintaining registers under certain laws such as the Payment of Wages Act, 1936; the Weekly Holidays Act, 1942; Minimum Wages Act, 1948; the Factories Act, 1948; and the Plantations Labour Act, 1951. Instead, they are required to furnish returns and maintain registers in a specified format. **This is aimed at giving a flexible ambience for the establishments; however it leaves a considerable scope for exploitation of the employees.**
- Under the specified format, the employer also has to issue wage slips, amount of work done slips and file returns related to accidents. Additionally, the employer may maintain the returns filed and the registers on a computer, computer disk or other electronic media. **This move is aimed at increasing accountability and is a welcome change.**
- The amendment has widened the ambit of the principal Act to more establishments and adds more laws from which these establishments are to be exempted. **This is further aimed at creating and favourable ambience for businesses.**

- **Critics claim that by exempting more establishments from complying with labour laws rigorously, the government is only pushing more workers out of the protection of law and leaving room for their exploitation.**

The Factories (Amendment) Bill, 2014[xxi]

- The Factories (Amendment) Bill, 2014 was introduced in Lok Sabha on August 7, 2014. **It proposes to amend the Factories Act, 1948, whose main object is to ensure adequate safety measures and to promote the health and welfare of the workers employed in factories.**
- The Act defines factory as any premises (with certain exceptions) where manufacturing was undertaken with aid of power and at least 10 people were employed during the last 12 months (20 or more people if no power was used). The Bill specifies that the state government may raise the minimum number of workers employed in the definition to 20 (if power is used) and 40 (if power is not used).
- The amendment changes the definition of 'factory', resulting in exemption of five per cent of the work force in such units from mandated wages, working hours, etc. **This creates a huge scope for exploitation and effectively increases the unorganized sector.**
- The bill tries to define the term 'factory' also amends the definition of hazardous processes, manufacturing processes etc. **It has added new definitions of hazardous substances and disability.**
- Other changes include **raising the threshold for overtime in factories from the existing 50 hours in any quarter to 100 hours in any quarter. States may raise that to 115 hours.** This move could prove exploitative in nature. The Bill additionally relaxes the provisions regarding entitlement of workers to paid leave.
- **It proposes to empower the state government to allow women to work during night hours in a factory or group of factories based on certain conditions.** Except in case of business process outsourcing units where private companies have arrangement of vehicles for dropping women employees, this move could prove unsafe for women and has therefore been criticized by political parties.
- The Bill through introduced amendments tries to reduce the power in the hands of state government. The Bill states that the state government's power to make Rules will be restricted to matters where the central government does not have such powers.
- There exist 16 amendments in the bill that grants central government power to make rules regarding some matters. **The shifting of power from the hands of state government to the central government is clearly visible from these amendments, as the power to make rules initially resided with state governments and is now being transferred to central government. There is an evident tendency towards centralisation of power, with these amendments.**

Small Factories (Regulation of Employment and Conditions of Services) Bill, 2014[xxii]

- Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture.

- The MSME sector is labour-intensive and highly disorganized and different labour laws prevalent in different states have made the sector more scattered and difficult to regulate.
- The Labour Ministry has proposed the Small Factories (Regulation of Employment and Conditions of Services) Bill to **govern wages and conditions of work in small and medium enterprises (SMEs). The bill envisages rules for wages, overtime hours, social security and appointment of factory inspectors in units employing fewer than 40 workers.**
- This Bill will reduce the number of forms required for compliance with rules. Additionally, it will allow the SMEs to employ women in night shifts based on the fulfillment of certain conditions. **It will also change the inspection system to one based on self-certification and inspections based on computer lots.**
- **The draft mandates that no employer shall pay less than the fixed minimum wages, but proposes no penalty for non-compliance, adding that any claim in this matter is to be decided by an authority to be set up by the State Government. This is a loophole that may result in basic labour rights being taken away.**
- To push financial inclusion, the Bill mandates that the employer will have to transfer the wages to the accounts of the employees. Payment of wages in cash is disallowed unless the amount is less than Rs 1000. The Indian Chamber of Commerce and Industry, Coimbatore (ICCIC) has requested the Union Labour Minister to make some changes in the draft of the Small Factories (Regulation of Employment and Conditions of Services) Bill 2014 so as to benefit the interest of trade and industry in the region. **One of the suggestions made by ICCIC is that the responsibility of opening a bank account with zero balance should be vested with the employees and not the employers; rather than the other way around as stated in the draft bill.**
- **The declaration of National Convention of Workers states that all the moves of amendments in the labour laws, both by the central government and by the government of Rajasthan are aimed at empowering the employers to retrench/lay-off workers or declare closure/shut down at will and also resort to mass scale contractualisation.** These laws are designed to push out more than seventy percent of the industrial and service establishments in the country and their workers out of the purview of almost all labour laws, thereby allowing the employers a free hand to further squeeze and exploit the workers.
- **According to the Trade Unions, if the Bill is implemented then it will result in taking away a large chunk of workers from the ambit of basic labour laws, in addition to allowing a non-statutory body like the Insurance Regulatory and Development Authority (IRDA) to regulate contributory pension and health schemes. (Frontline, 2014)**[xxiii]

f) <u>Dismantling Planning: NITI Aayog</u>

- The serious implications of the abolition of the Planning Commission have not been thought through. NITI Aayog has been created in a hurry. Even though so much time has passed since the appointment of this body, the functions are yet to be defined.

- It is not known as to what will happen to large number of schemes across the country which are under implementation under the current Plan, or projects which are in the pipeline waiting for allocation of resources.
- The system for sharing and using the financial resources for national development has been abruptly disrupted by the abolition of the Planning Commission which had a pivotal role in financing development.
- The hurried manner in which this issue has been handled indicates that the decision has been politicized and implemented in a pre mature manner with possible dire consequences for the country. It is not yet clear whether NITI Aayog will function as a repository of developmental knowledge and experience sharing for states.

