



The Budget That Didn't Deliver

UNPACKING THE BUDGET 2024-25



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INTRODUCTION: WE DESERVE BETTER!

The first budget of the NDA government seem to have heavily constrained with coalition compulsions, attempt to recognise the real issues on the ground and a response to the Mandate 2024. Yet, it manage only lip service to the real issues than addressing them.

The context in which one approached this budget is significant. The economy has not recovered from the mindless demonetisation, ill-conceived GST and a reckless lockdown, breaking the backbone of informal sector which employs nearly 90% of the work force. Inflation and unemployment are at its peak as never before. Wealth inequality is fast widening. Household debt is high. Private investments are at a low with no demand in the market. Rural distress is exacerbated by a combination of factors. The alarming crisis in the farm sector, characterized by low farm incomes and mounting debt burdens among farmers, among other reasons, begs the attention of the governments for long. Climate emergency resulting in extreme weather conditions, floods and destruction is on the rise. Health and education sectors are reeling under neglect and insufficient funding.

Yet, on each of these counts, the budget failed to adequately address them.

The word rights doesn't appear once in the budget speech. The word welfare once. And the word inflation only thrice in a para at the beginning. The word temple appears more than twice the number of times the word inflation. After being in a state of denial, the word employment is mentioned 33 times. However, how an internship, whilst ill-conceived, can replace employment is unclear. As Prof Arun Kumar says, "For job creation there is need to encourage labour intensive areas as opposed to capital intensive areas. But allocation to MGNREGS has not been increased so in real terms it is going to be less than last year."

The Finance Minister in fact pats her own back on our supposedly better handling of prices at a time when the poor are feeling under dwindling income, joblessness and high prices. And most certainly the inflation crisis cannot completely be externalised.

The budget and the economic survey alludes to a banking miracle, but it carefully keeps quiet about the magic wands of write offs (Rs. 14.56 lakh crores between 2014-23) and haircuts used to achieve the so called miracle.

Continuing to appease the corporate world, after corporate tax cuts and write offs of bad loans, in addition to the tax holidays, production linked incentives and others, corporate tax on foreign companies has been reduced from 40% to 35%.

The climate commitments and our energy strategy seem to be at loggerheads and the path is being cleared for further debilitating and environmentally threatening projects. Even in the name of renewables, the strategy being worked out seems dubious an fraught with questions.

As the analysis shows, despite repeated railway accidents in recent times, resulting in many deaths of ordinary Indians and CAG's 23rd report of 2022 alluding to the requirements of Rs. 1.03 crores for track renewal, the proportion of the railway budget allocated to safety has stagnated or declined as a percentage of total expenditure since 2018-19.

Once taunted as an “ATM For U-Turn Babu” (Chandrababu Naidu) by the Prime Minister, he himself making a U-turn this time, has announced financial assistance for Polavaram project. Displacement of over 40,000 families with nearly 50% of them being adivasis, and environmental issues, loss of farmland, archaeological sites and even a wildlife sanctuary cannot be a concern to this government who would go to any extent to win-over the coalition partners to ensure their survival.

Amravati Capital City Project, from which both the World Bank and the Asian Infrastructure Investment Bank withdrew in 2019 due to large social and environmental negative impacts is now supported handsomely.

The other key coalition partner, JD(U) managed to get a large package of Rs. 59,000 crores, while a lot of other states are ignored. But nobody knows what happened to the Rs. 1.25 lakh crores announced by the Prime Minister in 2015 as a special package to Bihar.

* * *

This is a brief analysis of the budget we would like to share. We hope this will contribute to the discussions around the budget and to hold this government to account.

As the statement by New Trade Union Initiative says, “The BJP firmly believes the economy can only grow with the rich growing richer. For the rest, as the ES (Economic Survey) goes to great length to say, we must work harder, we must work longer hours, and we must give up on our overtime pay. The lack of long hours of work and the high overtime according to the BJP government are holding productivity and the economy back. The BJP believes the country’s working class, both men and women, are a fetter to economic growth. It is this BJP that is our government. We the people, deserve a better government.”

