Response to Union Budget 2005-06

State Intervention in Favour of the Poor: Decisive or Disappointing?

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PREFACE

Centre for Budget and Governance Accountability (CBGA) is a Delhi based programme of the National Centre for Advocacy Studies (NCAS). CBGA is an attempt to promote transparent, accountable and participatory governance, and a people-centred perspective in preparation and implementation of budgets. Over the last three years, CBGA has been responding to the Union Budget, throwing light on the priorities and policies driving the budgetary allocations and discussing their implications for the poor and marginalised sections of the population.

The verdict of the people of India in the General Elections of 2004 was not only a mandate for protecting the hard earned democratic space for different sections of our society, but was also a clear mandate against the anti people economic policies pursued by the previous NDA government in the guise of economic reforms. The aspirations of common people increased with the announcement of the National Common Minimum Programme of the UPA Government. However, many of the promises made in the NCMP remained unaddressed in the first budget placed by the Finance Minister Mr. P. Chidambaram in July last year. Now that the Government has presented the Union Budget for 2005-06, its first budget for a full financial year, it is extremely important to make an informed assessment of the policy priorities driving this budget and the implications of the budgetary proposals from the perspective of the poor and marginalised people.

While many observers, political parties and sections of the media respond to the budget solely on the basis of the Budget Speech of the Finance Minister, in our understanding a proper assessment of the budget requires an in-depth analysis of the various allocations and policy pronouncements. This what our response to the Union Budget attempts to do. It focuses on allocations and proposals relating to Agriculture, Rural Employment Generation and Poverty Alleviation, Education, Health, Socially Marginalised Groups, Women and Children, and those relating to Resource Mobilisation.

We hope our endeavour towards demystifying the budget and informing various stakeholders about its implications for the economically and socially vulnerable sections of the population will be useful in seeking transparency in and accountability for governance, especially in the domain of budgets.

RESPONSE TO UNION BUDGET 2005-06

State Intervention in Favour of the Poor: Decisive or Disappointing?

Union Budget for 2005-06, UPA Government's first Budget for a full year, has drawn significant attention from many quarters. While people with stakes in the stock markets, financial services sector and certain sections of the industry have been waiting to see the extent to which Mr. P. Chidambaram gives a push to economic reforms in the Budget, a majority including political parties, civil society organizations, grassroots activists, academicians and above all, common people, have been waiting to witness the UPA Government fulfil its promises made in the National Common Minimum Programme (NCMP). "The NCMP leans towards decisive intervention by the state in favour of the poor," said the Finance Minister in his Budget speech. In order to find out whether state intervention in favour of the poor, as envisaged in this Budget, is decisive or disappointing, one needs to read the fine print of the Budget rather than judge the speech delivered by Mr. Chidambaram. This is what we attempt to do in the following sections of this Response to the Union Budget 2005-06.

1. Resource Mobilisation

Box-1

Resources of the Union Government

The total resource base of the Government of India consists of revenue and capital receipts. While capital receipts of the Government are those, which involve an element of asset loss (viz the disinvestments proceeds) or liability enhancement (for example, debts and loans), the revenue receipts are those coming from the basic day-to-day functioning of the Government over a fiscal year. The revenue receipt of the Government consists of two components-tax and non-tax.

Taxes are of two types – direct and indirect. Direct taxes are those, which are levied on the same person or entity that pays the tax. There is no possibility of shifting in case of direct taxes. On the other hand, the indirect taxes are imposed on commodities and services and in the process the burden of taxation is finally borne by the consumer. For a summary of tax revenue estimated in Budget 2005-06, see Box-2.

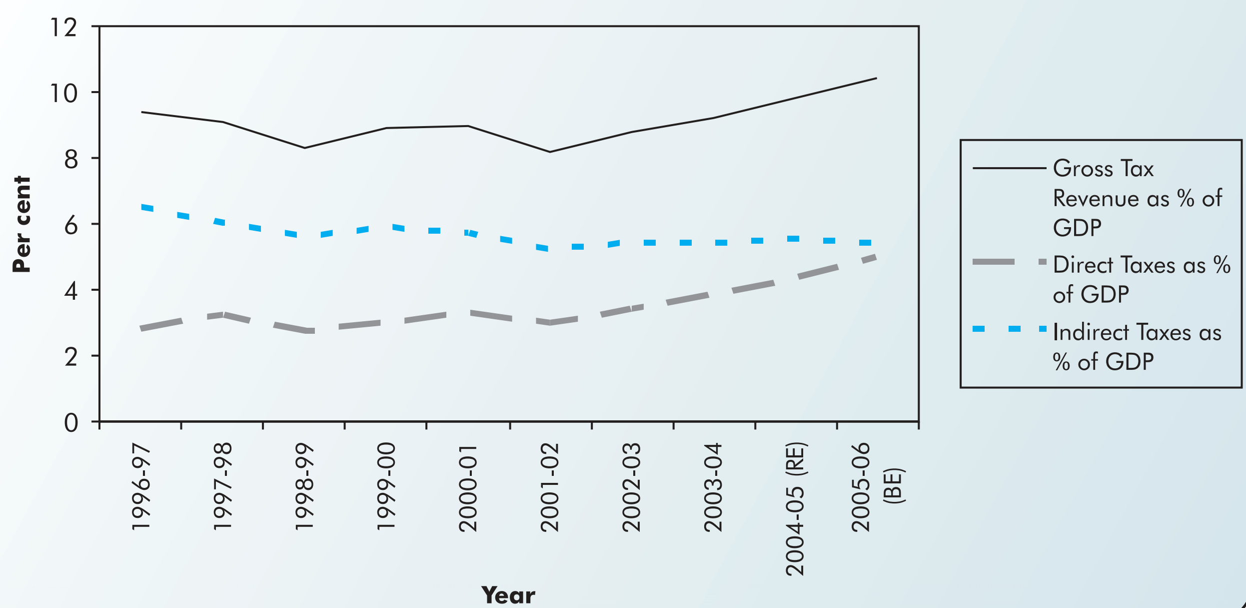
Non-tax revenue comprises the dividends and profits of PSUs, the income raised by the Government on account of different fiscal, general, social and economic services. A significant amount of revenue received by the government through grants in aid, is non-tax revenue.

The tax revenue estimates for 2005-06, as presented in the Budget, seem to be too optimistic. The UPA Government, like its predecessor, has adhered to conservative fiscal thinking, which has been legalized in the form of the Fiscal Responsibility and Budget Management (FRBM) Act (See Box-3). Now, the FRBM Act (through the targets of revenue and fiscal deficits documented in it) has imposed a one-one relationship between revenue and expenditure of the Government. As a result if the expectations of the Government on the revenue side are not realized, the Government will be forced to curtail its expenditure, and in that situation most vulnerable to cuts would be social sector expenditures. Therefore, it is important to highlight that all the allocations or expenditure proposals made in this Budget, especially those in the social sector, need to be assessed keeping in mind the fact that the Finance Minister expects a massive 20 % increase (to the tune of Rs. 54,000 crore) in Gross Tax Revenue in the coming fiscal. While the Gross Tax Revenue of the Central Government (including the States' share) for 2004-05 has been shown to be at Rs. 3,06,020 crore (in the Revised Estimates), that for 2005-06 has been estimated to reach Rs. 3,70,024 crore.

Box-2 **Tax Revenue in Union Budget 2005-06**

Types of Taxes	Budget Estimate 2005-06 (Rupees crore)
DIRECT TAXES	
(a) Taxes on Income and Expenditure It includes Corporation Taxes (0020), Income Tax (0021), Hotel Receipts Tax (0023), Interest Tax (major head-0024) and others (0028)	176812.00
(b) Taxes on Property & Capital Transactions It includes Estate Duty (0031), Taxes on Wealth (0032) and Gift Tax (0033)	265.00
INDIRECT TAXES	
Taxes on Commodities and Services It includes Customs (0037), Union Excise Duties (0038), Taxes on Sale, Trade, etc. (0040), Service Tax (0044), Other Taxes (0045).	192215.00
Taxes of Union Territories Without Legislature	732.52

Chart 1 : Tax Revenue of the Union Government as percent of GDP



1.1 If the tax revenue estimates of Budget 2005-06 get realized, Direct Taxes collected by the Union Government would stand at roughly 5 % of the estimated GDP[1], up from 4.3 % of GDP in 2004-05 (see Table 1.1 in the Appendix). As regards the gross Indirect Taxes collected by the Union Government (including the States' share), while the Revised Estimates (RE) for 2004-05 put the

[1] **Gross Domestic Product (GDP):** Gross Domestic Product is defined as the market value of all *final goods and services* produced by the factors of production located in the country during a period of one financial year. It can be measured by taking into account all final expenditures in the economy. The formula for calculating GDP is Y = C + I + G + (X –M): Where, Y is the GDP, C is the private consumption expenditure, I is the investment expenditure, G is government purchase of goods and services, X is the value of exports and M is the value of imports. The figure we arrive at by applying the formula is called the GDP at market prices. If we deduct the net indirect taxes from the above figure, we get GDP at factor cost. GDP is commonly used as an indicator of a nation's growth, though there are serious limitations in using GDP as an indicator of growth.

Box-3

Fiscal Responsibility and Budget Management Act, 2003

The Fiscal Responsibility and Budget Management Act, 2003 is based on the presumption that the fiscal deficit is the key parameter (adversely) affecting all other macroeconomic variables. The Act provides that the Union Government shall specify the annual targets of reducing revenue and fiscal deficits and shall keep the deficits under control. The proponents of this Act argue that large fiscal deficits may lead to huge accumulation of public debt and shall induce inflationary pressures in the economy. However, many development economists are of the view that if the fiscal deficit is dominantly in the form of capital expenditure, it contributes to future growth and in fact can create so much demand in the economy that private investment may crowd-in to supplement public investment. As long as there is an excess capacity in the economy, the apprehension that deficits create inflationary pressure is illogical.

amount at roughly 5.5 % of GDP, the Budget Estimates (BE) for 2005-06 put the same at 5.4 % of the estimated GDP. The increasing proportion of direct taxes in total tax revenue of the Government marks a gradual improvement towards a more progressive tax regime in the country.

1.2 Introduction of Fringe Benefits Tax[2] in this Budget is a positive development. Similarly, the proposal to levy a 2 % duty on branded jewellery and 8 % duty on mosaic tiles mark some of the welcome indirect tax proposals of the Budget. Also, the proposed setting up of Large Taxpayer Units (LTUs)[3] in major cities and Help Centres for smaller taxpayers can be expected to prove effective in facilitating greater tax collection by the Government.

However, on many counts the tax proposals of the Finance Minister leave us disappointed when we take into account the acute need today for generating greater tax revenue from the affluent sections of the population.