Continued Relevance of Planning in India

- **It is improper to see the Planning Commission as a relic of the "Soviet era".** Only a person unaware of and unconnected with the anti-colonial struggle can make such a claim. Planning Commission was a necessary legacy of the anti-colonial struggle. It is not surprising that "planning" came into effect not just in India but in a whole range of countries that were newly liberated from colonialism. Planning aimed to bring the country's natural resources back under national control and the production pattern was to be altered from what had been dictated by the colonial division of labour. The benefits of all these measures were to accrue to the people at large by ensuring that wealth and income inequalities were kept in check. The point here is not whether planning actually achieved these objectives, the point is that this was the perception which informed planning and it was in keeping with the promise of the anti-colonial struggle (EPW, 2015). [xxiv]
- **Besides, the Indian Planning Commission was not engaged in Soviet style central planning.** India's planning system is distinct from that of the Soviet Union and China. Even in earlier years, when there was extensive government intervention, the actual controls were exercised by the Ministries concerned, and not by the Commission although the Commission participated in inter Ministerial forums.
- **The role of planning itself is highly relevant in determining the long-term path of the country and its economy.** There is a need for establishing broad quantitative medium term targets for the economy in terms of growth, the sectoral composition of growth, growth of individual states, the likely impact on employment and poverty reduction, and also some key "inclusiveness targets" which can be quantified. These targets cannot be set independently by the Ministries. While the Finance Ministry is the right place for setting short term targets based on short term macroeconomic models, it is not the logical place to do detailed analysis of specific sectors. Abolition of planning will have a serious negative impact on the economy.
- **There is a need for planning in market economy.** Market enthusiasts need to be reminded that even in a market economy there are several aspects that need to be "planned" either because they involve cooperation of different layers of government, or because there are cross cutting issues involving different sectors. Examples of such issues are the development of the transport network comprising roads, railways, ports, airports, and inland water ways which must be planned together in a holistic

manner so that they can be mutually supportive. The management of the energy economy is an example where there are several different forms of energy, each in the control of a different Ministry, and policy must take a holistic view. (A New Planning Institution: Some Suggestions, 2015)[xxv] The key to efficient utilisation of resources lies in the creation of appropriate self-managed organisations at all levels. In this area, the Planning Commission attempted provide consultancy within the government for developing better systems. (Rediff, 2004) [xxvi]

- **The Commission concentrated on maximising output by using limited resources well.** Instead of looking for mere increase in plan outlays, the effort was to look for an increase in the efficiency of utilisation of the allocations being made. The emergence of severe constraints on available budgetary resources, the resource allocation system between the states and Union ministries is under strain. This required the Commission to play a mediatory and facilitating role, keeping in view the best interest of all concerned. Over the years, the Planning Commission has been instrumental in ensuring social equality, promotion of decentralised planning, and in the monitoring of human development; especially that of the socially and economically backward segments in the country's population.
- **Resolving inter-ministerial problems.** One of the roles played by the Planning Commission in the past is resolving inter ministerial differences on important issues. Though some of the problems can be handled by the Cabinet Secretariat or the PMO, some other problems reflect deeper concerns that could require substantial modification of the policy. This "problem solving" role cannot be performed if the NITI Aayog is merely a think tank. (A New Planning Institution: Some Suggestions, 2015)[xvi]
- **Abolition of planning will remove one of the main instruments of state for proactive and strategic intervention for social transformation and upliftment through central planning. It will roll back the economic and social role of the Union from social engineering to laissez faire.** The role of the Union Government in social change is fundamentally being altered.

Allegations have been leveled against the Central Government that by creating the Aayog and dismantling the Planning Commission the NDA Government wants the market forces and capitalists alone to lead the country's growth.

- The move to dismantle the Planning Commission has been criticized by many stating that it has created uncertainty in the country. Institutions like the Planning Commission are time tested and have tried to do justice with states in the existing federal structure and have also provided states a platform to give their opinion.
- The proposed move to distribute planning functions among the Ministry of Finance and subject matter ministries will result in loss of perspective and long-term view. The proposal to replace it with a new body is half-baked, unwarranted, and ignores the need of planned development of the country.
- Many are of the opinion that the Aayog should continue the functions performed by the Planning Commission of determining, in consultation with the Finance Ministry and State governments, the amount of resources to be made available to the States for Plan and budget preparation.

- This is also seen as a step which is taken to deliberately move away from the Preamble of democratic socialism by the BJP led NDA government. Establishment of NITI Aayog is seen as making the plan body an extension of the PMO and a direct attack on the federal structure.
- Creation of NITI Aayog further indicates the current Government's emphasis on market economy as opposed to a planned one. Planning is essential in order to keep the welfare role of the state as a part of the nation's vision. With the scrapping of the Planning Commission, the welfare role that was emphasized is likely to take a back-sear under the NITI Aayog.
- Thus, while the creation of the Aayog and a focus on market economy may be beneficial to big industrial states like Gujarat and Maharashtra, small and backward states like Assam, which need a focus on welfare schemes, would suffer as a consequence.
- It is not yet clear whether five year plan frame would continue to exist, and if so in what way.

Cases of China & USSR

China: China has believed that market socialism can combine the efficiency, innovativeness, and individual choice which competitive markets are supposed to assure with the social justice and economic security promised by socialism. However, even China has not clearly dismantled its Planning Commission. China's National Development and Reform Commission (NDRC), which was initially known as China's State Planning Commission is responsible to formulate and implement strategies of national economic and social development, annual plans, medium and long-term development plans. It is responsible to coordinate economic and social development; to carry out research and analysis on domestic and international economic situation; to put forward targets and policies concerning the development of the national economy, the regulation of the overall price level and the optimization of major economic structures, and to make recommendations on the employment of various economic instruments and policies. The NDRC is thus much more than a think tank. It is an integral part of the Chinese Government. The industrialisation of the East Asian Tigers and now China is the defining economic story of the late 20th century. Yet, this was largely a result of careful nurturing by the government of certain industries through protection, subsidies and technological support, with the aim of upgrading the economy's productive capabilities. (Scroll, 2015)[xxvii] With China's current level of economic liberalization and its performance in the social indicators, China still continues with its planning body, but India wants to deviate from its Planning Commission resulting in a question of whether India has already achieved goals of social security and such a deviation is ideal for India or not at this hour. Whether India can sustain such a shift with its prevailing level in terms of social indicators is also ambiguous.

