The Budget's Blurred Social Sector Vision*

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Low allocations and specific policy statements point to greater privatisation and withdrawal of the state

Finance Minister Nirmala Sitharaman began her speech by saying that the Union Budget was "woven around three prominent themes" — aspirational India, economic development for all and building a caring society. Achieving any of these would require extraordinary efforts on the social sector front starting with allocating additional resources for health, education, nutrition, employment guarantee, and social security schemes.

Given the current state of the economy, with decelerating growth, a slump in rural demand and stagnant real wages in rural areas, an expansionary budget with a focus on the social sector would have also made economic sense. It would have meant more money flowing into the rural areas, creating jobs as well as purchasing power, while at the same time making a dent on the poor outcomes in health, nutrition and education that continue to haunt India.

Unfortunately, the allocations for the social sector this year once again fail to deliver for the country's poor and marginalised. And this is the situation across the board.

NREGA deserves a closer look

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Public Distribution System (PDS) are two important lifelines for the rural poor: providing employment and food during times when the market fails them. The allocation in this Budget for MGNREGA is Rs 61,500 crore which is Rs 10,000 crore less than the revised estimate (RE) for the current year (Rs 71,000 crore for 2019-20) and, in real terms, even less than what was allocated last year (Rs 60,000 crore). It is obvious that in current times when the levels of unemployment are at their peak, the demand for employment will only increase. But MGNREGA is failing to fully play the role of filling the gap because of poor implementation and inadequate funds. There is also a need to revise the MGNREGA wages to bring them on a par with minimum wages. All of this would require much higher allocations for the scheme, which are entirely justified as the MGNREGA expenditure is also known to have high multiplier effects through boosting consumption demand in rural areas.

On the food front, excess food stocks to the tune of almost 60 million tonnes, high food inflation in recent months and reports of hunger from across the country warranted some announcement expanding the PDS. This could have been done by universalising ration entitlements in the poorest districts, increasing quantity given per individual, including pulses. However, what is seen in the Budget is an allocation which is not even enough to support the existing PDS under the National Food Security Act (NFSA). The food subsidy allocated for 2020-21 is only Rs 1.11 lakh crore, which, once again, is slightly higher than the previous year's RE of Rs 1.08 lakh crore. This is much less than the budget estimate (BE) of last year, of Rs 1.8 lakh crore, which is closer to the actual subsidy required for meeting the costs of the grain distributed through the PDS and other welfare schemes.

Over the last few years, the government has been funding the Food Corporation of India (FCI) for this gap in funding through loans from the National Small Savings Fund (NSSF). As seen in the latest Economic Survey, in FY 2018-19, the total food subsidy released was Rs 1.7 lakh crore which included an NSSF loan of Rs 70,000 crore to FCI — it does not get reflected in the Budget documents. Once again, this is not prudent economics, as it only increases the interest burden in the long run; what it does in the short term is that it makes it possible to artificially show a lower expenditure, and hence smaller fiscal deficit. On the other hand, such mismanagement is then made an excuse to call for the dismantling of the PDS and FCI, which is entirely unwarranted.

Giving short shrift to health

Health and education also did not see any significant increases in allocations this year. The BE for the much publicised Ayushman Bharat Yojana/Pradhan Mantri Jan Arogya Yojana stays at Rs 6,400 crore, the same as last year (RE was 50% lower at Rs 3,200 crore). The budget for the Prime Minister's Overarching Scheme for Holistic Nutrition, or POSHAN Abhiyaan, another flagship scheme of this government, sees a meagre increase of 300 crore (from Rs 3,400 crore to Rs 3,700 crore).

The funds allocated for the maternity entitlement scheme, Pradhan Mantri Matru Vandana Yojana remains the same as last year — Rs 2,500 crore. There is an overall increase of Rs 5,000 crore- Rs 6000 crore each in the overall education and health budgets which are hardly sufficient to cover for inflation.

As we look at the various schemes, including social security pensions, Anganwadi services, mid-day meals and those mentioned above, the same pattern emerges — first, we see a much reduced RE for 2019-20 compared to the BE of 2019-20, indicating underspending in the current year. This means people are being left out, coverage is low and benefits are irregular; field reports suggest all of this to be true.

Second, there are some increases as seen in the BE for 2020-21 which barely bring the allocations to the same level as the previous year's Budget estimates in real terms. Considering that all these sectors are grossly underfunded in the first place, there is not much hope of seeing anything different in terms of what ultimately reaches people.

It is clear that the agenda of the present government for the social sector is for greater privatisation and withdrawal of the state. This is reflected not just in the low allocations but also policy pronouncements such as introducing the public-private partnership model for medical colleges and district hospitals or the push, in the Economic Survey, for narrowing the coverage under the PDS. This would be a worrying direction in the current context.

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