~ Team CFA



**AMDANI ATTHANNI
KHARCHA RUPAYYA:**

**EMPLOYMENT, INCOME
& PRICE RISE**



AMDANI ATTHANNI KHARCHA RUPAYYA: EMPLOYMENT, INCOME & PRICE RISE

After a decade of chanting “ease of business” the Finance Minister is now finally talking about “ease of living”, but the inflation numbers don’t seem to be making life any easy in recent future. According to CRISIL MI&A Research, the price of homemade vegetarian thali went up by seven percent in March 2024. CRISIL attributes the rise in the cost of the vegetarian thali to significant increases of 40 percent, 36 percent, and 22 percent year-on-year in the prices of onion, tomato, and potato, respectively. Wholesale inflation rose to a 15-month high of 2.61% in May from 1.26% in April as food inflation kept crawling up and rise in global metal prices added to the price of manufactured product. It is being apprehended that the rising wholesale prices will feed into retail inflation in the coming months thereby giving no respite to the poor who are already reeling under price rise. Inflation has been burning a hole in the shrinking pockets of the poor. While the wages of construction workers and agricultural workers increased by only a pittance, the cost of cereals have skyrocketed.

A glance at the Economic Survey makes one feel that the government has done quite well in taming it. But has it really? The government has also been externalizing the crisis of inflation. Even in the Economic Survey it says that “after the pandemic, the global economy experienced another set of supply chain disruptions beginning with the Russia-Ukraine war in the first half of FY23.” But a closer look will show that the parts of the problems lie closer to home. Senior economists have shown how the contribution of Food & Beverages to the increase in Consumer Price Index (CPI) rose phenomenally. By contrast, despite the European theatre of war, the contribution of Fuel and Light to the CPI over these periods in fact had fallen. So blaming “external factors” alone is far from the truth

While crude oil had become cheaper in the international market, prices in India stayed beyond the reach of the common people. Oil companies earned super profits while the burden of their huge earnings was passed on to the poor. So, clearly the price rise cannot solely be blamed upon the wars and external disturbances. What has been more disconcerting is the soaring prices in essential food items particularly vegetables. That’s the price we pay for the suspension of the practice of asking questions to the government.

The government says in the Economic Survey that “In 2023, India's inflation rate was within its target range of 2 to 6 per cent. Compared to advanced economies like the USA, Germany, and France, India had one of the lowest deviations from its inflation target in the triennial average inflation from 2021-2023.” The government has time and again suggested that countries that spent more on the people during the pandemic by undertaking fiscal expansion were the ones that saw higher inflation outcomes. While countries like India, they say, that undertook limited fiscal support saw relatively moderate inflation. This is in line with the ruling party’s contention that by desisting from showering what it called “helicopter money” on its people, it actually saved the country from high inflation. But economists have argued that the crisis in the US, for instance, have been more a result of cost push inflation than one emerging out of spending on the people. While in India overall contribution of demand drivers to inflation have in fact fallen in the post pandemic period than where it stood in 2019.

There are those who have suggested that the domination of a handful of corporates in the market has also driven inflation in India. So while inflation has been burning whatever meagre savings that was left after the pandemic pushing household savings to a historic low, the corporates have benefitted in the same period. While there has been preceding decades when inflation has been as high if not higher, what makes this period disconcerting is the stagnating wages, joblessness and distressed employment. The higher prices and the dwindling earnings creates a deep sense of despair and uncertainty in the society the ramifications of which go beyond just economics.

According to the CMIE India's workforce has remained virtually stagnant at a little over 400 million over the last 5 years, which means that employment has not increased at all. CMIE, which started an employment survey back in March 2016, shows that the unemployment rate in India was 6.64% of the labour force in December 2018. It was 5.27% in 2019 rose to 8% in 2020, and remained at 5.98% and 7.33%, respectively, in the next 2 years; and it went up still further in 2023 (around 8.1%). A nearly double youth unemployment rate says a lot about the quality of jobs people are being forced to settle for contributing to underemployment and lack of decent jobs. These run contrary to the optimism one reads in the Economic Survey.

Manufacturing began shrinking from 2016 onwards, falling to all time low of 13% of GDP in the next four years. It has also only just climbed back up to pre-Covid levels (17%). Employment in manufacturing fell as a share of total employment, from 12.8% in 2012 to 11.5% in 2018 (which is way below that of Bangladesh's 16%). It has finally managed to catch up to the 2012 level by 2022. This is what is being called the lost decade. A study published in the latest RBI Bulletin yet again attests to the shrinking share of manufacturing in employment between 2013-14 to 2021-22. The rise in self-employed in Agriculture more or less in the same time complete the story. The Economic Survey of course tries to paint even this with an optimistic twist as it suggests that the "predominance of agriculture in providing employment to nearly half of the population, especially females, is both a challenge and an opportunity." While the government looks for opportunity in agro-business etc, the reality is that under-employed workers in agriculture in 2023 constituted 46% of the workforce and contributed only 15% of India's GDP. So, the FM's claim of they utilizing and monetizing their skills seems rather wishful.