USSR: The years following the Second World War put the USSR and the capitalist bloc at loggerheads. The USSR was an industrially-backward country well into the third decade of the twentieth century. From that situation to be able to compete with the capitalist West, which had been the receiver of world-wide loot for several centuries, in a span of two decades required a significant accretion of economic productive capacity. Not the depredation of monopoly capital, but planning – an instrument of conscious and rational way to run the economy, enabled the USSR attain this position of strength. If the goal of human endeavor is to understand and tame nature and human impulses in order to utilise them in the most adequate manner, it follows that economic planning which harnesses market institution (does not substitute it) is the rational way forward. India was not alone to get influenced by Soviet Union's planning. Many colonies which were gaining independence during the mid-decades of the twentieth century had their respective planning bodies. (Sanhati, 2015)[xxviii]

Can NITI Ayog replace the role of Planning Commission?

While NITI Aayog claims to decentralise, it will, in fact, result in greater centralisation of powers in the central government. Moreover, with the abolition of the National Development Council and its replacement by regional councils, the limited say the states had on policies and the flow of funds will be further eroded. In short, the constraints on state governments will be tightened rather than loosened in the NITI Aayog era.

<u>Dominant Role of the Ministry of Finance and PMO in the New NITI Model</u>

There are three main channels through which funds get devolved from the centre to the states: through the Finance Commission, through the Planning Commission and through discretionary transfers. Barring the Finance Commission which is a constitutional body, the other two channels respond to the discretion of the central government. Even in the case of the Finance Commission, the Centre appoints its members and ultimately fixes its terms of reference and therefore, the Central writ prevails. The disappearance of the Planning Commission would mean that what used to be plan transfers would now be doled out through the Finance Ministry. This might possibly entail both a possible reduction in the total magnitude of transfers, and a definite increase in the Centre's control over states' plans. (EPW, 2015) [xxix]

More importantly, it needs to be seen that the scrapping of the Planning Commission will see an inevitable strengthening of the Ministry of Finance, which is a far more closely controlled departmental body of the Central government than the Planning Commission ever was, and the Centre can now more effectively determine what flows to which state. States would be at the mercy of the Centre and would be dealt with arbitrarily without any common principles and norms. This dangerously opens new doors for political bargaining and deal making. (CPIM, 2015)[xxx] The state governments will also likely to be burdened with the pet projects of the Prime Minister as the PM's schemes would get the top priority in NITI Aayog's agenda. These projects may not be best suited for the upliftment of weaker sections of the society. (Firspost, 2015)[xxxi]

Planning is an instrument of redistribution. The Planning Commission had the power to allocate funds to the ministries and state governments and through this process of redistribution it tried to promote the social sectors and reduce the inequality prevailing in the country. The deviation from Planning Commission to NITI Aayog might distort the process of redistribution. Further, the transfers made to the states or Union Territories for the Centrally Sponsored Schemes (CSSs) will not be continued in the same manner leaving a large section of society more vulnerable since there is a lack of clarity on how CSSs will now be carried out.

Limiting the Power of the States

The National Development Council (NDC) has been abolished. The NDC, where the states' Chief Ministers were represented was not a constitutional body and did not vote but it had a commanding presence, where the states, strengthened by each other made a definite impact. Its decisions included the ultimate approval of plans and since, they were taken through a consensus, the Centre was often forced to yield on certain matters. The elimination of the NDC is a major blow to the power of the states. The Governing Council where chief ministers are to be represented is likely to be a purely formal body concerned with the "governance" of the NITI Aayog, rather than with basic development issues. The meetings of the regional councils are likely to be occasions where the states supplicate to the centre for this or that favour, rather than serious challenges to central schemes and programmes. There will be only a few regional councils where the Prime Minister will sit with the state Chief Ministers. This would imply a downgrading of the voice of the states in matters concerning national economic development. The confidence that the states had in sitting together with the Centre, and the pressure that the Centre was subjected to when the states spoke with one voice on major issues, will now be replaced by an air of supplication (Peoples Democracy, 2015)[xxxii]. Governing Council would be more of a powerless body of a think-tank. And that think tank will be under the Prime Minister and the Prime Minister's Office. This would result in a centralised Unitarian structure. (CPIM, 2015)[xxi]

Centralization of Power

Some may refute the argument that NITI Aayog would result in greater centralisation of power by saying that it will be open to the states to tie up with capitalists, both domestic and foreign, to work out investment projects of any description and any amount. However, this is precisely where the Central control over states has increased. The Centre is forcing states to go in for public-private partnerships, and forcing states to vie with one another to attract private capital to their territories. There is a clear centralisation of economic powers as the Centre is imposing the neo-liberal model on all states by ensuring that resources available to each state are spent on a plan in keeping with what the Centre considers "development" rather than on a plan of the state government's own choice. The NITI Aayog era will mean that states will not be allowed to go their own ways, not even to the extent that the Planning Commission era had allowed. Centralisation will be the mechanism for imposing neo-liberalism on the country at large. (EPW, 2015)[xx] States would be left at the mercy of the PMO. The Central Government in the absence of the Planning Commission will have excessive control and authority.

The progressive role of the Planning Commission, viz. in striving for the economic freedom of the country through snatching control over its national resources from multinational corporations, will be done away with under the NITI Aayog. And where the old Planning Commission has been claimed to be flawed, viz. in not respecting the federal nature of the polity, these flaws will be magnified under NITI Aayog due to the overarching control of the Ministry of Finance as it becomes the apex body, thereby furthering the agenda of the Centre. NITI Aayog has the potential to further push the country into a market-driven economy and privatisation in all spheres at the expense of diluting even the present inadequate schemes aimed at improving people's welfare. Whatever role the Planning Commission had, to allocate resources for the public sector and deploying public investment keeping in mind the regional disparities, has now ended. (CPIM, 2015) [xxi]This move to provide a greater elbow room to the corporate oligarchy completely disregards the long-term interests of the states, and furthers concentration of economic power through political authoritarianism.

The abolition of planning and the Planning Commission is an attempt to alter India's economic model from a Mixed Economy to a Capitalist Economy.