1.3 It is noteworthy that the Finance Minister had estimated for a Gross Tax Revenue of roughly Rs. 3,18,000 crore in BE of 2004-05, which has come down to Rs. 3,06,000 crore in RE. This shortfall of Rs. 12,000 crore could further increase in the actual collections. For the coming fiscal year, i.e., 2005-06, the Finance Minister expects the additional tax revenue of Rs. 54,000 crore to come mainly from two sources, which are a whopping 34 % increase in Corporation Tax Revenue (i.e., from Rs. 83,000 crore in RE 2004-05 to Rs. 1,10,573 crore in BE 2005-06) and a 21 % increase in the revenue from Union Excise Duties (i.e., from Rs. 1,00,720 crore in RE 2004-05 to Rs. 1,21,533 crore in BE 2005-06). And, when we look at the figures of tax collection in 2004-05 (i.e., BE and RE), it is these two taxes where the shortfall in revenue is prominent. The Corporation Tax Revenue shows a shortfall (in comparison to the Budget Estimate) of Rs. 5,000 crore and Union Excise Duties register a shortfall of Rs. 9,000 crore. It seems highly improbable that the Government will be able to collect the significantly higher amount of tax revenue in the coming fiscal, which it has projected.

1.4 Given the fact that Tax-GDP ratio of the Union Government, as per RE 2004-05 figures, is still at 9.8 %, one of the lowest in the world, and income inequality in the country has aggravated

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[2] **Fringe Benefit Tax:** The salary given to the employees of the corporate houses in India generally consists of two components. First, the basic salary on which income tax is levied and collected. The second category is called fringe benefits, which includes the perks and other benefits, given to the employees over their main taxable income. In the present budget, the government has introduced a tax on these fringe benefits.

[3] **Large Tax-payers' Units (LTU):** In the present budget, the Finance Minister has proposed to set up tax collection units in places where large tax-payers reside or work. For example, in certain places like Juhu beach in Mumbai where most of the film stars reside (who come under large tax-payers' category), the government will set up units to simplify tax collection process and shall facilitate the process proactively so that these taxpayers need not trouble themselves in the cumbersome calculations and compliance processes.

over the last decade, the substantial relief in income taxes given to the salaried class, and especially those who earn higher incomes, was not at all necessary. In fact, it has been argued that the Finance Minister has provided more relief to those in the higher income bracket. While people with an annual income of Rs. 1.5 lakh stand to gain a tax relief of Rs. 14,000, those earning over Rs. 10 lakh in a year will benefit by Rs. 45,000 from the concessions. Thus, among the salaried tax paying class, the proposals of this Budget will lead to a more regressive tax structure.

1.5 The reduction in overall corporate income tax rates on domestic companies again disappoints all those who have been arguing for the Government taxing the rich to a greater extent. In fact, had the Government adopted a pro-poor approach, it would have raised personal income tax rates for people earning higher incomes (say, more than Rs. 4 lakh per annum) to the earlier existing level of corporate taxes, but the UPA Government has done just the opposite - it has brought down corporate income tax rates.

1.6 In the domain of indirect taxes, the substantial exemptions in service taxes, reductions in customs duties on capital goods imports, and the lowering of the peak rate of customs duties for non-agricultural products could fail the attempt of the Finance Minister to generate greater tax revenue in the coming fiscal.

1.7 The negligible hike in Securities Transaction Tax[4] (from 0.015 % to 0.02 %) shows the lack of political will on the part of the UPA Government to attempt curbing speculative trading and simultaneously generating more resources. Also, the Finance Minister has chosen not to tax the trading in derivatives[5], though his argument that derivatives trading should not be treated as speculative trading has not convinced many. In fact, one of the most visible lacunae of the Budget 2005-06 is that it does not have any measure aimed at checking the inflow of hot money into the economy.

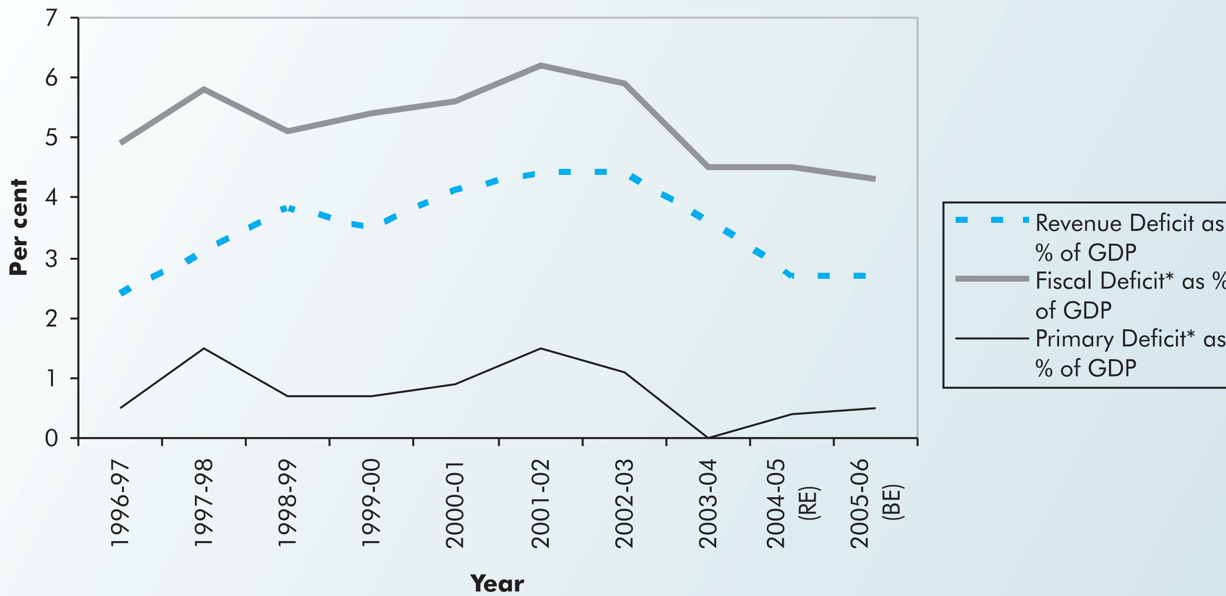
1.8 As regards the measures to cut down the size of black economy, proposals made by the Finance Minister seem to be weak. Interestingly, one of the proposals, i.e., a tax of 0.1 % on withdrawal of cash of over Rs. 10,000 in a single day, might be taken back very soon. Similarly, the Finance Minister has not put forward any strong measure to improve significantly tax compliance in the country. In fact, the dependence on voluntary tax compliance by the Government could prove a major obstacle in meeting the tax revenue targets in 2005-06.

The projected deficits for the year 2005-06 (see Table 1.3) put the fiscal deficit of the Union Government at 4.3 % of the estimated GDP, reduced from 4.5 % of GDP in 2004-05. The Finance Minister has impressed many with this 'feat' of being able to reduce the fiscal deficit while he has raised Government spending on social sector as well as rural development. But

[4] **Security Transaction Tax (STT):** The securities transaction is defined as a transaction of purchase and sale of securities entered into in any recognised stock exchange in India. STT is applicable at different rates on the value of the "taxable securities transaction," on or after the date on which Chapter VII of the Finance (No 2) Bill, 2004 came into force (i.e. the specified date) and is payable by the buyer and the seller of the securities. For this purpose, "securities" are defined under section 2(h) of the Securities Contracts (Regulation) Act, 1956 (SCRA) to include: *(i)* shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; *(ii)* derivative; *(iii)* units or any other instrument issued by any collective investment scheme to the investors in such schemes; *(iv)* security receipt as defined in section 2(zg) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; *(v)* Government securities; *(vi)* such other instruments as declared by the Central Government; and *(vii)* rights or interest in securities.

[5] **Derivatives:** An instrument that has its price derived from, the price of an underlying asset. Assets may not themselves be traded. For example, stock options, Commission Free Shares (CFDs), etc.

Chart 2 : Deficits of Union Government as percent of GDP



Note:

1. Revenue Deficit = Total Revenue Expenditure of the Government – Total Revenue Receipts of the Government, in a year.
2. Gross Fiscal Deficit (Fiscal Deficit is the abbreviated term) = Total Expenditure of the Government including revenue expenditure, capital expenditure and loans net of repayments – Total of non-debt-creating receipts of the Government, in a year. (Gross Fiscal Deficit represents the borrowing required to be made by the Government in a year)
3. Gross Primary Deficit (Primary Deficit is the abbreviation) = Gross Fiscal Deficit – Interest Payments
4. Revenue Expenditure, broadly speaking, refers to all kinds of Government expenditure, which have no effect on the assets or liabilities of the Government.
5. Capital Expenditure is that kind of Government expenditure, which either leads to the creation of assets or reduction of Government's liabilities.

this in reality has come at a cost, which will have to be borne by the States, in particular the poorer States.

1.9 The Finance Minister has accepted the proposals of the Twelfth Finance Commission and raised the Grants-in-aid to the States by a substantial amount. However, at the same time, the Central Government has completely stopped loans meant for financing the Annual Plans of States, and left an amount of Rs. 29,003 crore to be raised by the States from the market. As a result of the complete discontinuation of Central loans for Annual Plans of States, in this Budget, Centre's Direct Assistance for State and UT Plans has come down drastically from Rs. 54,858 crore RE for 2004-05 to Rs. 33,112 BE for 2005-06.

