

POCKET MONEY

Briefs on what they kept from you
about your money this week

5th February, 2023



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01

Trends in Economy and Finance

- The Hindenburg report that has rocked the stock market points towards deeply disconcerting truths about the health of our financial sector regulations.
- The budget has put massive capital expenditure in the forefront. The first budget of what the government refers to as 'amrit kaal' - the time of opportunities - is claimed to open the gates of all round prosperity by such investments. But can all round and inclusive growth be achieved without spending on social infrastructure and people? Huge capex has been announced while spending on key social indicators has been cut.

- The budget gives a blind eye to growing inequality and in fact misleads. It misses yet another opportunity to rectify inequality by giving tax concessions to the wealthy and refusing to implement wealth tax.
- With India's COP commitment to net zero emissions, the consultations on Green bonds last year, increased pressure on mitigation actions on climate change from World Bank and other multilateral institutions the trend towards going green was expected. The question then is does these really address a just transition that addresses the issues of climate crisis comprehensively, or means to change the narratives with superficial manoeuvres.
- Ease of business report was found to be fraudulent and discontinued in 2021, but the easing of business as a policy still very much dictates the deregulation regime.
- The budget has infused Rs. 9000 crore in the corpus of credit guarantee scheme for MSMEs that received desk-thumping appreciation from the ruling party. But figures show that beneficiaries of such credit are overwhelmingly the medium and small enterprises, while the micro enterprises that form 99% of MSMEs get only about a quarter.
- The budget talks about shifting from 'input-based' to 'result-based' development financing. This does not bode well for long term development goals that may not be immediately measurable, or that are difficult to enumerate.

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- In line with what has become a characteristic tendency of the Modi Government, this year's budget too consolidated the centralising push in fiscal matters. The state's share in tax revenue has been proposed to be reduced further. This has ominous implications as it is often the states which have had to compensate for the social spending cuts by the union govt.
 - While remaining largely silent on the unpopular and touchy subject of privatisation, the budget however hides the government's real intent.
 - Rapid changes in regulatory frameworks could lead to lack of protection to domestic industries & agriculture in intl trade
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02

Continued Capex push in Infrastructure

- Increase in capex spending for infrastructure continues, with Railways and Roadways getting close to 50% share of capex spending.
- Focus on attracting private investments, privatisation and PPPs in project implementation and operations as a policy direction
- Urban Infrastructure Projects and Reforms - No lessons taken from similar plans in the budgets in the years before
- It cannot be assumed that the capex spending could replace the social sector spending required for the large section of the poor and marginalised sections of the population.
- Does increase in capex help cut in the social welfare schemes spending, unemployment, inequality and poverty?
- Is infrastructure construction overriding environmental and social issues? The larger concerns around mega infrastructure projects

03

New Energy, Old Blunders *Cracks in our Energy transition*

- The budget speaks about a lifestyle for environment on the one hand and on other has announced an addition of 5 airports and heliports and an allocation of 75,000 crores for transport infrastructure. Additionally, problematic and climate impacting projects in eco sensitive areas like the Nicobar Islands, a Coal to PVC plant in the already heavily polluted Gulf of Kutch are in various stages of approval.
- The government is going ahead with producing hydrogen using renewable energy without addressing the concerns surrounding land conflicts, disposal of batteries and other issues with renewable energy. Further, the production of electrolysers will also use non-renewable energy sources, therefore raising questions about how green, green hydrogen really is
- The budget bears witness to an event where the government for the third consecutive time has prioritised capital investment over social safety nets.
- There is no push for decentralised solar or rooftop solar which are better options for increasing solar production without impacting on land use issues.

Budget Wrap

The budget keeps pinning its hopes on supply side solutions. From the capex push to the deregulations to the tax benefits to the rich, the government hopes to appeal to the “animal spirits” of the private sector that refuses to invest. What such policies are effectively yielding is a consolidation of the organized sector at the cost of the unorganized sector. Such steps are effectively fueling the grotesque inequality that plagues us.

This is an upside down budget that uses only rhetoric of *sabka saath sabka vishwas* to take the people for a ride in the bandwagon of *Amrit Kaal* even as the social sector spending has been falling. What we needed instead is a bottom-up model of development that would have invested on the people instead.

So, while increased spending on infrastructure is welcome, but it is crucial to determine what infrastructure. The government preferred to put money on flashy mega infrastructural projects instead of arterial, rural and social infrastructure - healthcare, education and so on, that has the potential of creating more decent jobs.

Similarly, while the Finance Minister has relied heavily on the rhetoric of “green” and “just transition”, neither its past trajectory not the present intent reflects a serious commitment to address environmental protection, livelihood of the natural resource-based communities or climate crisis.

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