'Performance of Special Economic Zones (SEZs)'

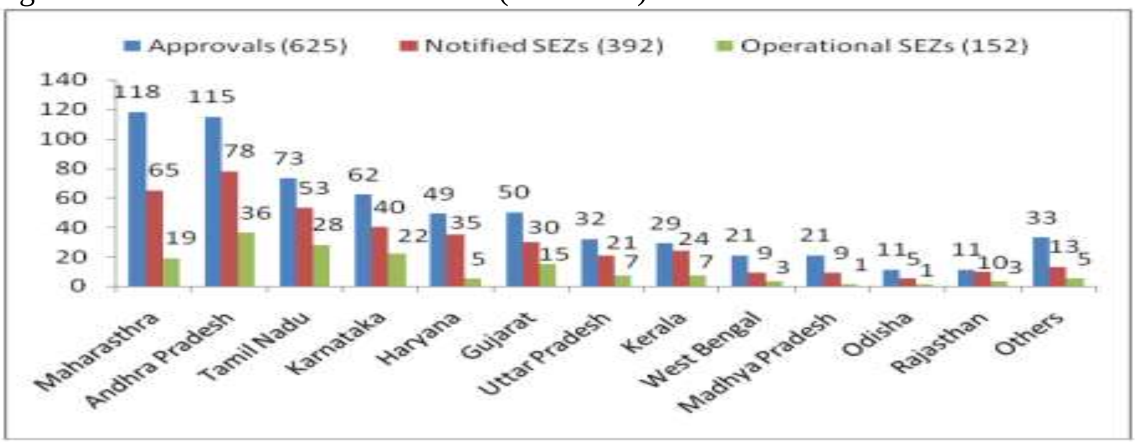
(Report No. 21 of 2014 (Performance Audit), Comptroller and Auditor General of India, GoI)[xxxiii]

SEZ scheme is administered by Department of Commerce (DoC), GoI. SEZ policy announced in April 2000 was intended to make the SEZs as growth engines that can boost manufacturing, augment exports and generate employment. The SEZ Act, 2005, supported by the SEZ Rules, came into effect from 10 February 2006, providing for simplification of procedures and for single window clearance on matters relating to Central as well as State Governments. The main objectives of the SEZ Act/policy are (i) Generation of additional economic activity, (ii) Promotion of exports of goods and services, (iii) Promotion of investment from domestic and foreign sources, (iv) Creation of employment opportunities and (v) Development of infrastructure facilities. Performance Audit Report No. 21 of 2014 of CAG (of India on Union Government, Department of Revenue- Indirect Taxes–Customs) for the year 2012-2013 named 'Performance of Special Economic Zones (SEZs) was presented in the Parliament on 28 November 2014. The report contains result of the performance audit on the 'Performance of SEZs' carried out from April 2013 to January 2014. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2006-07 to 2012-13 as well as those which came to notice in earlier years. The key findings are the following:

Number of SEZs (refer figure 2)
According to the report, since the enactment of SEZ Act 2005, 576 formal approvals of SEZs covering 60374.76 hectares was granted in the country, out of which 392 (68%) SEZs covering 45635.63 hectares (76%) have been notified till March 2014. Out of 392 notified zones, only 152 (38%) have become operational in 28488.49 hectares (54%) of land.
(As on 05.12.2014, notified SEZs are 352 and operational SEZs are 196, accessed at http://www.sezindia.nic.in/about-osi.asp)

State-wise distribution

Figure 2: Distribution of SEZs in India (state-wise)



- According to the report, Andhra Pradesh has the highest number (36) of operational SEZs in the country followed by Tamil Nadu (28), Karnataka (22), Maharashtra (19) and Gujarat (15).
- These states account for 78.95% of the operational SEZs in the country. However, the percentage of Operational SEZs when compared with the total approvals in India works out to 24.32% and it is only 38.77% of the notified SEZs.

Implications

- Generation of employment opportunities, encouraging investment (both private and foreign) and increasing India's share in global exports are the three important objectives of the SEZ Act
- Performance of sampled SEZs (152) in the country indicated certain non performance in employment (ranging from 65.95% to 96.58%), investment (ranging from 23.98% to 74.92 %), and export (ranging from 46.16 to 93.81%). The achievements of SEZs in the country are contributed by a few SEZs located in some developed States, which were mostly established prior to enactment of the SEZ Act.
- There are wide gaps in the employment projected by the developers and that provided in all the categories of the industries. In the selected 117 Developers/Unit in 12 States the actual employment (2,84,785) vis a vis the projections (39,17,677) made by the Developers/Units had fallen short by nearly 93% (absolute number being 36,32,892).
- The audit found that the pattern of employment generation is also not uniform across sectors and states.
- Over a period of time, the growth curve of SEZs had indicated preference for urban agglomeration by industry, undermining the objective of promoting balanced regional development and resulting in employment generation in the districts that are already industrialized with higher levels of literacy.

- A significant trend in the SEZ growth has been the preponderance of IT/ITES industry. 56.64% of the country's SEZs cater to IT/ITES sector and only 9.6% were catering to the multi product manufacturing sector.
- Most of the SEZs are situated in the States which are industrialised and connected with sea ports. Other States seem to have lost out on SEZ based employment, income and investment.

Economic Impact

- SEZs were intended to attract a foreign multinational enterprise which was supposed to have a catalytic effect.
- During the period of audit the actual investment (80176.25 crore) vis a vis the projections (194662.52 crore) in 79 Developers/Units in 11 selected States was 58.81% lesser than the projected amount. This includes shortfall in FDI to the tune of 2468.53 crore (66.83 per cent)
- There are huge shortfalls even in exports and foreign exchange earnings on comparing actual values to the projected values.
- Out of the 392 notified SEZs in India, 301 (77%) are located in the infrastructural developed states (Andhra Pradesh now bifurcated into Telangana and Andhra Pradesh (78); Maharashtra (65); Tamil Nadu (53); Karnataka (40), Haryana (35), and Gujarat (30) of the country. Therefore, the proposed balanced growth has not been achieved.
- Multiproduct SEZs which are more labour/capital intensive are very few (9.60 per cent Approvals, 6.37 % Notified and 8.55 % Operational). SEZs show a clear bias towards IT/ITES sector.

Land Allotment and Utilization

- At the time of the audit, out of 45635.63 ha of land notified in the country for SEZ purposes, operations commenced in only 28488.49 ha (62.42 %) of land.
- In many cases, developers approached the government for allotment/purchase of vast areas of land in the name of SEZ. However, only a fraction of the land so acquired was notified for SEZ and later de-notification was also resorted to within a few years to benefit from price appreciation.
- In terms of area of land, out of 39245.56 ha of land notified in the six States, 10, 5402.22 ha (14%) of land was de-notified and diverted for commercial purposes in several cases. Many tracts of these lands were acquired invoking the 'public purpose' clause. Thus, land acquired was not serving the objectives of the SEZ Act.
- Out of 392 notified zones, only 152 have become operational (28488.49 hectares). The land allotted to the remaining 424 SEZs (31886.27 hectares) was not put to use (52.81% of total approved SEZs) even though the approvals and notifications in 54 cases date back to 2006.