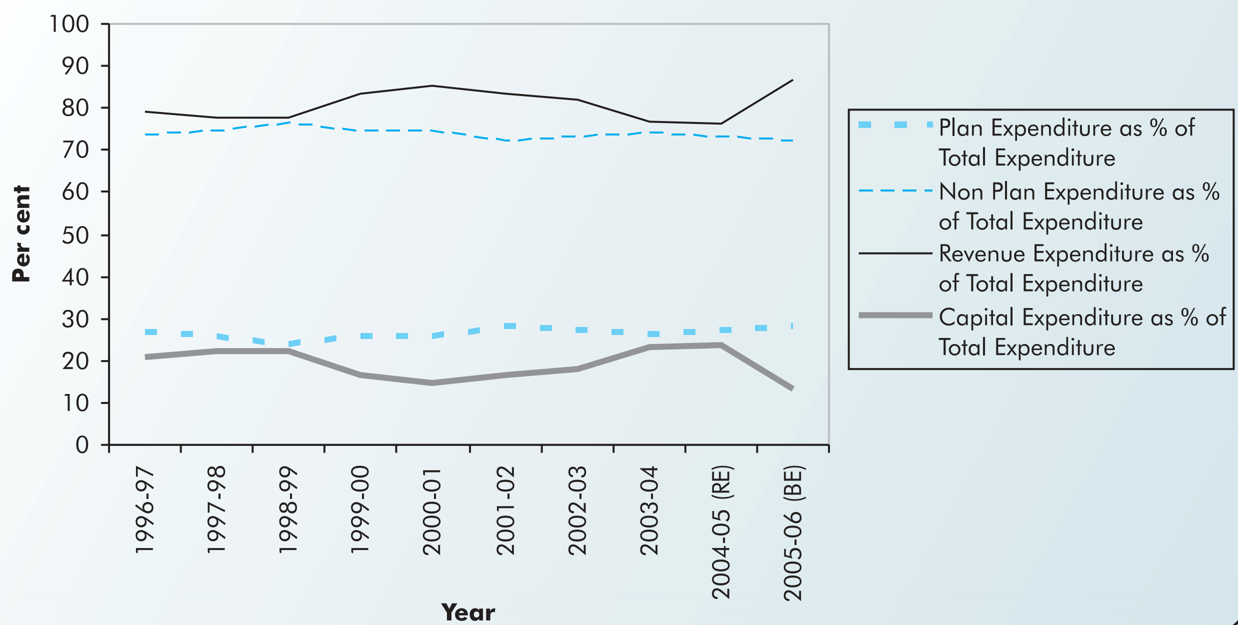
It is the discontinuation of loans to States that has enabled the Finance Minister project a smaller figure for the fiscal deficit of the Union Government for 2005-06, as its capital expenditure registers a marked decline in the estimates for 2005-06. Some eminent progressive economists have raised a serious concern that the complete withdrawal of Central loans for Annual Plans of the States, along with the removal of lower and upper bounds to the Statutory Liquidity Ratio (SLR)[6] for commercial banks, could spell disaster for the poorer States. With the removal

[6] **Statutory Liquidity Ratio:** SLR is the one which every banking company shall maintain in India in the form of cash, gold or unencumbered approved securities, an amount which shall not, at the close of business on any day be less than such percentage of the total of its demand and time liabilities in India as on the last Friday of the second preceding fortnight, as the Reserve Bank of India (RBI) may specify from time to time.

of SLR requirements, the banks will not be bound to hold State Government securities, and hence only those States that have better financial health will be able to borrow from the banks in any significant amount. This could lead to a crisis for the backward States.

1.10 We must note that this stated loan amount of Rs. 29,003 crore, if given to the States, will go towards financing their Annual Plans. But the Centre is leaving the implementation of the Plans in States on market forces for the sake of showing a smaller figure for its fiscal deficit. It is but obvious that debt liability of the States, and hence that of the country as a whole, does not reduce by this step. But those obsessed with showing a reduction in fiscal deficit of the Union Government must be very happy.

Chart 3 : Plan Vs. Non Plan and Revenue Vs. Capital Expenditures of Union Government



1.11 With regard to the composition of Union Government expenditure, which of course has been rising over the years, we can see that Non Plan Expenditure far outweighs Plan Expenditure and Revenue Expenditure completely overshadows Capital Expenditure. This kind of composition of Government expenditure in India has strengthened arguments put forward by the advocates of conservative fiscal thinking, in favour of reducing fiscal deficit (or reducing Government borrowing) by reducing expenditure. There are three most visible expenditures, which account for the rising proportions of Non Plan Expenditure as well as that of Revenue Expenditure.

1.12 Union Government's expenditure on *Interest Payments and Debt Servicing* as a proportion of Total Expenditure is at a very high level of 26 %, as per BE 2005-06 (see Table 1.7). However, as regards interest rates, the policy of the Governments at the Centre, over the last decade, has been that of satisfying the needs of global finance capital by maintaining relatively high interest rates. Therefore, fiscal deficit or Government expenditure alone should not be blamed for this, especially when the Governments have shown no significant will to generate greater revenues by taxing the rich.

1.13 Perhaps the most attacked, by the advocates of market fundamentalism in economic policy, has been Government expenditure on *Subsidies*. We find that, at constant (1993-94) prices, Union Government's expenditure on Subsidies has fallen to Rs. 24,190 crore in BE 2005-06 from a level of Rs. 26,119.8 crore in 2002-03. In this context, it is pertinent to note that given the nature of international trade in agriculture and the growing crisis in Indian agriculture, subsidies for agriculture are essential. However, the nature of some of the subsidies needs to be changed, for instance, in case of fertilizers, instead of subsidising chemical fertilizers, Government should rather subsidise organic fertilizers.

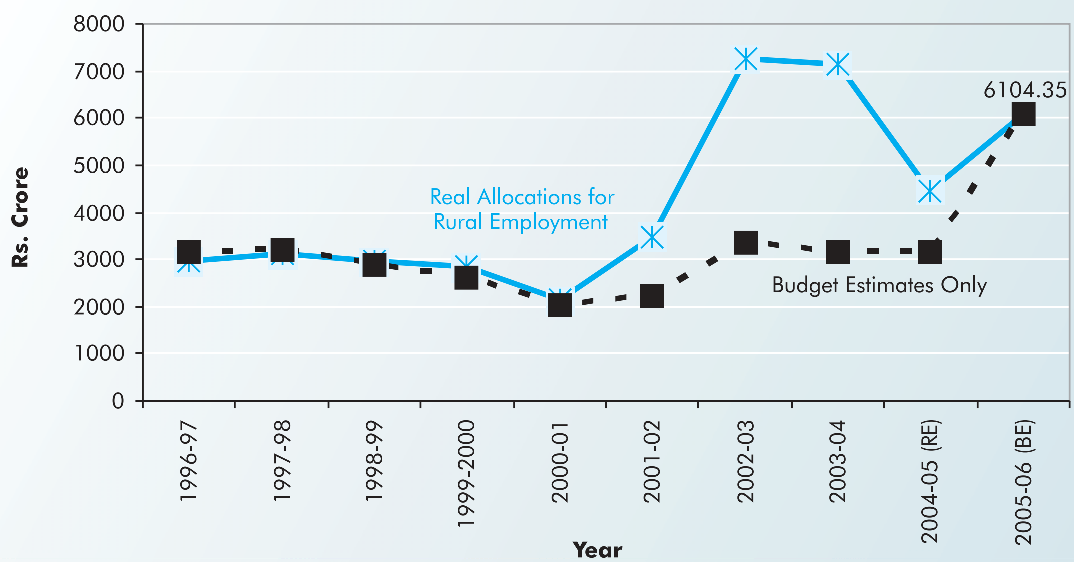
1.14 The third item that accounts for a large share of Union Government expenditure is that on *Defence*. As shown in Table 1.7 (in the Appendix), the expenditure on Defence as a proportion of the total expenditure of the Union Government has risen from 12.7 % in 2003-04 to 16.1 % in BE 2005-06. In view of the acute need for substantially higher expenditure on social sectors and agriculture, the resource constraints of the Government, and the recent strides made in the Indo-Pak peace process, it was highly desirable that the allocations for Defence be reduced in 2005-06. However, the Finance Minister has chosen to raise the same by almost Rs. 6000 crore above the Revised figures for 2004-05.

2. Rural Employment Generation and Poverty Alleviation

On December 21st 2004, the Ministry of Rural Development placed the long awaited National Rural Employment Guarantee Bill in the Parliament. In the Budget 2005-06, the Finance Minister has almost doubled the allocations to touch Rs. 9000 crore. However, it is worthwhile to mention here that during 2004-05, the Finance Minister had reduced the allocation from Rs. 9639.9 crore in 2003-04 RE to Rs 4590 crore in 2004-05 BE.

2.1 Expenditure on Rural Employment has remained stagnant, and even declined in some years, for the period 1995-2001. The trend starts getting reversed after 2002 (See Chart below). However the high public expenditure on rural employment in 2002 and 2003 did not reflect any changed policy stance of the Government vis-à-vis employment generation. The Government was forced to make high allocations on employment generation because of the severe drought in these two years. Last year after the UPA received a pro poor mandate in the General Elections, the Prime Minister announced a Food for Work programme in 150 poorest districts of the country, for which only a paltry sum of Rs. 1818 crore was allocated in the budget. This year, in a welcome move, the allocations on food for work programme have been increased to Rs 5400 crore.

Chart 4 : Trend in Union Government's Real Allocation for Rural Employment



2.2 The allocated Rs. 5400 crore will only cover the cost of cash component of the Food for Work Programme. Foodgrain requirement of this programme estimated at 50 lakh tonnes, in the Finance Minister's own words[7], will cost the Government another Rs. 5600 crore. However this amount has not been included in the budget estimates on Food for Work programme. Perhaps, the Government will simply require the FCI to release these 50 lakh tonnes of foodgrains. Since the cost of foodgrain component has to be borne by the Government, this cost should have been included in the budget estimates. Not including expenditure, that the Government is going to incur, in the budget estimates, clearly goes against all norms of transparent functioning.

2.3 The total amount allocated for food for work programme (which will be converted into Employment Guarantee Scheme (EGS) once the bill is passed) is far too short of the requirements of a universal EGS. Clearly, the Finance Minister is interested in getting the Employment Guarantee Bill passed in its present diluted form.

2.4 Ministry of Rural Development has been implementing two flagship programmes for the last five years- Sampoorna Gramin Rozgar Yojana (SGRY) for creating wage employment opportunities and providing food security along with creation of community assets, and Swarnajayanti Gram Swarozgar Yojana (SGSY) for providing self-employment opportunities to rural BPL households. The Budget 2005-06 proposes for a reduction in the allocations for both the programmes, from Rs. 4590 crore in BE 2004-05 to Rs. 3600 crore for SGRY (a 20 % cut) and from Rs. 900 crore in RE 2004-05 to Rs. 862 crore for SGSY. Also, the foodgrains component for SGRY is nil. Additional funding for National Food for Work Programme (at least partly) at the cost of reduced funds for SGRY and SGSY does not speak highly of the intention of the UPA Government to honour the promises made in NCMP.