The Economic Survey acknowledges that "gender-wise, it is the female workforce, which is shifting to self-employment, while the male workforce's share has been stable. This is evident in the sharp rise in female LFPR in the past six years, driven by rural women joining agriculture and related activities." Economists have pointed out with alarm that female LFPR has risen since 2019 due to a distress-led increase in self-employment. Before Covid, 50% of women were self-employed. After Covid this rose to 60%. Also earnings from self-employment declined in real terms over this period. Economists in the Conference on Finance and Economy in India discussed how more than 50% of women are selfemployed, of whom half are employed in unpaid family work or working in family farms. Most of is distress driven unpaid jobs that do not build empowerment. Aware of this obvious explanation, the Economic Survey however does a speculative exercise in which even this bleak picture appears like an "opportunity". It says this could be due to increased agricultural productivity as piped water and gas has "freed up" their time. It provides no substantiation for such hypothetical exercise, but that is enough for it to refute concerns around distress employment.

At a time when unemployment rate has reached a staggering 42% among graduates under 25 years old and lakhs are clamouring for a few hundred government vacancies in the middle of paper leaks and botched examinations, it is rather disappointing that the budget had nothing much to offer beyond wishful promise and hot-air balloons.

The FM speaks incentivizing job creation in the Manufacturing sector

While incentivizing employers towards registering in EPFO generally sounds like a good idea, but it is not one that guarantees job creation in manufacturing which has been going through a structural slump over the decade. There is no thought spared by the FM to address fundamentals like the skewed consumption demand towards the top 5% elite. The fact that SUV car sales are on a higher curve than two wheelers, or the fact that luxury items are seeing higher demand than regular consumer durables all point towards a suppressed demand which needs to be addressed.

The FM also speaks of direct benefit transfer of one-month salary to first-time employees registered in the EPFO

Of the 5 schemes proposed by the Finance Minister in the budget 3 have to do with the government in one way or another subsidising the employers' contribution to EPFO. "Employee Provident Fund is a crucial pillar of social security, the falling numbers there are of real concerns and formalisation of labour force and therefore any intervention to enhance it is welcome. But it in itself incentivising employers to create more jobs and hire at a vastly enhanced scale is far-fetched", says Kinjal Sampat of IIHS who works in the conjunction of formality and informality of the Indian workforce. Precedents in the textile sector, she says, have also shown us this. It cannot be a standin for a scheme that generates jobs at scale as is the need of the moment. "

The FM talks of providing internship opportunities in 500 top companies to 1 crore youth in 5 years

It is an idea that seems to be lifted from the Congress manifesto of the 2024 loksabha elections. It may appear to be a good idea in conjunction with fundamental rethinking in the economy to reboot the jobs, but without it, it seems like just a gimmick. Also the idea of making the companies pay for it from their CSR funds is dubious to say the least. It would practically allow companies to use the CSR funds for their own business and make way for them to spend it on themselves in the name of "training".



**ARE OUR ENERGY PLANS AND
CLIMATE COMMITMENTS AT
LOGGERHEADS?**

ARE OUR ENERGY PLANS AND CLIMATE COMMITMENTS AT LOGGERHEADS?

Chapters 6 and 13 of the Economic Survey suggest that the current approach to managing the climate crises is flawed since developed countries are part of the problem and developing countries which did not create the problem are paying a price for the on-going climate crises. While the global inequities are crucial to acknowledge such that the developed countries are made to pay towards mitigation and adaptation but to extend the logic to invisibilise the share of our own super rich would also be a travesty. According to a report released in 2021, “the top 20% of high-expenditure households in India are responsible for causing seven times the greenhouse emissions traceable to the poor who spend less than USD 1.9 (INR 140) a day”. It is important to address inequalities in energy use as India develops a response to the climate crisis.

The economic Survey mentions the world response towards climate change has ignored the ‘trade-offs’. It uses the examples of western countries pushing back on their own timelines for energy transition as a justification for India to also push on timelines for coal phase out. While India has not internationally committed to a phase out of coal-based electricity generation, in the last couple of years the policy push seems to be clearly on increasing installed capacity of coal generation. This is being justified as necessary for an increase in renewable energy capacity. Similarly, nuclear power and pumped hydro are being pushed in a big way in both the economic survey and the budget as necessary measures for energy transition and increasing renewable energy production.

Chapter 6 quotes from an expert such as Vaclav Smith about how the climate crisis cannot be managed without lowering energy consumption, which is the most effective solution. Despite this, the chapter does not touch on any plans for reducing energy consumption. There is some mention of energy efficiency measure, especially in the hard to abate sectors such as steel and cement, however, there is overall a not much emphasis on lower consumption.