- Out of the total 392 notified SEZs, in 30 SEZs (1858.17 hectares) in Andhra Pradesh, Maharashtra, Odisha and Gujarat, the Developers had not commenced investments in the projects and the land had been lying idle in their custody for 2 to 7 years.
- There are also many cases of under-utlization of SEZ land. For instance, in case of Adani Ports, out of the notified (May 2009) area of 6472.86 ha only 833.77 ha was utilised leaving 5639.09 ha (87.11%) unutilised so far.

With these glaring loopholes, monitoring and internal audit needs urgent attention in the whole scheme of SEZs in order to check the huge extent of land that has been de-notified with no economic activity for several years and to check land acquisition in the name of economic growth.

SECTION 4: PEOPLE'S DEMANDS, CONCERNS AND EXPECTATIONS

Some of the major demands, concerns and expectations of the people on the forthcoming budget are highlighted below.

I. Agriculture

- ***National Common Market for Agriculture***

  During the pre-budget consultation on agriculture by the NDA Government the representatives from agricultural groups, Finance Minister indicated the aim to move towards **National Common Market for agricultural commodities** and **improve the supply chain**, but didn't comment how and whether the fruits of these reforms will be enjoyed by the poor farmers(PIB, 2015) [xxxiv]. More clarity needs to be spelt out in this issue.

- ***UPA'S increase in MSP not being sustained***

  The demand received during the agricultural consultation included fixation of remunerative prices for agriculture crops. The Minimum support price needs to be sustained. The other demands like incentives to encourage agriculture research, education and extension activities including investments in technological innovations and advancement in agriculture research; and impetus to micro irrigation financing should also be on table. (PIB, 2015)[ii.] But they are all long term strategies, therefore for immediate issues of poor farmers, especially for landless farmers need to be addressed.

  The NDA government has hyped the MSP of various crops between 1.5 and 4.5% to incorporate the increase in the cost of production for farmers. Such hike in the MSP has reiterated the NDA government's stand of curbing inflation. However this increase by the NDA government is marginal and not in tandem with the increase in MSP which had been carried out by the UPA government.

Table 13: Minimum Support Prices (MSP) of some agricultural products of UPA &NDA: From 2012-13 to 2014-15

	Minimum Support Price (MSP) (Rs per quintal)			Annual growth rate of MSP (in per cent)	
	2012-13	2013-14	2014-15	2013-14(%)	2014-15(%)
Kharif					
Paddy Common	1250	1310	1360	4.80	3.82
Medium Staple Cotton	3600	3700	3750	2.78	1.35
Long Staple Cotton	3900	4000	4050	2.56	1.25
Rabi					
Wheat	1350	1400	1450	3.70	3.57
Jute (TD5)	2300	2400		4.34	
Sugarcane	**170**	**210**	**230**	**23.53**	**9.52**

Source: Agricultural statistics, Department of Agriculture & Cooperation, Ministry of Agriculture, GOI

a) Amongst rabi, kharif and commercial crops listed above, majority of crops have experienced an increase in MSP from the year 2012-13 to 2013-14 during UPAby almost Rs.100.
b) Whereas the increase in MSP from the year 2013-14 to 2014-15 during NDA has been of Rs 50 and less.
c) The trend recorded in the MSP across all the above mentioned crops during 2013-14 (UPA tenure) clearly indicates a mechanism to ensure remunerative prices for the agricultural products was higher. (refer table 13)

- ***Import Export Agriculture Policy***
  TheOther demands include that the Government should come out with dependable creditable export and import policies that safeguard farmer's interest, also decentralized food grain procurement, by insuring Minimum Support Price (MSP). (PIB, 2015)[xxxv]

II. Minority Issues

- Civil society organizations expect and have demanded **an increase in budget allocation for Ministry for Minority Affairs** (MoMA) to make up for shortage of funds for development needs of minority groups across sectors. While the budget allocation for Union Ministry of Tribal Affairs is Rs 4,498 crore in 2014-15 (BE), MoMA got only Rs 3,734 crore, a CBGA member said. (Down to Earth, 2015) [xxxvi]

  Civil society organizations also recommend that**budgetary allocation and unit costs of scholarships for minorities to be enhanced** to the levels of scholarship for Scheduled Castes and Scheduled Tribes and the application procedures to be simplified as well. (Down to Earth, 2015) [xxxviii]
- The Union Budget 2015-16may also**introduce a statement on fund allocations for the welfare of minorities in all programmes and schemes**as is being done for Scheduled Castes and Scheduled Tribes (through statements 21 and 21A, expenditure Budget, Volume I). (Down to Earth, 2015)[xxxviii].

III. Education

Student Loan on Education

- Demand from the Union Budget in the education sector is to create a credit guarantee fund trust similar to one created for MSME sector in India.

- For rural students, banks should offer loans at concessional rate and with 100% guarantee from the above mentioned trust. Also, in case of default, the trust will need to pay 75% of the loan to banks.(Financial Express, 2015) [xxxix]

- The budget should strengthen the Mahila Bank to finance education loans of girls pursuing higher/vocational education, particularly in rural areas. Banks should offer loans on personal guarantee of parents and without any collateral.(Financial Express, 2015) [xl]
- In the budget, student loan financing should move from collateral based to lien on future earnings.
- The budget should facilitate micro-financing: Self help groups are asking for support through micro finance for advancing education for millions of socio- economically under privileged students.(Financial Express, 2015)[xli]

IV. Health

- India's public spending on healthcare is just 1.3% of the GDP. The government must continue to expand and maintain the increase in public spending for health care and its accessibility, which was the priority of the UPA government (Business insider, 2015) [xlii]
- **UPA Health Insurance Vision 2020**: With 75% of the population outside the healthinsurance ambit, the government needs to put the spotlight on health insurance. According to IRDA, insurance penetration stands close to 4%. By the UPA government Health Insurance Vision 2020,the goal was to achieve the Indian government plans to cover 80% of the population, but clear plans for the same are needed and NDA must implement this vision 2020.(Business insider, 2015)[xliii]

V. Corporate Demands

- **Disinvestment**: Demands from the corporates includestrategic sale of **loss making Public Sector Undertakings** (PSUs).; implementation PSU disinvestment systematically, strategy is required on restructuring/ privatization of loss making PSUs (both Centre and States)
- To encourage use of the reverse BOT structuring to finance infrastructure projects where the initial construction cost is borne by the Government/PSUs .To fund programmes such as Swacch Bharat Ahbiyan, Clean Ganga Programme, creation of Smart Cities, create an SPV based on a revenue generated model among others.(PIB, 2015) [xliv]
- Create a Fuel Price Stabilization Fund to check volatility in fuel prices.
- CII asks that all subsidies be made available only be limited to BPL households. (PIB, 2015) [xlv]

- It is also demanded that more women should be appointed on Board of Directors of all Public Sector Banks and Financial Institutions which needs to be made mandatory.