2.5 Rural Infrastructure Development

a. The Finance Minister in his speech announced an increase in expenditure on Rural Housing (Indira Awas Yojana) by Rs. 250 crore in 2005-06. However, this increase is over the budget estimate of 2004-05. When compared with the revised estimates of 2004-05, there is a decline in expenditure on Rural Housing by Rs. 120 crore.

b. A proposal has been made to contribute Rs. 1200 crore towards Universal Service Obligation with the objective of providing telephone facilities in the rural areas. However, this allocation is same as the revised estimates for the year 2004-05.

c. In order to connect villages by all-weather roads, the Finance Minister has proposed an additional Budgetary Support to the tune of Rs. 1600 crore (Expenditure Budget Volume 2, Demand No. 79) under the Prime Minister's Gram Sadak Yojana. However, in Government's own admission an amount of Rs. 79,000 crore is required to connect all the villages by all-weather roads by the end of Tenth Plan. Compared with this huge requirement, the amount allocated in this direction seems grossly inadequate.

d. The expenditure (BE) on National Highway Development Project has gone up from Rs. 4771.49 crore in 2004-05 to Rs. 6221.04 crore in 2005-06 (Expenditure Budget Volume 2). The Government has also imposed an additional cess of 50 paise per litre on petrol and diesel for development of highways. Considering the high inflationary potential

[7] In his *Budget Speech* (Para-13), the Finance Minister Mr. P. Chidambaram announced that under the National Food for Work Programme, "for 2005-06, a provision of Rs. 5400 crore for the cash component and 50 lakh MT of foodgrains have been made and, in overall terms, the allocation will increase to Rs. 11,000 crore".

of this cess, and the argument that the funds for National Highway Development Project are already sufficient, this may not be a wise move.

e. The Finance Minister has announced a massive Programme for Rural Electrification beginning in 2005-06, which will cover 1.25 lakh villages in 5 years. For this purpose, he has provided Rs. 1100 crore. However, in Annexure 3.3 of Expenditure Budget Volume 1, under the broad category of Central Assistance for State Plans, the allocations for Rural Electrification are nil. We wonder if the arrangements in this case too are going to be made in such a way that fiscal deficit of the Union Government does not go up but the cost of expenditure is borne by some other agency!

3. Agriculture

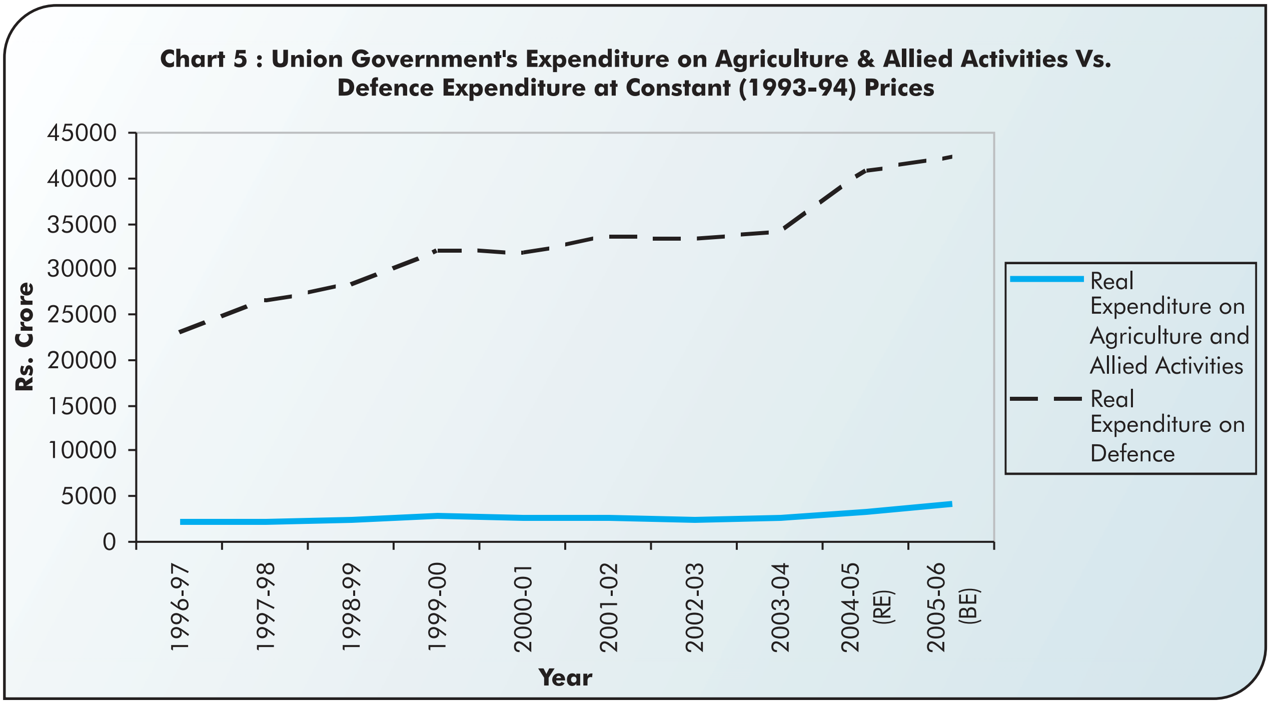
One of the most worrying outcomes of the growth strategy adopted by the Central Governments over the last decade and a half has been the stagnation of Indian agriculture. Agriculture, which supports a huge 57 % of the country's population, now generates only 21 % of the country's GDP. The main reason behind the stagnation of this sector could be traced in the decline in public investment in agriculture. As can be seen from Table 1, the total investment in agriculture as a proportion of GDP has declined from 1.92 % in 1990-91 to 1.31 % in 2003-04. In the same period, share of public expenditure in gross capital formation in agriculture has fallen from 29.6 % to 25.6 %.

Table 1: Gross Capital Formation in Agriculture in India

Year	Percent (%) Share in Gross Capital Formation in Agriculture		Investment in Agriculture as % of GDP
	Private	Public	
1990-91	70.4	29.6	1.92
1995-96	69.1	30.9	1.57
1996-97	71.1	28.9	1.51
1997-98	75.0	25.0	1.43
1998-99	74.0	26.0	1.26
1999-00	75.6	24.4	1.37
2000-01	76.8	23.2	1.28
2001-02	71.1	28.9	1.24
2002-03	76.1	23.9	1.27
2003-04	74.4	25.6	1.31

Source: Economic Survey 2004-05, Government of India

3.1 The Union Government expenditure on *Agriculture & Allied Activities* is projected to go up to Rs. 8,053 crore in 2005-06 from Rs. 6,105 crore RE 2004-05. At constant (1993-94) prices, this expenditure will be up from Rs. 3235.7 crore in RE 2004-05 to Rs. 4107 crore in 2005-06 (see Table 3.1 in appendix). Even at this increased level, Union Government expenditure on agriculture and allied activities is grossly insufficient. The UPA Government should have made a quantum increase in the same to revive Indian agriculture. As shown in Chart 5, Union Government's expenditure on Defence has gone up substantially in the last ten years, where as that on agriculture and allied activities has stagnated at a very low level. Even Budget 2005-06 proposes a Rs. 6,000 crore rise in defence spending, much higher than the increase proposed for agriculture and allied activities.



3.2 The Finance Minister has chosen not to provide adequate tariff protection to the agriculture sector, and has instead put forward an agenda for diversification of agricultural production away from foodgrains to non-foodgrains, especially horticultural products. This strategy goes against the objective of ensuring food security. It has been strongly argued that the current excess foodstocks in the godowns of FCI are a result of severe demand constraint in the economy, in particular from the rural population. Once these excess stocks are utilized, say because of a Food for Work Programme, the illusion of excess production of foodgrains will be dispelled.

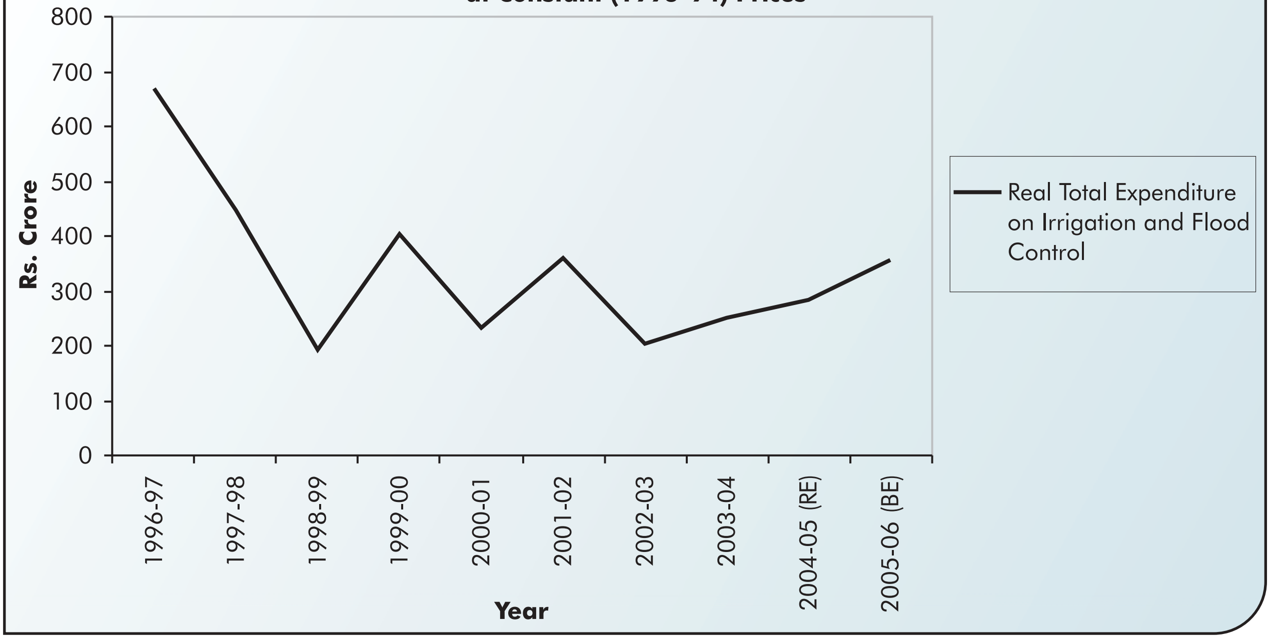
Table 2: Irrigated Area in India (1995-96 to 2000-01)

Year	Net Sown Area (in '000 Hectares)	Net Irrigated Area (in '000 Hectares)	Net Irrigated Area as % of Net Sown Area
1995-96	142197	53402	37.55
1996-97	142813	55049	38.55
1997-98	142083	54985	38.70
1998-99	142600	57053	40.01
1999-00	141104	56761	40.23
2000-01	141101	54682	38.75

Source: www.indiastat.com

3.3 The Finance Minister, in his speech, highlighted the need for reviving agriculture. He outlined the need for substantial improvement in irrigation coverage for this purpose. Though it is mainly a State subject; in view of the growing financial crisis of the States as well as the growing crisis in Indian agriculture, the Central Government needs to invest substantially for expanding irrigation coverage. As can be seen in table 2 above, as of 2000-01, Net Irrigated Area in the country was only 38.75 % of the Net Sown Area. Notwithstanding his declared objective of bringing an additional one crore hectares of land under assured irrigation, the Finance Minister has not increased the allocations for Major and Medium Irrigation [a sum total of major heads of account 2701-revenue, 4701-capital and 6701-loan] or Minor Irrigation [total of major heads 2702 and 4702] in real terms in the Budget Estimates for 2005-06. The total allocation for Major and Medium Irrigation, which was Rs. 188 crore in BE 2004-05, stands at Rs. 191 crore only. And, that on Minor Irrigation shows in 2005-06 a small increase of Rs. 8 crore over the BE 2004-05 figure of Rs. 107 crore.