Finally, Chapter 13 of the Economic Survey titled ‘Climate Change and India: Why we must look at the problem through our lens’ tries to make an argument that there is an India-lens to the climate crises. However, about 19 of the 29 pages are dedicated to chastising the west for their choices. In the pretext of offering an Indian perspective to the climate crises, the last 10 pages perpetuate an upper caste and upper class narrative. Caste and patriarchy find center space in the name of the climate crises in the form of patronising advice to move away from meat based diets by suggesting “It’s time that the world adopted this Golden Principle of sustainable ingestion - eat local, eat fresh, eat sustainable: more plant-based diet...”, incentivising joint families through “fiscal incentives for large households rather than single or two-person households, indirectly nudge societies to favour sustainable choices” and offering examples of traditional housing with “a central courtyard that allowed for ventilation, natural lighting and cooling, and more co-habitation...”. The lives and realities of dalit and other oppressed communities who have historically struggled for food and a roof over their heads does not seem to be considered as the ‘Indian’ way of life. The fundamental issue with this chapter however is the call for “Individual action is the core of Climate Responsibility”, allowing for large corporations to go scott-free so that they can continue to pollute, emit and make profit.

Conventional Electricity Generation continues to increase

In line with the government's policies of the last few years, the budget continues to support coal-based power plants and other uses of coal.

The finance minister announced the development of indigenous technology for Advanced Ultra Super Critical (AUSC) thermal power plants, which claim to have much higher efficiency. A joint venture between NTPC and BHEL has been proposed to set up a full scale 800 MW commercial plant using AUSC technology.

The budget has continued to allocate approximately the same amount towards the ministry of coal and coal-based public enterprises. However, the budget allocation for the Ministry of Power has steadily increased. Most of this increase in budget is allocated towards strengthening electricity infrastructure at transmission and distribution.

To quote from the economic survey released before the budget, "While phasing in renewables to the extent possible is imperative, in the short to medium term, the focus should also be on actively adopting clean coal technologies". This is what has been seen in practice as well. The government recently announced up to 80GW of new thermal power plants will be commissioned in the next by 2030-31. In terms of installed capacity, coal based electricity generation provides 49.1% of installed capacity but accounts for 76.12% of the electricity generation and 55.74% of total energy mix.

Since signing the Paris Agreement on Climate Change in 2016, India has continued to increase its coal generation capacity in both public and private sector.

Thermal Power Plants (TPP) greater than 1GW	Number of TPP commissioned	Capacity in GW
Public sector	26	43.544
Private sector	10	15.1

While claiming that clean coal technology will lead to energy transition, the government is promoting more coal-based electricity generation. In addition to using coal for electricity generation, the economic survey also mentions that the government is promoting other uses of coal such as the Coal Gasification Mission, extraction of Coal Bed Methane gases, exploring Coal to Hydrogen, Carbon Capture and Storage (CCS), and Coal beneficiation through washeries, etc. under the garb of mitigating emissions and enhancing environmental sustainability.

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Financing and plans for decommissioning coal-based power including support to coal-dependent communities is a glaring miss in the budget.

Renewable Energy and Support for Renewable Energy

- **Doubling the budget for Solar**

In line with announcements of the past year, the allocation of budget to Ministry of New and Renewable Energy has more than doubled from last two years.

The budget for MNRE has increased to 17,553 crores this year from the 7,000 odd crores that has been the budget for the ministry in the last couple of years. Similarly the budget for public enterprises such as IREDA (Indian Renewable Energy Development Agency) and SECI (Solar Energy Corporation of India). Majority of this increase is accounted by two line items in the budget - Grid Connected solar and PM Surya Ghar Muft Bijili Yojana. Both these items together receive a funding of Re 14,750 Crores which is an increase from Re 4757 Crores. Similarly, budget allocation to IREDA and SECI has increased from Re 18248 Crores to Re 30715 Crores in the last two years.

The finance minister announced the grand success of PM Surya Ghar Yojana. She said, "The scheme has generated remarkable response with more than 1.28 crore registrations and 14 lakh applications". While there has been a lot of interest in the scheme, there isn't a clear path to implementation. Large scale grid connected solar continues to receive allocations in budget despite issues with land availability, the impact on biodiversity, and water crisis. For example consider the table below on estimated land usage for solar by 2050 in India.