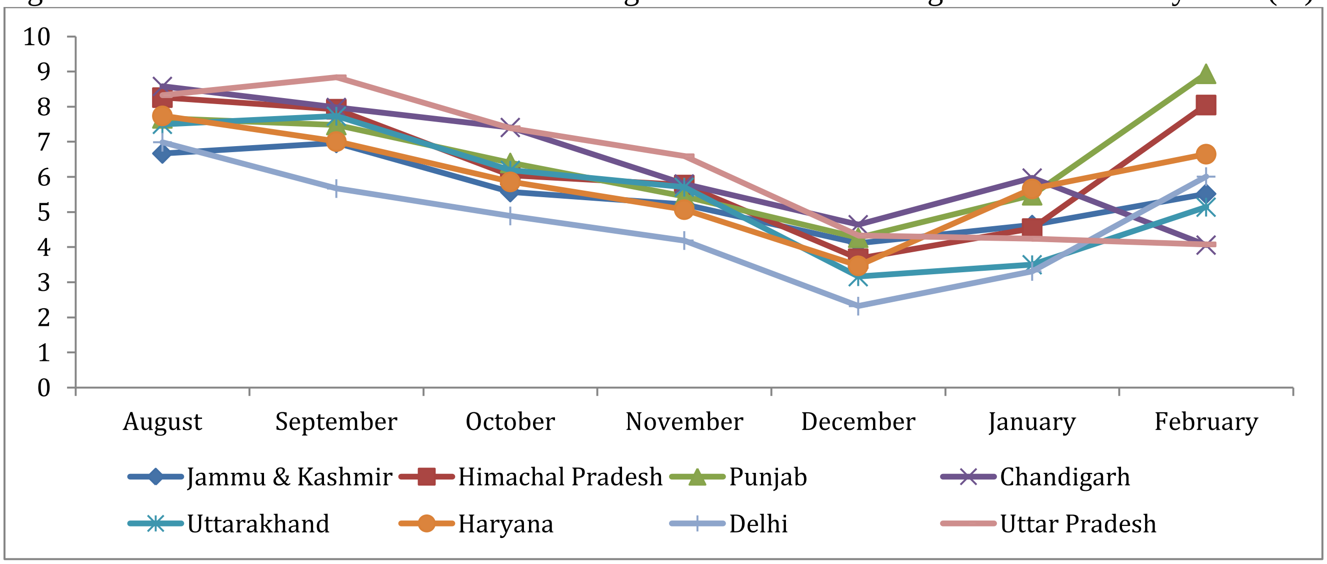
- Establishment of National Tourism Holding Company which is based on tripartite agreement with State Government to make bids for funds for large international conventions and sport events. (PIB, 2015) [xlvi]

- Investment in affordable housing, digitization of land records, single window clearances, introduction of municipal bonds, smart city bonds etc are required.(PIB, 2015)[xlvii]

Annex

State Level Analysis of Inflation Rates based on CPI

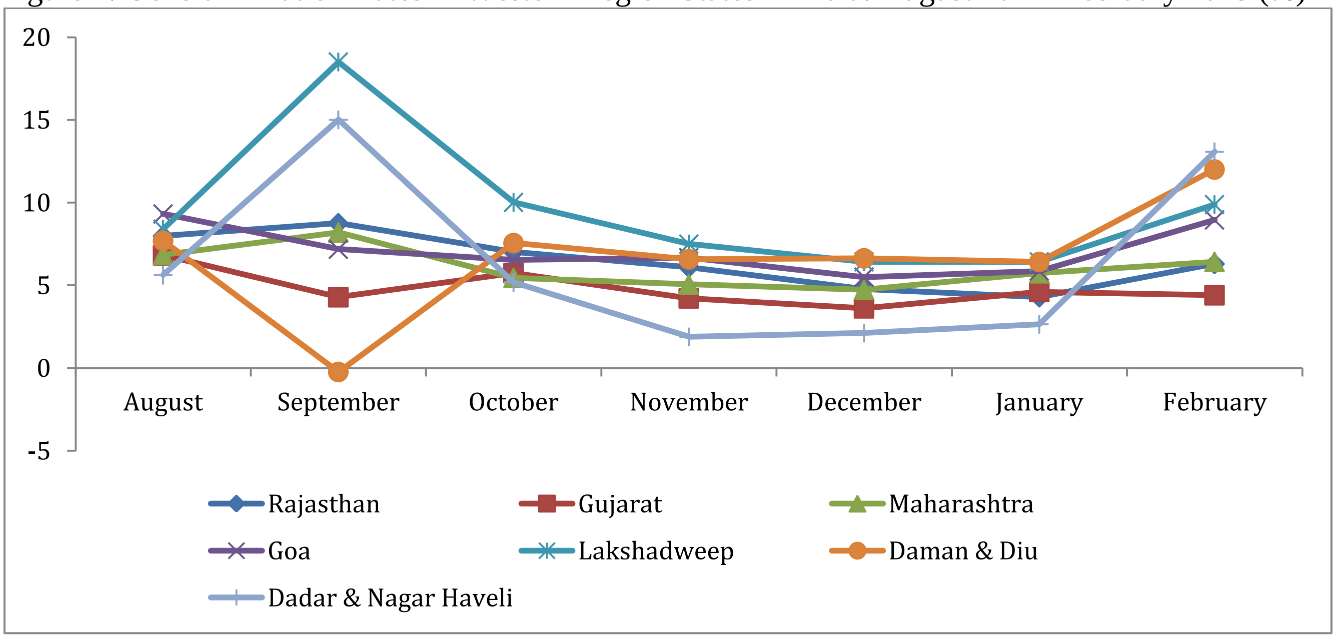
Figure 3: General Inflation Rates in Northern Region States in India: August 2014- February 2015 (%)



Observations

- General Inflation rates in 5 states in northern region in India have seen continuous decline over the months from August 2014 to December 2014.
- Since January 2015, the rates have increased marginally across all the states except for Uttar Pradesh (experienced a continuous fall) and Chandigarh (experienced a decline in February 2015).
- Even among the northern states, Haryana experienced the steepest rise in the inflation rates in January 2015.