Chart 6 : Union Government's Expenditure on Irrigation and Flood Control at Constant (1993-94) Prices



3.4 The Finance Minister, in his speech, emphasized the need for improving Agricultural Marketing Infrastructure, and proposed a new scheme called Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization. The possibility of a future market for trade in agricultural commodities has thrilled many economists in the country. But unfortunately, the capital outlay on Agriculture and Allied Activities records a meagre increase from Rs. 79 crore in RE 2004-05 to Rs. 83 crore in 2005-06, within which the capital outlay on Food Storage and Warehousing [major head of account 4408] has been raised only marginally from Rs. 41 crore in RE 2004-05 to Rs. 49 crore in 2005-06. In fact, if we take into account an inflation of 5 to 6 %, the capital outlay on Agriculture and Allied Activities would fall in 2005-06 even from the very low levels of last year.

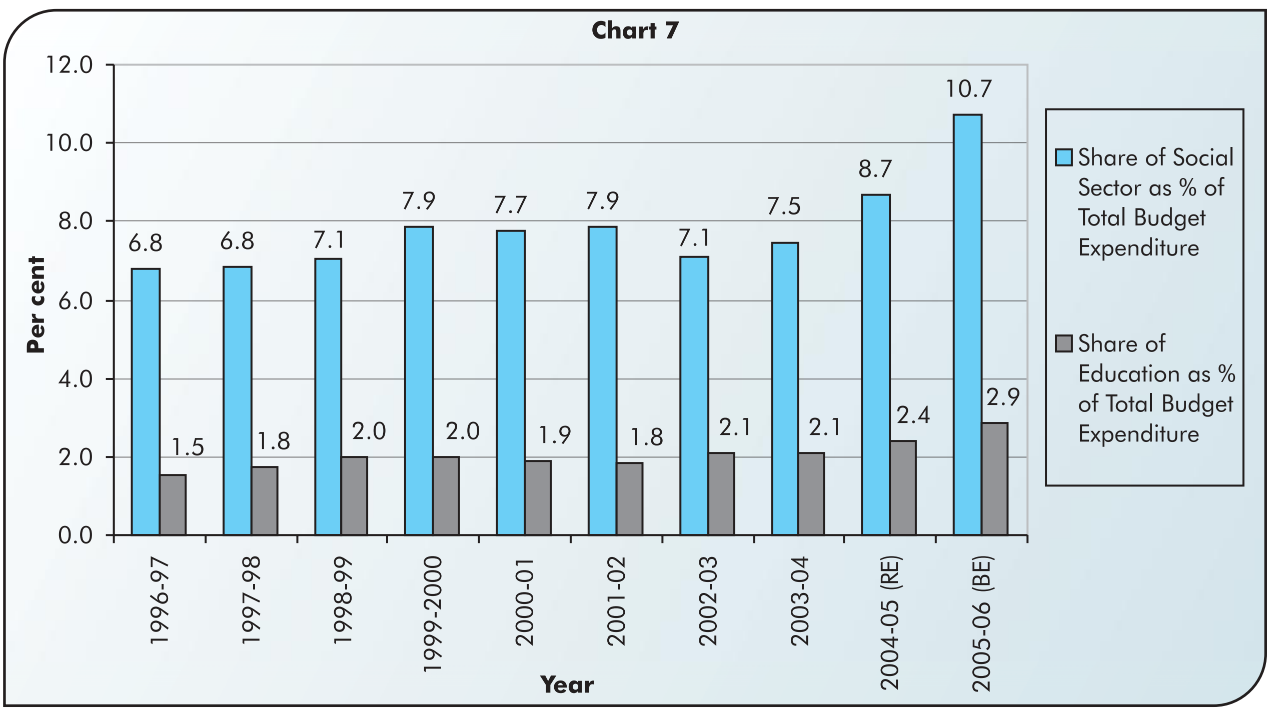
4. Education

The overall allocation made by the Union Government on education, at constant (1993-94) prices, has increased from Rs. 1927 crore during 1994-95 to Rs. 6412.5 crore during 2004-05 (RE). This year, it is budgeted at Rs. 7538 crore (at 1993-94 prices). One may view this as a positive step towards recognising education as a crucial sector. However, in no way the increase in allocation is significant when one considers the glaring educational backwardness of India and the level of expenditure the sector deserves.

4.1 The real capital allocation on education is Rs. 36.18 crore for the fiscal 2005-06. This is grossly inadequate to meet the requirements of capacity creation in the education sector in India. It is almost one sixth of the actual real capital expenditure incurred (Rs. 197.59 crore) on education during 1994-95. (See Table-4.1 in appendix)

4.2 Allocation for different sectors of education as a proportion of total budgetary allocation shows a clear positive tilt of Government's emphasis towards elementary education (see Table- 4.2 in appendix). Over the years the Governments have been apathetic towards secondary and higher education and the present Budget is no exception to it. The share of secondary, higher and technical education in total budgetary allocation for the year 2005-06 is much less than that during the years of NDA coalition.

4.3 While increase in the share of the social sector in total budgetary allocation has been significant in the Budget 2005-06, the increase in the share of education has not been that significant. (See Chart below).



4.4 In the last fiscal year, the Government had introduced a cess on all kinds of taxes to be earmarked exclusively for education. As the proceeds from this cess, the estimated revenue generated is around Rs. 5010 crore during 2004-05 (RE) and the same is expected to be Rs. 6975 crore during 2005-06. These amount to around Rs. 12,000 crore in total, earmarked for universalisation of education. Over the period of two years, 2004-05 and 2005-06, the entire amount of Rs. 12,000 crore should be spent on education, in excess of the prevailing level of Union Government spending on education. In the last year's Budget, the Government did not raise the total allocation on education even by a single rupee compared to the Interim Budget of February 2004. This year, the Government has increased the allocation on education only by around Rs. 4264 crore over last year's Budget. Where has the balance Rs. 7721 crore gone? It is quite unfortunate that the Government despite collecting a substantial amount of money from the common public for raising the expenditure on education is not putting all of that money towards increasing the allocations for education.

4.5 Since 1999-00, the Union Government has till now allocated around Rs. 16,467 crore for Sarva Shiksha Abhiyan (SSA), the only comprehensive scheme for universalisation of elementary education. As per the estimates of the Tapas Majumdar Committee on Universalisation of Elementary Education, by now, the Government was required to spend around Rs. 84,104 crore for this purpose. This shows an astoundingly huge gap of around Rs. 67641 crore in the level of spending that was required and the amount that has been spent.

5. Health and Family Welfare

Access of primary healthcare to the "aam aadmi" has been a major issue for a long time and there has been huge concern even within the Government over it. Our healthcare system is one of the most privatised systems in the world. Total public expenditure on health in India accounts for only 17 % of the total spending on this sector and in terms of percent of GDP it stands at 0.87 %. Out of the many pro-poor promises, the NCMP sought to increase public spending on health to at least 2-3 % of GDP over the next five years, with focus on primary healthcare. It further said that a national scheme for health insurance for poor families would be introduced and the UPA Government would take all steps to ensure availability of life-saving drugs at reasonable prices.

5.1 Given the bad shape of State finances, the responsibility of meeting the target set for expenditure on health in NCMP lies predominantly with the Central Government. An additional allocation of Rs. 5,600 crore (for total public expenditure on health to be of 2 % of GDP) and Rs. 11,200 crore (for a total public expenditure on health to be of 3 % of GDP) is needed annually over the next five years, to reach the level of spending promised in the NCMP, if the target is to be achieved by 2009. Although, the allocations in the current financial year (2004-05) and the estimates for the ensuing year (2005-06) have been increased significantly, which is a welcome step, they are still far below the requirements of the levels promised in NCMP. Total Expenditure of the Union Government on Health and Family Welfare is projected to go up from Rs. 7,900 crore in RE 2004-05 to Rs. 9,697 crore in BE 2005-06. Thus, as against the NCMP mandated increase in allocations to Health and Family Welfare to the tune of Rs. 5600 crore, the allocations actually increased lag far behind. Nonetheless, the allocations have been increased by roughly Rs. 1800 crore, which is a move in the positive direction.

5.2 It is worthwhile to emphasise here that we have made significant strides in terms of major health indicators over the past two and a half decades (see Table 5.2 in appendix). As the public expenditure on health has remained very low in respect of most indicators, this development can be attributed, among other things, to the existence of a liberal Patent Regime, which facilitated cheap availability of drugs to common people. However, the country still continues to lag behind several other countries in the region. Table No. 3 paints a clear picture in this regard.

Table 3: India's Global Position in terms of Major Health Indicators

Country	Life Expectancy at birth (years)	Under-five mortality rate (per 1000 live births)		Infant mortality rate (per 1000 live births)		Maternal mortality ratio (per 100,000) live births
	2000-05	1990	2002	1990	2002	2000
China	71	49	39	38	31	56
India	**64**	**123**	**93**	**80**	**67**	**540**
Nepal	60	145	91	100	66	740
Pakistan	61	128	107	96	83	500
Sri Lanka	72	23	19	19	17	92
Bangladesh	61	144	77	96	51	380
South Asia	63	126	95	84	69	NA

NA: Not Available
Source: Economic Survey 2004-05 (Table 10.10, citing Human Development Report 2004, UNDP).

5.3 The Tenth Plan has also set targets in this regard. It hopes to reduce Infant Mortality Rate to 45 per 1000 by 2007 and 28 per 1000 live births by 2012. Another target set by the Tenth Plan pertains to Maternal Mortality Rate (MMR), which hopes to bring down MMR to 2 per 1000 live births by 2007 and 1 per 1000 live birth by 2012. Given the huge gaps between the set targets and the existing scenario (See Box-4), decisive intervention by the Government in this sector

Box-4

Health Scenario in India

- Infant Mortality Rate (IMR): 63 per 1000 live births (as of 2002).
- MMR (maternal deaths per 100,000 live births) in 1998 was 407, or , 4.07 per 1000 live births.
- An estimated 5.1 million people in the country were living with HIV/AIDS by the end of 2003. In the age group of 15-49 years, one out of every 100 persons is HIV positive.
- Tuberculosis (TB) claims about 4.17 lakh deaths in the country every year.
- There is only one Doctor (Modern System) for 1716 people in the country (as of 2003).

Source: Economic Survey 2004-05

will be very crucial for the welfare of the poor people. Also, now that we have adopted a restrictive Patent Regime in the country, we need to increase public spending on health even further so that through public research and innovations, along with increased domestic patenting activity, we shall be able to provide cheap drugs to common people.