Table: Estimated land usage for Solar by 2050 in India

Report	2050 Generation (TWh)			2050 Capacity (GW)		2050 Land Use (km ²)	
	Total	Solar	Wind	Solar	Wind	Solar	Wind (Direct)
TERI/Shell ^{34 d}	10,934	3,909	3,930	2,300	1,680	44,163-57,504	3,865-5,041
CEEW ^{35 36 e}	10,602	6,336	2,464	3,728	1,053	71,580-93,204	2,423-3,160

A recent study estimated the various penetration levels of solar energy in India by 2050, ranging from 30% to 78%; at an average of about 53%. After modelling these scenarios, the study finds that solar could occupy 0.3% - 1.4% of India's total land (30,000 - 41,000 sq km). Additionally, reaching grid connected solar targets could clear 27-30 hectares of forest for every 100 hectares of solar land, which is nearly 8100 - 12300 sq km.

- **Critical Minerals Mission: a worrisome path for Renewable Energy growth in India**

The Finance minister announced the plan to set up a critical minerals mission in this financial year. The government also has plans to auction blocks of offshore mining for minerals.

While the exact amount has not been detailed in the budget, critical minerals mission was a significant part of the Ms Nirmala Sitharaman's budget speech. In addition to the announcement of the critical minerals mission, the finance minister also exempting customs duty for critical minerals. Additionally, the government also plans to auction block for offshore mining of critical minerals.

Minerals such as lithium, copper, cobalt, and other rare earth elements, are critical for energy transition as they are used in renewable energy installations. However, these are also very difficult to reuse or recycle and are difficult to sustainable dispose. As renewable energy grows,

critical mineral waste management is going to become a huge issue. Additionally, mining of critical minerals is an environmental hazard. They are heavily polluting and water intensive to mine. For the government to announce offshore mining blocks for critical minerals without considering the environmental damage it can cause shows that the interest is not in a just energy transition but in making profit out of renewable energy. While the finance minister made two announcements on critical minerals, there was no talk of issues with recycling and disposal of these minerals. Regulation regarding disposal and recycling of critical mineral waste at the end of the lifecycle of solar and wind plants has not been considered.

- **Support for RE: Small Nuclear and Pumped Storage**

The finance minister announced two new schemes for technologies that will help with the intermittency of renewable electricity production. The first is pumped storage, which is a small hydro generation facility with two reservoirs at two different elevations. When the power is surplus, it will be used to pump water from the lower reservoir to the higher reservoir for “storage”. When power is needed to be generated, such as when RE is unable to produce electricity, water from the higher reservoir is used to generate electricity.

Ms Nirmala Sitharaman said “A policy for promoting pumped storage projects will be brought out for electricity storage and facilitating smooth integration of the growing share of renewable energy with its variable & intermittent nature in the overall energy mix”. The Ministry of Power came out with draft guidelines on pumped hydro storage projects in March last year to generate over 18 gigawatts (GW) of electricity to bring stability to grids and meet the peak power demand by 2032. The guideline claim that India has a pumped storage potential of 103 GW, and nearly 56 such projects have been identified for commissioning in the next few years. Research suggests that the land requirement for a pumped storage plant is about 12 hectares per GWh of electricity production. Additionally, as with any hydro, there is the problem of land surrounding the reservoirs being flooded due to the operation of this plant.

The second scheme announced in the budget speech is on small nuclear reactors. The finance minister said, “Nuclear energy is expected to form a very significant part of the energy mix for Viksit Bharat. Towards that pursuit, our government will partner with the private sector for (1) setting up Bharat Small Reactors, (2) research & development of Bharat Small Modular Reactor, and (3) research & development of newer technologies for nuclear energy. The R&D funding announced in the interim budget will be made available for this sector”. Chapter 6 of the economic survey insists that Nuclear power is clean power. This is a plan that could be quite dangerous, as the issues with handling and disposal of nuclear fuel is well known. Having a number of small nuclear reactors spread across the country will only make the problem of nuclear waste larger and much harder to manage. Another issue that has been identified in France where the small nuclear reactors have been tried out is that the micro-reactors would need more enriched uranium than the traditional nuclear power plant.

Budget 2024: Oil and gas sector at crossroads with climate goals

- Budgetary allocations to the petroleum sector

Allocation to public enterprises forms 79% of the total budget of the Ministry of Petroleum and Natural Gas. 99.24% of these allocations are from Internal and Extra Budgetary Resources (IBER). This allocation includes budgets for the following sectors: (i) exploration and production, (ii) refining and marketing, (iii) Petrochemical, (iv) engineering and, (v) capital infusion. The table below shows the difference in allocations to Central Public Sector Enterprises (CPSE) as compared to the previous budget and the percentage allocated from the total budget of the current sub-section in 2024:

Sr. No.	Sector and Company	Percentage difference between previous year's budget	Percentage allocation of the total sub-section 'budget
Exploration and Production Sector		7.75	42.2
1	Oil and Natural Gas Corporation	2.24	25.80
2	Gas Authority of India Limited	-18.60	4.09
3	Bharat Petroleum Corporation Limited	-15.25	1.68
4	Indian Oil Corporation Limited	63.38	0.20
5	Oil India Limited	40.52	5.76
6	Oil and Natural Gas Corporation Videsh Limited	72.81	4.67
Refinery and Marketing Sector		7.89	48.12
7	Indian Oil Corporation Limited	6.34	22.93
8	Hindustan Petroleum Corporation Limited	5.48	9.02
9	Bharat Petroleum Corporation Limited	26.05	7.54
10	Chennai Petroleum Corporation Limited	-8.58	0.42
11	Numaligarh Refinery Limited	2.23	7.53
12	Mangalore Refineries and Petrochemicals Limited	0.00	0.69
Petrochemical Sector		60.61	9.09
13	Indian Oil Corporation Limited	-26.83	2.76
14	Gas Authority of India Limited	80.71	2.64
15	Bharat Petroleum Corporation	300.00	1.68
19	Hindustan Petroleum Corporation Limited	100.00	1.45
20	Numaligarh Refinery Limited	100.00	0.56
Engineering Sector		-34.78	0.08
16	Balmer Lawrie and Company Limited	0.00	0.03
17	Engineers India Limited	-48.98	0.04
Capital Infusion		-97.91	0.53
18	Capital Support to Oil Marketing Companies	-100.00	0.00
21	Indian Strategic Petroleum Reserve Limited	100.00	0.53
Total		-12.78	100.00

In the Exploration and Production Sector, IOCL, OIL and OVL are clearly the biggest gainers this year. This is in line with the intention of the government to increase oil exploration in India and recent announcements to the same. It is also aligned with recent announcements of OVL's bidding of off-shore oil blocks in Bangladesh, acquisition of Norwegian firm Equinor's stake in an Azerbaijan oilfield and an associated pipeline for \$60 million etc. ONGC continues to be a significant recipient of allocations to support its intention of exploration for oil and gas in the existing Krishna Godavari basin and other uncharted areas including the Mahanadi, Andaman Sea, Bengal, and Kerala-Konkan belt. According to the Minister of Petroleum and Natural Gas, the government intends to increase the sedimentary basin under exploration from the current 10% to 16% in 2024. Important to note is that much of the regions intended for exploration are eco-sensitive regions like in the case of the Andaman sea and the Kerala-Konkan belt which also forms the Western Ghats.

In the Refining and Marketing Sector, BPCL has seen a significant increase from last year's allocations. Recently, there was news that the Prime Minister had granted Rs. 60,000 crore to set up BPCL's refinery in Andhra Pradesh.

The biggest increase in budget allocation in 2024 - 25 in the Petroleum sector has been to petrochemicals, which saw a 60% jump from the previous year's allocation. While the total allocation forms only 9% of current year's sub-section budget, it is important to note that 80% of existing refineries are integrated to process crude oil for petrol /diesel and for petrochemicals and that all new refineries are similarly planned. The petrochemical industry in India is seeing massive expansion since the government has made its intention clear to contribute 10% of incremental global demand.

- **The petrochemical industry's contribution to the climate crises**

As we can see from the above, the petrochemical industry is receiving impetus through budgetary allocations and policy imperatives. According to the International Energy Agency, emissions from the chemical and petrochemical amounts to around 1.5 GtCO₂, which is 18% of all industrial-sector CO₂ emissions, or 5% of total combustion-related CO₂ emissions. While industry argues that this sector emits less compared to steel and cement, what is overlooked is that the carbon contained in chemical feedstocks is mostly locked into final products (such as plastics), and is released only when the products are disposed of or burned. A recent study by the Lawrence Berkeley National Laboratory (LBNL), on the issue of production of primary polymers (a significant group of petrochemicals), concluded that, "Under a conservative growth scenario (2.5%/yr), GHG emissions from primary plastic production would more than double to 4.75 GtCO₂e by 2050, accounting for 21-26% of the remaining global carbon budget to keep average temperature increases below 1.5°C. At 4%/yr growth, emissions from primary plastic production would increase more than three times to 6.78 GtCO₂e, accounting for 25-31% of the remaining global carbon budget for limiting global warming to 1.5°C."