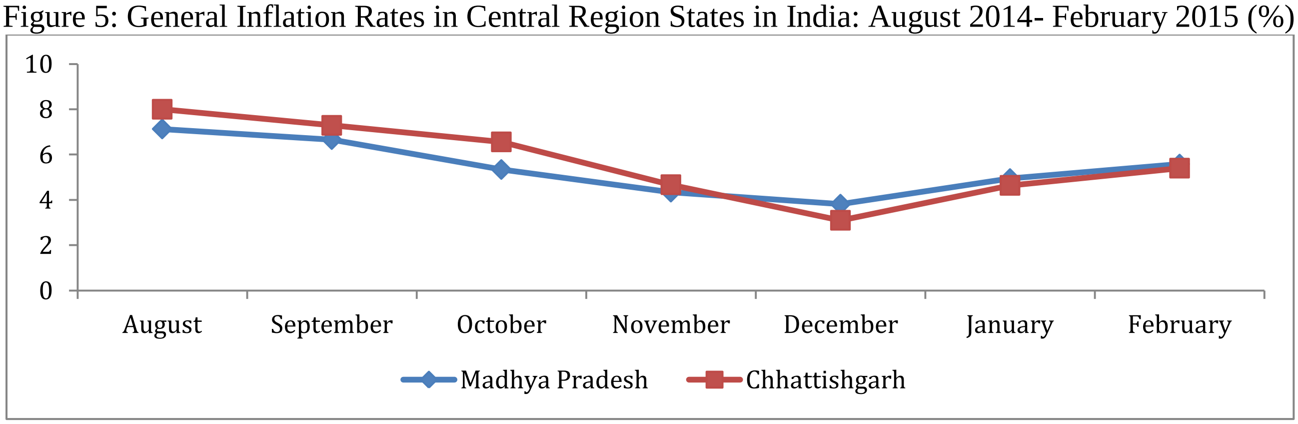
Figure 4: General Inflation Rates in Western Region States in India: August 2014- February 2015 (%)



Observations

- General Inflation rates in all the states in western region in India have seen continuous decline over the months from September2014 to December 2014 except for Dadar & Nagar haveli, where it started rising in December 2014.
- Since January 2015, the rates have increased marginally across all the states.
- Among the western states, Gujarat, Goa and Daman & Diu experienced a decline in the inflation rates in September 2014 and the sharpest decline was noticed in Daman & Diu.

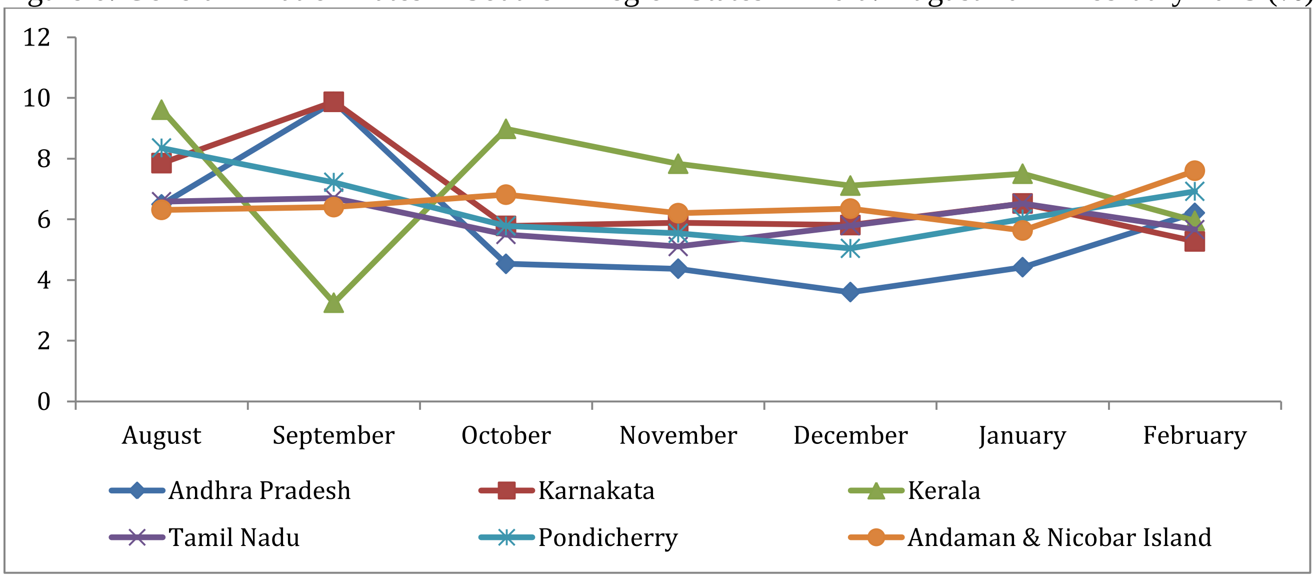
Figure 5: General Inflation Rates in Central Region States in India: August 2014- February 2015 (%)



Observations

- General Inflation rates in all the states in central region in India have seen continuous decline over the months from August 2014 to December 2014.
- Since November 2014, inflation rates in Chhattisgarh are lower than the inflation rates in Madhya Pradesh.