5.4 To this end, the announcement by the Finance Minister regarding National Rural Health Mission (NRHM) to be launched this financial year (2005-06) is a welcome move. In Finance Minister's own words "its focus will be strengthening primary health care through grassroot level public health interventions based on community ownership". The increase in the allocations to Health and Family Welfare Ministry, as noted earlier, "will finance the NRHM and its components like training of health volunteers, providing more medicines and strengthening the primary and community health centre system". The next step by the government would be to spell out a comprehensive policy in this regard. The Government should ensure that it is properly implemented and allocations are increased progressively over the period to make this scheme worthwhile. In this context, the proposal to increase the excise duty rate on cigarettes by about 10 % and the imposition of a surcharge of 10 % on ad valorem duties on other tobacco products, the proceeds of which will be used to finance the NRHM, along the lines of education cess, is a welcome move. The Proposed surcharge on pan masala and tobacco products is expected to generate revenue of Rs. 700 crore (Receipts Budget, 2005-06).

5.5 Another significant development in this sector is that work on the six AIIMS-like institutions will start in 2005-06 to augment medical education in deficient States. Rs. 280 crore has been provided for this purpose under the Pradhan Mantri Swasthya Suraksha Yojana, (Expenditure Budget Volume 2), which also includes provision for various medical hospitals-cum-research institutes and medical councils. The combined allocations stood at Rs. 78 crore in the revised estimates of current year, which has been raised substantially to Rs 280 crore in the ensuing year. Thus, about Rs. 200 crore of Plan Outlay would go towards setting up the six AIIMS-like institutions.

5.6 As highlighted in the Economic Survey 2004-05, we have to address the problems arising from the prevalence of T.B. and HIV/AIDS. Annually, around 4.17 lakh people in the country die every year because of T.B. By the end of 2003, around 51 lakh people were living with HIV/AIDS. Almost 1 out of every 100 adults (age group15-49) suffers from HIV/AIDS. The Government has responded positively to these concerns and raised the plan allocation (Budget Estimate) for National AIDS control organisation from Rs. 232 crore in 2004-05 to Rs. 476.5 crore in 2005-06 (Expenditure Budget Volume 2). T.B. control programmes have registered an increase in budget estimates from Rs. 115 crore in 2004-05 to Rs. 166.4 crore (Expenditure Budget Volume 2).

6. Socially Marginalised Groups

The Finance Minister, in his Budget speech, explicitly stated the goal to bring scheduled castes and scheduled tribes into the development process. He claims that through the programmes of various Ministries/Departments of his Government, a sum of Rs. 6,253 crore will be spent for the development of SCs and STs. The proposal of providing Rajiv Gandhi National Fellowship to two thousand SC and ST students for pursuing M. Phil and Ph.D. courses in selected universities is a welcome step. However, this provision has not been clearly mentioned in the budget documents.

The total budgetary allocation for the specific purpose of welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes has been increased from Rs 1,415 crore in 2004-05 to Rs 1533.7 crore in 2005-06. Though Budget 2005-06 witnesses a better deal for the socially marginalized groups than before, the allocations are not adequate to bring about any significant improvement in the socio-economic conditions of such groups.

6.1 The plan budgetary allocation of the Union Government for the welfare of SCs, STs and OBCs has declined even in absolute terms from Rs 1602.18 crore in 1998-99 to Rs 1533.7 crore in 2005-06 (see Table 6.1 in appendix).

6.2 The plan budgetary allocation for the welfare of SCs, STs and OBCs as a proportion of total plan expenditure has declined from 2.23 % in 1998-99 to 1.07 % in 2005-06.

6.3 The overall budgetary allocation (plan and non-plan) for the welfare of SCs, STs and OBCs as a proportion of total budgetary expenditure has declined from 0.62 % in 1998-99 to 0.30 % in 2004-05. This has increased to 0.43 % in 2005-06. Even this marginal increase is well below the 1998-99 figure.

6.4 The per capita budgetary allocation for the welfare of the Schedule Castes was just Rs 42.50 in 2000-01. This has increased to just Rs 52.50 in 2005-06 (see Table-6.2).

6.5 The above picture is even worse if we take into account real per capita budgetary allocation (at 1993-94 prices) for the welfare of Scheduled castes. The real per capita budgetary allocation for the welfare of SCs has declined from Rs 27.25 in 2000-01 to Rs 26.85 in 2005-06.

Table-4: Per Capita budgetary allocation of the Union Government for the Welfare of Scheduled Castes

Year	Per Capita* Allocation on SCs (in Rs)	Per Capita* Allocation on SCs at constant (1993-94) prices (in Rs)
2000-01(RE)	42.58	27.25
2001-02(RE)	43.42	26.92
2002-03(RE)	43.39	26.03
2003-04(RE)	44.12	25.15
2004-05(RE)	45.40	24.06
2005-06(BE)	52.65	26.85

Source: Expenditure Budget, Vol-2, Union Budget for various years

7. Welfare of Women and Children

Introduction of Gender Budgeting in Union Budget of India is a welcome initiative. However, the very short period of two months given to the Ministries/Departments for making an analysis of the gender-sensitivity of their demands (or expenditure proposals) and specific schemes for women was grossly inadequate for a crucial exercise like gender budgeting. We can hope that this beginning in the correct direction will be consolidated in the next budget making process.

7.1 It is evident from Table-7.1 (Appendix) that the budgetary allocation for the welfare of the Women and Children as a proportion of Total Expenditure has increased only marginally from around 0.44 % in 1996-97 to 0.51 % in 2004-05. This year's Budget projects a noticeable rise in the allocations for the welfare of Women and Children. The budgetary allocation as a proportion of total Plan and Non-Plan expenditure for the welfare of the Women and Child Development is projected to increase from 0.51 % in 2004-05 to 1.048 % in 2005-06. This is a welcome move in allocating resources towards women and children. However, it has been estimated that the population of the country's Women and Children (below 14 years of age) taken together would be 66.35 crore in 2005-06. Thus the total budgetary allocation of Rs 3931.11 crore is far from adequate.

7.2 Gender Budget was mentioned for the first time in the Budget Speech of 2000-01. It is to be noticed that the National Development Council adopted "Empowerment of Women" as specific objective of the Tenth Five Year Plan. Inclusion of Gender Budget in the mainstream Budget is important keeping in mind the declining sex ratio and accentuating gender biases in our male-dominated society. This year the Finance Minister has introduced a separate statement highlighting the gender sensitivities of the budgetary allocations under 10 demands for grants. The Department Of Women and Child Development is the nodal agency to accomplish the task of sensitising all the Ministries for gender budgeting.

7.3 The total budgetary allocation for Gender Budgeting is Rs 14,379 crore. However, total Gender budgetary allocation as a proportion of Total Expenditure of the Union Government projected for 2005-06 (Rs. 5,14,344 Crore) is only 2.8 %. The exercise of determining gender sensitive budgetary allocations under various Ministries/Departments shows that the Government has mainly focused gender sensitive budgetary allocations to the Department of Family Welfare, Department of Women and Child Development and the Department of Drinking Water Supply (see Table-5). We find that gender sensitive budgetary allocations are grossly inadequate in the Department of Elementary Education and Literacy, Department of Secondary and Higher Education and Ministry of Labour and Employment

- The gender budgetary allocation on elementary education and literacy for girl child is just 2.03 % of total allocations for Department of Elementary Education and Literacy.
- The gender budgetary allocation for improving the working conditions of Child/Women Labour (Demand No.61) has been only 10.49 % of the total allocations for Ministry of Labour and Employment.
- The gender budgetary allocation is too small in the Ministry of Social Justice and Empowerment, just 4.08 % of the total allocations.
- The gender budgetary allocation in the Department of Rural Development for Swarnjayanti Gram Swarozgar Yojana and Sampoorna Gramin Rojgar Yojana is only 7.76 %

Table 5: Share of Gender Budgeting in Various Ministries

Demand for Grants	Ministry/Department	Gender Budgetary Allocations (in Rs. Crore)	Allocations to the Ministry/ Department (in Rs. Crore)	Share of Gender Budgetary Allocation in the Ministry/ Department (in %)
Demand No.49	Department of Family Welfare	4687.56	6453.49	72.64
Demand No.56	Transfers to Union Territory Governments (Delhi and Pondichery)	2.03	838.05	0.24
Demand No.57	Department of Elementary Education and Literacy	255	12536.53	2.03
Demand No.58	Department of Secondary and Higher Education	9	5800.5	0.16
Demand No.59	Department of Women and Child Development	3487.36	3931.11	88.71
Demand No.61	Ministry of Labour and Employment	125.05	1192.09	10.49
Demand No.65	Ministry of Non-Conventional Energy Sources	47.5	605.38	7.85
Demand No.79	Department of Rural Development	1424.9	18353.87	7.76
Demand No.81	Department of Drinking Water Supply	4275.07	4751.42	89.97
Demand No.88	Ministry of Social Justice and Empowerment	65.21	1599.7	4.08

Source: Expenditure Budget, Vol-1, 2005-06.

7.4 Thus, we must welcome the inception of the exercise of the various Ministries determining what proportions of their total allocations are expected to benefit women specifically, as this exercise reveals the grossly inadequate gender sensitive allocations under most Ministries/Departments. It is equally important to assess the impact of such gender sensitive spending by the Government, and more importantly, advocate for significantly higher public expenditure for the welfare of women.

8. Conclusion

To conclude, we can say that Budget 2005-06 does mark a change, though small, in policy priorities of the Union Government in favour of rural population and the social sector. In fact the root cause for this welcome change can be traced in the larger political processes in the country, which have witnessed the ouster of Governments pursuing neo-liberal economic policies ardently. However, there is no quantum jump in the budgetary allocations for the priority sectors along the lines suggested in the NCMP. The main reason for this half-hearted attempt to address the problems of rural poor and social sectors seems to be the conservative fiscal thinking, which has been given legal teeth through the FRBM Act.

Appendix

Table 1.1: Tax and Non-Tax Revenue of the Union Government

(in Rs. Crore)

Year	Gross Tax Revenue	Direct Taxes	Indirect Taxes	Non-Tax Revenue
1996-97	128762	38891	89593	32578
1997-98	139221	48274	90633	38229
1998-99	143797	46600	96880	44833
1999-00	171752	57958	113432	53211
2000-01	188603	68305.4	119830.37	55947
2001-02	187060.1	69198.9	117364	67774
2002-03	216266.1	83080.97	132611.9	72290
2003-04	254348.2	105081.7	148608	76896
2004-05 (RE)	306020.5	134194	171120	75100
2005-06 (BE)	370024.5	177077	192215	77734

Source: Annual Financial Statement and Receipts Budget, Union Budget, various years

Note: 1. Taxes of Union Territories without legislature have been excluded from both Direct and Indirect Taxes.
2. Gross Tax Revenue given here is the Tax revenue collected by the Central Government including States' share in it.