A recurring theme in this Chapter 13 is to arrest overconsumption and revert to sustainable materials and practices like using reusable bags instead of plastic bags, plant based plates instead of plastic plates in the case of use and throw purposes, metal water bottles which can be refilled instead of single use plastic bottles etc. 99% of plastics are made from polymers produced by refining fossil fuels. In India plastics are largely made from oil with gas forming not more than 6-7%. While the Chapter pitches reuse and refill mechanisms, the petrochemical and plastics policy adopted in India takes the country on a completely different and unsustainable path. For e.g., according to a FICCI report, 59% of total plastics consumed in India is towards packaging (42% flexible and 17% rigid packaging), which are basically single use plastics! While the Plastic Waste

RIL which is one of the biggest players in the crude oil to chemical business in India, has historically lobbied for anti dumping duties on products they have a near monopoly on. The Union Budget 2024 has not let the company down, by ensuring that BCD on PVC ensures that their market is secure. On the other hand, the government refuses to regulate the use of PVC despite it being one of the most toxic and hazardous kinds of plastic in use!

According to the LBNL study mentioned above, globally, PVC production contributes to 10% of all plastic related emissions. Rather than disincentivising import of PVC, what is needed is regulation to ensure production and consumption reduction of PVC due to the toxic and hazardous nature of the substance.

Taking the lifecycle of plastics further, is the concern of how plastic waste is managed. The budget proposes that "In partnership with the State Governments and Multilateral Development Banks we will promote water supply, sewage treatment and solid waste management projects and services for 100 large cities through bankable projects." While we admit that solid waste management goes beyond plastic waste, our concern is the current trend of favouring plastic waste incineration as a preferred way of its management. Waste to energy (WTE) incineration plants are designed to burn municipal solid waste and generate electricity. Incineration releases major pollutants into the atmosphere such as dioxins, furans, lead, carbon monoxide, oxides of sulphur and nitrogen, hydrocarbons, and particulates. Asian Development Bank and Japan Bank for International Cooperation are two known supporters of WTE incineration as a form of waste management. Policy directives such as the one made during the budget speech, on waste management, do not only lead to budgetary allocations but also embolden private firms to reach out to International Financial Institutions for investments like in the case of Abellon which has applied to the International Financial Corporation for a loan for 4 WTE plants that they intend to set up in Gujarat.

Petrochemicals: The oil and gas industry's plan B

It has been evident globally that the shift to renewable energy and electric vehicles would not simply shut down the oil and gas industry. The crude oil to chemical business was always the industry's Plan B. The duplicity of the government is in the way it sells this to affected communities. Since the refineries are integrated, the idea is sold to people as being necessary for energy security of the country. Other tropes like 'Green Refinery' (the hope is that the energy that will be used to power the refineries will come from supposedly green sources) are used to way-lay people. The budget this year has made it crystal clear that India intends to scale up its petrochemical production and get on to the Plan B bandwagon rather than be responsible and allocate resources for the system change need to shift to alternate materials to replace polymers and to put in place, reuse and refill mechanism as a means to put an end to the unsustainable use-and-throw economy that is currently prevailing.

CORROSIVE CORRIDORS: INTERROGATING THE INFRASTRUCTURE CLAIMS



CORROSIVE CORRIDORS: INTERROGATING THE INFRASTRUCTURE CLAIMS

As noted in the economic survey, capital expenditure for the financial year 2023-24 has seen an impressive nearly threefold increase. The survey proudly highlights that: "The burgeoning public investment has been complemented by a host of institutional and procedural reforms that have facilitated project execution and timely issue resolutions."

However, what the survey fails to address are the observations made by the Ministry of Statistics and Programme Implementation (MoSPI) as of December 2023. Out of 1,843 infrastructure projects, 449 are facing cost overruns and 779 are experiencing delays.

In both the Economic Survey, and Budget Speech the role of private players in the development of infrastructures was emphasized upon. But these developments reflect a broader structural shift towards greater private sector involvement in infrastructure, often raising concerns about wealth extraction at the expense of human lives and the environment. Interestingly, the economic survey points out that delays in forest and environmental clearances are a significant bottleneck for roadways development, even as the NDA regime's wholesale granting of environmental clearances has drawn criticism from civil society activists.

Roads to Riches (for a Few) The economic survey emphasizes the significant increase in capital expenditure on roadways and railways, which rose from 36.4% to 42.9% between FY21 and FY24. In the roadways sector, the private sector has played a crucial role. Government and public sector capital investment in roadways increased from 0.4% of GDP in FY 2015 to about 1% of GDP in FY 2024. A favorable policy environment, including public-private partnerships (PPPs) and asset monetization, has attracted substantial private investment in this sector. For example, toll charges have increased by 3-5% starting June 3, 2024, and toll collections surged to ₹540 billion in FY 2022/23 from ₹252 billion in FY 2018/19.

