

THE UNION BUDGET AS LITMUS TEST OF A RETHINK OR STASIS

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Paper - III
(Indian Economy)

Union Finance Minister Nirmala Sitharaman is to present the Union Budget next week, on July 23. This time the government is a Bharatiya Janata Party (BJP)-led coalition government. The Budget is not just a revenue and expenditure statement of the government. It has to be understood as representing the policy and the politics of the incumbent government.

Unlike in 2019, when the BJP had 303 seats in the Lok Sabha, it now has 240 seats. Coalition politics and the aspirations of the regional coalition partners cannot be ignored. The reduced seat tally for the BJP could suggest a resentment with and dissent against the economic policies adopted by the government during its second term in 2019-24. The general election this time was termed as 'normal', implying that the focus of the election campaign was around 'bread and butter' issues, unlike in 2014 and 2019, where it was said to be aspirational and emotive issues.

The electorate seems to have very effectively conveyed its disappointment with the government in being able to address its concerns and anxieties. Therefore, this Budget is being keenly watched.

Employment issue as a poll plank

One of the major campaign planks in the 2024 general election was unemployment, concern about inflation and questions around social and economic justice. Employment, especially, can be seen as directly or indirectly holding centrality in addressing other questions from an economic vantage point. So, what might the Budget do in addressing this objective? Economists who hold allegiance to the Chicago School of thought and its mezzanine version reiterated by those in Columbia University have already expressed aggressive opposition to the thought of the government attempting to generate employment opportunities. By implication, this targets the potential allocations for the already neglected Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) programme as well as the demands for a similar programme for the urban unemployed.

One has to understand that the MGNREGA is an outcome of the failure of the neoliberal development policy in terms of generating employment through the private sector or the market. Recent reports on employment, by the Centre for Monitoring Indian Economy Pvt. Ltd. (CMIE) and the International Labour Organization and the Institute for Human Development, have highlighted concerns with the problem of employment in India. The reports point out, with varying levels of intensity (on account of different methodologies), to the very high levels of underemployment; unemployment among youth (15-29 years); and especially among the educated youth (above secondary school education). In addition, the real incomes of the regular employed have seen a contraction, perhaps on account of high levels of informalisation and poor quality employment. On the other hand, while the incomes of casual labour have increased, this could be on account of MGNREGA and other social programmes of the government.

While the participation of women in the labour market has increased, it is more as unpaid family labour and odd service activities to supplement household incomes. These challenges are being faced alongside structural retrogression in terms of employment, implying that contrary to the orthodox imagination, there has been an increase in primary sector employment and a contraction in secondary sector employment. This is on account of the significant contraction of the unorganised sector, especially the micro, small and medium enterprises (MSMEs).

MSME sector contraction

The MSME sector has significantly contracted on account of at least three shocks — demonetisation, Goods and Services Tax (GST) and the COVID-19 lockdown. This sector requires special attention in this Budget and the sector needs a nuanced understanding. Earlier Budgets have focused on infrastructure (CAPEX), skill-based programmes, credit for start-ups and fiscal prudence to generate employment. Most of these interventions have had supply-side policy bias as well as served high-value end activities. In the MSME segment as well, the government's emphasis has been on those MSMEs which are export oriented, given that high-value production and the infrastructure sector together with enterprises having foreign direct investments and export-oriented sectors have had high value-added but very low employment elasticity. The focus, therefore, has to change from prioritising growth for growth's sake towards avenues generating employment and inclusive growth.

Where the focus should be:

Social and economic justice should not be reduced to hollow cliché. This Budget has to focus on MSMEs which cater to the domestic consumption of low-income groups, which are also socially marginalised groups. Further, given the poor performance of India on the Human Development Index and Multi-Dimensional Poverty Index (MDPI), education, health, and housing for the deprived sections ought to find higher allocations combined with employment-generation objectives in this Budget. The rhetoric in the recent past, of India having become the fifth largest economy and on the path to develop into the third largest economy, has coexisted with the nagging problem of joblessness and poor quality employment growth — witnessed right from the mid-1990s. While political machinations show no mood towards a rethink, perhaps wanting to project the optics of continuity, let us hope that such misplaced confidence does not carry into the Budget as well.

Expected Question for Prelims

Que. Consider the following statements in the context of Union Budget 2024-25-

1. Union Budget 2024-25 will be presented on 23 July.
2. Nirmala Sitharaman will present the budget for the 7th consecutive time.

Which of the statements given above is/are correct?

- (a) Only 1 (b) Only 2
(c) Both 1 & 2 (d) Neither 1 nor 2

Answer : C

Mains Expected Question & Format

Que.: In view of the results of the recent Lok Sabha elections, what new trends and what changes can be seen in the upcoming Union Budget as compared to previous years? Discuss.

Approach to answer:

- ❖ In the first part of the answer, discuss the new circumstances created by the results of the Lok Sabha elections.
- ❖ In the second part, what new trends and changes can be seen in the upcoming Union Budget as compared to previous years are to be discussed.
- ❖ Finally give a conclusion giving suggestions.

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC mains examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.