Table 1.2: Tax Revenue of the Union Government as a Proportion of GDP at MP

Year	Gross Tax Revenue as % of GDP	Direct Taxes as % of GDP	Indirect Taxes as % of GDP
1996-97	9.4	2.8	6.5
1997-98	9.1	3.2	6.0
1998-99	8.3	2.7	5.6
1999-00	8.9	3.0	5.9
2000-01	9.0	3.3	5.7
2001-02	8.2	3.0	5.2
2002-03	8.8	3.4	5.4
2003-04	9.2	3.8	5.4
2004-05 (RE)	9.8	4.3	5.5
2005-06 (BE)	10.4	5.0	5.4

Source: Annual Financial Statement and Receipts Budget, Union Budget, various years

Note: 1. Taxes of Union Territories without legislature have been excluded from both Direct and Indirect Taxes.
2. Gross Tax Revenue used here is the Tax revenue collected by the Central Government including States' share in it.

Table 1.3: Deficits of the Union Government as a Proportion of GDP at MP

Year	Revenue Deficit as % of GDP	Fiscal Deficit* as % of GDP	Primary Deficit* as % of GDP
1996-97	2.4	4.9	0.5
1997-98	3.1	5.8	1.5
1998-99	3.8	5.1	0.7
1999-00	3.5	5.4	0.7
2000-01	4.1	5.6	0.9
2001-02	4.4	6.2	1.5
2002-03	4.4	5.9	1.1
2003-04	3.6	4.5	0
2004-05 (RE)	2.7	4.5	0.4
2005-06 (BE)	2.7	4.3	0.5

Source: Budget at a Glance, Union Budget, 2005-06, 1999-00, 1998-99

Note: * Gross Fiscal Deficit and Gross Primary Deficit have been abbreviated as Fiscal Deficit and Primary Deficit, respectively.

Table 1.4: Trends in Expenditure of the Union Government at Current Prices

(in Rs. Crore)

Year	Total Expenditure	Plan Expenditure	Non-plan Expenditure	Revenue Expenditure	Capital Expenditure
1996-97	201007	53534	147473	158933	42074
1997-98	232053	59077	172976	180335	51718
1998-99	279340	66818	212522	216461	62879
1999-00	298053	76182	221871	249078	48975
2000-01	325592	82669	242923	277839	47753
2001-02	362310	101194	261116	301468	60842
2002-03	413248	111470	301778	338713	74535
2003-04	471368	122280	349088	362140	109228
2004-05 (RE)	505791	137387	368404	386069	119722
2005-06 (BE)	514344	143497	370847	446512	67832

Source: Annexure 3, Expenditure Budget, Vol I, Union Budget 2005-06

Table 1.5: Plan, Non Plan, Revenue and Capital Expenditures as Proportion of Total Expenditure of the Union Government

Year	Plan Expenditure as % of Total Expenditure	Non Plan Expenditure as % of Total Expenditure	Revenue Expenditure as % of Total Expenditure	Capital Expenditure as % of Total Expenditure
1996-97	26.6	73.4	79.1	20.9
1997-98	25.5	74.5	77.7	22.3
1998-99	23.9	76.1	77.5	22.5
1999-00	25.6	74.4	83.6	16.4
2000-01	25.4	74.6	85.3	14.7
2001-02	27.9	72.1	83.2	16.8
2002-03	27.0	73.0	82.0	18.0
2003-04	25.9	74.1	76.8	23.2
2004-05 (RE)	27.2	72.8	76.3	23.7
2005-06 (BE)	27.9	72.1	86.8	13.2

Source: Annexure 3, Expenditure Budget, Vol I, Union Budget 2005-06.

Table 1.6: Union Government's Expenditure on Interest Payments, Defence and Subsidies at Current Prices

(in Rs. Crore)

Year	Total Expenditure	Expenditure on InterestPayments and Debt Servicing	Expenditure on Defence	Expenditure on Subsidies
1996-97	201007	59478	29505	15499
1997-98	232053	65637	35278	18540
1998-99	279340	77882	39897	23593
1999-00	298053	90249	47071	24487
2000-01	325592	99314	49622	26838
2001-02	362310	107460	54266	31210
2002-03	413248	117804	55662	43533
2003-04	471368	124088	60066	44256
2004-05 (RE)	505791	125905	77000	46514
2005-06 (BE)	514344	133945	83000	47432

Source: Annexure 3, Expenditure Budget, Vol I, Union Budget 2005-06

Table 1.7: Trends in Union Government's Expenditure on Interest Payments, Defence and Subsidies

Year	Expenditure on Interest Payments and Debt Servicing as % of Total Expenditure	Expenditure on Defence as % of Total Expenditure	Expenditure on Subsidies at Constant (1993-94) Prices (in Rs. Crore)
1996-97	29.6	14.7	12089.2
1997-98	28.3	15.2	13905.0
1998-99	27.9	14.3	16751.0
1999-00	30.3	15.8	16651.2
2000-01	30.5	15.2	17176.3
2001-02	29.7	15.0	19350.2
2002-03	28.5	13.5	26119.8
2003-04	26.3	12.7	25225.9
2004-05 (RE)	24.9	15.2	24652.4
2005-06 (BE)	26.0	16.1	24190.3

Source: Annexure 3, Expenditure Budget, Vol I, Union Budget 2005-06

Table 2.1: Allocations of the Union Government for Rural Employment at Constant (1995-96) Prices

(in Rs. Crore)

Year	Real Allocations for Rural Employment	Budget Estimates Only
1996-97	2959.13	3177.31
1997-98	3118.09	3194.41
1998-99	2946.98	2905.99
1999-2000	2850.29	2610.90
2000-01	2149.13	2034.37
2001-02	3476.97	2212.50
2002-03	7240.47	3371.36
2003-04	7160.81	3172.43
2004-05 (RE)	4436.31	3177.69
2005-06 (BE)	6104.35	6104.35

Notes: Price deflator taken is CPI_{al}. Allocations for Rural Employment taken from AFS major head 2505.

Table 2.2: Revenue Expenditure of Union Government on Food Storage and Warehousing as % of Total Revenue Expenditure on Social Services at Current Prices

Year	Revenue Expenditure on Food Storage and Warehousing (in Rs. Crore)	Total Revenue Expenditure on Social Services (in Rs. Crore)	Col-2 as % of Column3	Net Availability of Foodgrains Per Day (figures in grams)#
1994-95	5307.2	5146.54	103.1	471.2
1995-96	5534.48	7107.03	77.9	495.4
1996-97	6222.59	9014.15	69.0	475.2
1997-98	8076.3	11239.86	71.9	503.1
1998-99	9311.96	13683.22	68.1	447.0
1999-2000	9715.67	16134.96	60.2	465.7
2000-01	12303.97	17130.53	71.8	454.4
2001-02	17722.33	19064.64	93.0	416.2
2002-03	24317.17	20234.58	120.2	494.1
2003-04	25430.76	22826.23	111.4	436.3
2004-05 (RE)	26141.35	28810.23	90.7	—-
2005-06 (BE)	26586.35	33313.67	79.8	—-

Note: Revenue Expenditure on Food Storage and Warehousing is a component of Economic Services (Major Head: 2408)

Economic Survey: 2004-05

Table 3.1: Union Government's Expenditure on Agriculture & Allied Activities at Current Prices and Constant (1993-94) Prices

(in Rs. Crore)

Year	Plan Expenditure	Non Plan Expenditure	Total Expenditure	Real Plan Expenditure	Real Non Plan Expenditure	Real Total Expenditure
1996-97	2352	477	2829	1834.6	372.1	2206.6
1997-98	2262	539	2801	1696.5	404.3	2100.8
1998-99	2650	627	3277	1881.5	445.2	2326.7
1999-00	2883	1266	4149	1960.4	860.9	2821.3
2000-01	2914	1151	4065	1865.0	736.6	2601.6
2001-02	3013	1067	4080	1868.1	661.5	2529.6
2002-03	3151	978	4129	1890.6	586.8	2477.4
2003-04	3519	1149	4668	2005.8	654.9	2660.8
2004-05 (RE)	4775	1330	6105	2530.8	704.9	3235.7
2005-06 (BE)	6361	1692	8053	3244.1	862.9	4107.0

Source: Annexure 3, Expenditure Budget, Vol I, Union Budget 2005-06

Table 3.2: Union Government's Expenditure on Irrigation & Flood Control at Current Prices and Constant (1993-94) Prices

(in Rs. Crore)

Year	Plan Expenditure	Non Plan Expenditure	Total Expenditure	Real Plan Expenditure	Real Non Plan Expenditure	Real Total Expenditure
1996-97	767	93	860	598.3	72.5	670.8
1997-98	476	122	598	357.0	91.5	448.5
1998-99	135	139	274	95.9	98.7	194.5
1999-00	448	146	594	304.6	99.3	403.9
2000-01	211	152	363	135.0	97.3	232.3
2001-02	422	158	580	261.6	98.0	359.6
2002-03	185	155	340	111.0	93.0	204.0
2003-04	271	169	440	154.5	96.3	250.8
2004-05 (RE)	365	169	534	193.5	89.6	283.0
2005-06 (BE)	524	173	697	267.2	88.2	355.5

Source: Annexure 3, Expenditure Budget, Vol. I, Union Budget 2005-06

Table 3.3: Union Government's Expenditure on Agriculture & Allied Activities and Defence at Constant (1993-94) Prices

(in Rs. Crore)

Year	Real Expenditure on Agriculture and Allied Activities	Real Expenditure on Defence
1996-97	2207	23013.9
1997-98	2101	26458.5
1998-99	2327	28326.87
1999-00	2821	32008.28
2000-01	2602	31758.08
2001-02	2530	33644.92
2002-03	2477	33397.2
2003-04	2661	34237.62
2004-05 (RE)	3236	40810
2005-06 (BE)	4107	42330

Table 4.1: Union Government's Expenditure on Education at Constant (1993-94) Prices

Year	Revenue Account (in Rs. Crore)			Total Capital Account (in Rs. Crore)	Total Allocation on Education (in Rs. Crore)	Total Education as % of GDP	Per Capita* Real Allocation (in Rs.)	Per Capita* Real Allocation in Capital Account (in Rs.)
	General Education	Technical Education	Total					
1994-95	1328.19	401.68	1729.87	197.59	**1927.46**	**0.22**	**33.52**	**3.44**
1995-96	1796.86	398.06	2194.92	11.15	**2206.07**	**0.23**	**37.61**	**0.19**
1996-97	1957.51	399.30	2356.81	10.26	**2367.07**	**0.22**	**39.56**	**0.17**
1997-98	2611.20	436.69	3047.89	9.71	**3057.59**	**0.27**	**50.09**	**0.16**
1998-99	3387.76	571.35	3959.11	8.88	**3967.99**	**0.32**	**63.73**	**0.14**
1999-00	3340.77	666.43	4007.20	9.74	**4016.94**	**0.30**	**63.24**	**0.15**
2000-01	3282.30	681.54	3963.84	9.03	**3972.87**	**0.30**	**61.31**	**0.14**
2001-02	3328.33	734.86	4063.19	10.71	**4073.90**	**0.29**	**61.63**	**0.16**
2002-03	4398.55	818.63	5217.17	11.05	**5228.23**	**0.35**	**77.53**	**0.16**
2003-04	4799.47	780.16	5579.64	14.85	**5594.49**	**0.36**	**81.33**	**0.22**
2004-05 (RE)	5635.60	750.65	6386.25	26.25	**6412.50**	**0.39**	**91.38**	**0.37**
2005-06 (BE)	6700.49	801.06	7501.55	36.18	**7537.73**	**0.42**	**105.29**	**0.51**

Notes: All figures are in real terms (1993-94 prices), * Population in the age group 5-30 is considered.