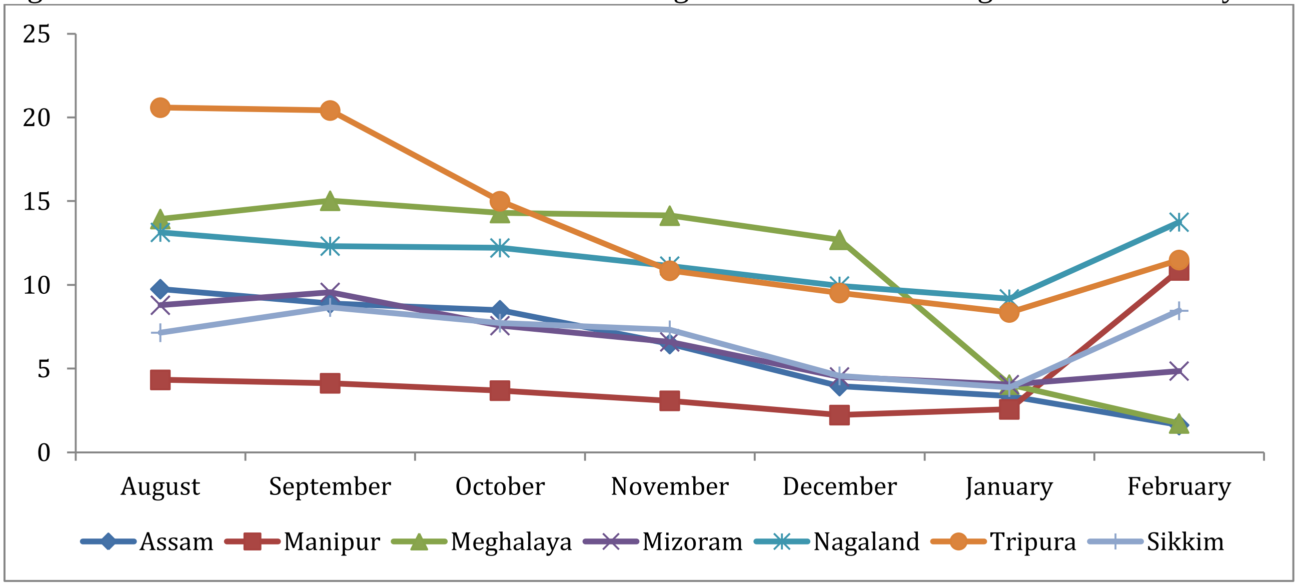
Figure 6: General Inflation Rates in Southern Region States in India: August 2014- February 2015 (%)



Observations

- General Inflation rates in all the states in southern region in India have seen continuous decline over the months from September2014 to December 2014 except for Kerala and Andaman & Nicobar Islands, where it did not practiced the same trend.
- Since January 2015, the rates have increased marginally across all the states except for Andaman &Nicobar Islands.
- Among the southern states, Kerala and Pondicherry experienced a decline in the inflation rates in September 2014 and the sharpest decline was noticed in Kerala in September 2014 followed by a sharp rise in October 2014.

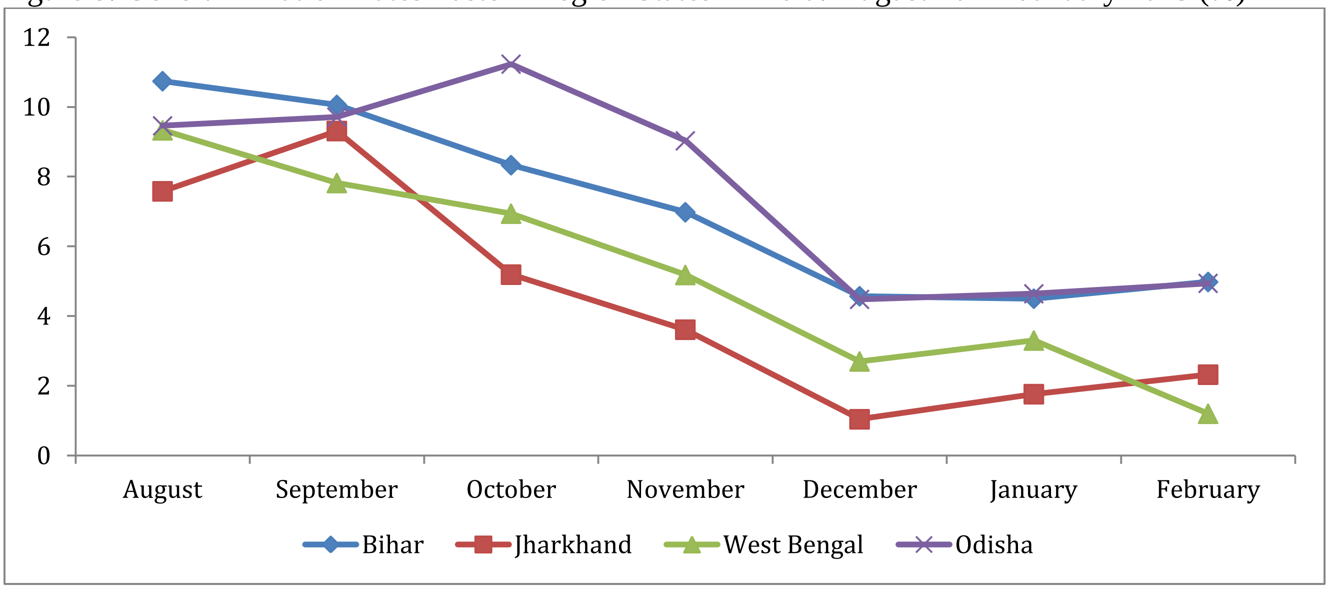
Figure 7: General Inflation Rates in Northeastern Region States in India: August 2014- February 2015 (%)



Observations

- General Inflation rates in all the states in northeastern region in India have seen continuous decline over the months from September 2014 to December 2014.
- Since January 2015, the rates have increased marginally across some of the states in the northeastern region.
- Unlike other northeastern states, Meghalaya experienced a steep decline in the inflation rates since January 2015.
- Inflation rates in Manipur remained the lowest among all the northeastern states over the months from August 2014 to January 2015, but in February 2015, it experienced the steepest rise in its inflation rate.

Figure 8: General Inflation Rates Eastern Region States in India: August 2014- January 2015 (%)



Observations

- General Inflation rates in all the states in eastern region in India have seen continuous decline over the months from September 2014 to December 2014 except for Odisha where it started declining from October 2014.
- In January 2015, the rates have increased marginally across all the states in the eastern region.
- Inflation rates in Jharkhand remained the lowest among all the eastern states over the months from August 2014 to January 2015.

Source: State-wise monthly inflation rates are estimated from year on year Consumer Price Index (CPI) data of MOSPI. There is one month time lag in CPI data (New Series 2010=100) provided by MOSPI, Government of India.

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