Table 4.2: Union Government Expenditure on Different Sectors of Education as % of Total Budgetary Expenditure

Year	Elementary Education	Secondary Education	University and Higher Education	Technical Education
1996-97(RE)	0.78	0.35	0.36	0.27
1997-98(RE)	0.98	0.30	0.41	0.26
1998-99(RE)	0.98	0.36	0.57	0.31
1999-2000(RE)	0.96	0.35	0.73	0.35
2000-01(RE)	0.97	0.37	0.80	0.35
2001-02(RE)	0.99	0.34	0.46	0.34
2002-03(RE)	0.91	0.30	0.42	0.33
2003-04(RE)	1.11	0.30	0.37	0.31
2004-05 (RE)	1.43	0.27	0.40	0.28
2005-06 (BE)	2.18	0.31	0.41	0.31

Note: Total Budgetary Expenditure- Actuals up to 2003-04, Revised Estimate for 2004-05 and Budget Estimate for 2005-06.

Table 4.3: Social Sector and Education in Total Budget

Years	Share of Social Sector as % of Total Budget Expenditure	Share of Education as % of Total Budget Expenditure
1996-97	6.80	1.51
1997-98	6.85	1.76
1998-99	7.07	2.00
1999-00	7.85	1.98
2000-01	7.75	1.91
2001-02	7.86	1.81
2002-03	7.10	2.11
2003-04	7.47	2.08
2004-05 (RE)	8.68	2.39
2005-06 (BE)	10.73	2.87

Table 4.4: Universalisation of Elementary Education: Need Vs. Commitment

(in Rs. Crore)

Years	Allocations for Mid Day Meal Scheme	SSA*	Financial Commitment Needed for Universalisation of Elementary Education**	Gap between Col-3 and Col-4
1996-97	800	0	—	—-
1997-98	1070.38	0	—	—-
1998-99	1400.15	0	100	100.00
1999-00	1500	2	3500	3498.00
2000-01	1300	100	7000	6900.00
2001-02	1031.24	500	10000	9500.00
2002-03	1237	1220.03	12500	11279.97
2003-04	1375	2732.32	14000	11267.68
2004-05 (RE)	1507.5	4753.63	17000	12246.37
2005-06 (BE)	3010.76	7156	20000	12844.00

Notes: * Figures for SSA are revised estimates for all the years except 2005-06.
** As reported in India Education Report, A Profile of Basic Statistics, NIEPA

Table 4.5: Revenue Collections from Education Cess

(in Rs. Crore)

Education Cess From	Revised 2004-05	Budget 2005-06
Corporation Tax	1535	2169
Taxes on Income Other than Corporation Tax	994	1234
Customs	760	1046
Union Excise Duties	1556	2198
Service Tax	165	328
Total	**5010**	**6975**

Source: Receipts Budget, 2005-06

Table 5.1: Trends in Expenditure of the Union Government on Health and Family Welfare

(in Rs. Crore)

Year	Plan	Non Plan	Total
1996-97	2260	491	2751
1997-98	2579	595	3174
1998-99	3213	780	3993
1999-00	4106	906	5012
2000-01	4322	969	5291
2001-02	5070	907	5977
2002-03	5410	1111	6521
2003-04	5564	1292	6856
2004-05 (RE)	6944	956	7900
2005-06 (BE)	8711	986	9697

Source: Annexure 3.2 and 3.3, Expenditure Budget Volume 1, 2005-06.

Table 5.2: Selected Health Indicators

(Person/years)

Indicators	1981	1991	Current Level
Crude Birth Rate (per 1000 Population)	33.9	29.5	25 (2002)
Crude Death Rate (per 1000 Population)	12.5	9.8	8.1 (2002)
Total Fertility Rate (TFR) (per woman)	4.5	3.6	3.1 (2001)
Maternal Mortality Rate (MMR) (per 100,000 live births)	NA	437 (NFHS) (1992-93)	407 (1998)
Infant Mortality Rate (IMR) (per 1000 live births)	110	80	63 (2002)
Child (0-4 years) Mortality Rate (per 1000 children) in 0-4 age group)	41.2	26.5	19.3 (2001)
Life Expectancy at Birth:			
Male	54.1	59.7 (1991-95)	63.9 (2001-06)
Female	54.7	60.9 (1991-95)	66.9 (2001-06)

Source: Adapted from Economic Survey 2004-05, Table 10.9.
Note: The dates in the brackets indicate years for which latest information is available.
NFHS: National Family Health Survey; NA: Not Available.

Table 6.1: Budgetary Allocations for the welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes

Year	Plan Expenditure on SCs, STs & OBCs (in Rs. Crore)	Non-Plan Expenditure on SCs, STs & OBCs (in Rs. Crore)	Total Expenditure on SCs, STs & OBCs (in Rs. Crore)	Col-2 as a proportion of total plan expenditure	Col-3 as a proportion of total non-plan expenditure	Col-4 as a proportion of total (plan and non-plan) expenditure
1998-99 RE	1602.18	52.26	1654.44	2.23	0.03	0.62
1999-00 RE	1159.32	55.04	1214.36	1.51	0.03	0.43
2000-01 RE	1172.7	52.86	1225.56	1.33	0.02	0.36
2001-02 RE	1239.67	58.23	1297.9	1.24	0.02	0.35
2002-03 RE	1225	58.88	1283.88	1.08	0.02	0.26
2003-04 RE	1250	62.54	1312.54	1.03	0.02	0.30
2004-05 RE	1350	65	1415	0.93	0.02	0.30
2005-06 BE	1533.7	66	1599.7	1.07	0.02	0.43

Source: Expenditure Budget, Vol-2, Union Budget for various years

Table 7.1: Budgetary Allocations for the Welfare of Women and Children

Year	Plan Expenditure on Women & Child welfare (in Rs. Crore)	Non-Plan Expenditure on Women & Child welfare (in Rs. Crore)	Total Expenditure on Women & Child welfare (in Rs. Crore)	Col-2 as a proportion of Total plan Expenditure	Col-3 as a proportion of Total Non-Plan Expenditure	Col-4 as a proportion of Total (plan and non-plan) expenditure
1996-97 RE	847.07	48	895.07	1.543	0.033	0.442
1997-98 RE	1025.95	48.12	1074.04	1.692	0.028	0.457
1998-99 RE	1134.48	45.45	1179.93	1.576	0.023	0.440
1999-00 RE	1249.86	48.21	1298.07	1.623	0.023	0.457
2000-01 RE	1350.55	49.59	1400.14	1.533	0.020	0.414
2001-02 RE	1650	53.79	1703.79	1.648	0.020	0.454
2002-03 RE	2085	53.41	2138.41	1.837	0.018	0.436
2003-04 RE	2150	53.91	2203.91	1.777	0.017	0.502
2004-05 RE	2400	54.19	2454.19	1.648	0.016	0.514
2005-06 BE	3875.29	55.82	3931.11	2.701	0.015	1.048

Table 8.1: Population of India

As on October 1 of	Population in Crore
1990-91	83.9
1991-92	85.5
1992-93	87.3
1993-94	88.9
1994-95	90.7
1995-96	92.5
1996-97	94.4
1997-98	96.2
1998-99	98.1
1999-00	100.1
2000-01	101.9
2001-02	103.7
2002-03	105.5
2003-04	107.3
2004-05	109.2
2005-06	111.1

Source: Economic Survey 2004-05, GOI

Notes: Population Growth Rate of 1.98 % per annum for the years from 1990-91 till 1999-00 has been used, while a growth rate of 1.75 % per annum has been used for the years from 1999-00 to 2005-06.

Table 8.2: GDP at current Market Prices

Year	**GDP at mp** (in Rs Crore)
1991-92	653117
1992-93	748367
1993-94	859220
1994-95	1012770
1995-96	1188012
1996-97	1368209
1997-98	1522547
1998-99	1740985
1999-00	1936831
2000-01	2089500
2001-02	2271984
2002-03	2463324
2003-04	2760025
2004-05*	3127494
2005-06#	3547204

Source: Economic Survey 2004-05, GOI

Notes: * Extrapolated using 6.9% as the growth rate of GDP and a 6% rate of inflation.

\# Extrapolated assuming a 7 % growth of GDP and a 6% rate of inflation

Table 8.3: Wholesale Price Indices - all commodities, all India

Average of Weeks in the Year	WPI	Price Deflator	CPI_{al}	Price Deflator for CPI_{al}
1991-92	83.8	1.19	—	—
1992-93	92.3	1.08	—	—
1993-94	100	1	—	—
1994-95	112.6	0.88	—	—
1995-96	121.6	0.82	234	1.00
1996-97	127.2	0.78	256	0.91
1997-98	132.8	0.75	264	0.89
1998-99	140.7	0.71	293	0.80
1999-00	145.3	0.68	306	0.76
2000-01	155.7	0.64	305	0.77
2001-02	161.3	0.62	309	0.76
2002-03	166.8	0.6	319	0.73
2003-04	175.9	0.57	331	0.71
2004-05*	186.6	0.53	338[$]	0.69
2005-06[#]	197.8	0.51	345[$]	0.68

Source: Economic Survey 2004-05, GOI

Note: WPI stands for Wholesale Price Index all India for all commodities and CPI_{AL} stands for Consumer Price Index for agricultural labourers.

[$] Projected on the basis of previous years' estimates

*Average of first 39 weeks of 2004-05

[#] Estimated assuming a 6% rate of inflation