Derailed Dreams: India's Railway Reality The survey also boasts a 77% increase in capital expenditure on railways from FY 21 to FY 24, focusing on new lines, gauge conversions, and doubling of tracks. However, it fails to address the critical issues of common passengers such as seating and railway safety. The Balasore incident revealed that the railway tracks are overstressed, with 4,500 kilometers requiring annual renewal and a backlog of 10,000 kilometers needing urgent attention. Since Balasore, there have been two additional railway accidents, raising the total number of accidents under the NDA regime to nine over ten years (2014-2024). Despite this, the Ministry continues to prioritize speed over safety. A December 2022 CAG report revealed that funds from the Rashtriya Rail Sanraksha Kosh (RRSK)—a fund established in 2017 to improve railway safety—were misallocated for non-essential items like foot massagers, crockery, and furniture. Several reports have pointed out troubles faced by common passengers while traveling due to lack of general or sleeper coaches.

Moreover, while the survey praises the introduction of 51 pairs of Vande Bharat trains by March 2024, it neglects the deteriorating condition of local passenger trains. Between 2012 and 2022, there was a notable shift in coach composition. The percentage of air-conditioned coaches increased from 14.54% to 23.80%, while the proportion of general coaches declined from 49.81% to 43.31%.

Sagarmala or Sagarmalaise?

The economic survey upholds the role of public-private partnerships in enhancing India's maritime competitiveness. It reports a 27% increase in union capital expenditure for the ports, shipping, and waterways sector between FY 23 and FY 24. Under the Sagarmala national program, launched in 2015, port-led development aims to propel the Indian economy to a \$10 trillion target by 2032. However, there is significant criticism regarding how the port-led development model often overlooks the concerns of coastal communities. Issues such as the loss of coastal commons, biodiversity, and livelihoods are frequently ignored.

Despite plans to encourage competitive markets through private investments, several port projects have been operationalised by a single entity. From managing just one major port, Mundra, in 2001, the Adani Group has grown to operate 14 ports and terminals, controlling a quarter of all cargo passing through India's ports. Over the past decade, the Adani Group's market share in the port sector has increased from 9% to 24%, at the expense of Central government-controlled major ports.

Falling From Grace: India's Airport Woes. Despite a hefty ₹72,000 crore investment in airport infrastructure over the past five years - ₹23,000 crore by the government and ₹49,000 crore by private players - India's airport landscape is marred by quality concerns. The government's ambitious target of spending ₹26,000 crore on airport development from FY20 to FY25 appears to have yielded questionable results. Recent collapses at Delhi, Guwahati, Jabalpur, and Port Blair airports raise serious doubts about the construction standards employed by private operators, casting a shadow over the sector's growth and passenger safety. Several airports have seen increase in user charges and passenger fees.

Corridors of Appeasement: Nitish Naidu's Industrial Playground

The government's grand vision of 11 industrial corridors across India appears to be nothing more than empty rhetoric. While almost a dozen corridors were touted in the survey with much fanfare, the budget spotlights a mere three. The conspicuous absence of the remaining nine corridors exposes the government's selective approach to infrastructure, driven by political expediency rather than economic strategy.

Moreover, the budget's silence on the critical issues of urbanization, land acquisition, and rehabilitation is a glaring omission. As the cases of Chennai Bengaluru Industrial Corridor, Delhi Mumbai Industrial corridor suggests, industrial corridors inevitably lead to rapid urbanization, placing immense strain on resources and environment. The government's failure to address these challenges suggests a reckless disregard for the potential consequences of its industrialization push. By neglecting to allocate funds for land acquisition and rehabilitation, the government demonstrates a callous indifference to the plight of those displaced by its development agenda.

The rapid pace of infrastructure development that the country is witnessing has raised severe issues from the social and environmental perspective. From land acquisition to universal access of public services like railways to the environmental safeguards, these need to be applied to the projects not just in letter but also in spirit.

Smart Cities Mission: From Vision to Mirage

The Smart Cities Mission, once touted as a beacon of urban development, is rapidly transforming into a glaring example of governmental neglect and misplaced priorities. A staggering 75% budget cut from a whopping ₹8653 crores in 2022-23 to a paltry ₹2400 crores in 2024-25 is not merely a reduction. This implies a situation in which projects receiving substantial public investment are suddenly terminated without any accountability measures in place. There is no discussion as to why was so much public investment being made in the first place, what was achieved or why was it dropped.

Experts had already raised concerns about the feasibility of transforming entire cities with the allocated funds. This drastic cut exposes the government's cavalier attitude when it comes to accountability of public money. It's a cruel joke to dangle the carrot of smart cities before the nation, only to snatch it away at the first sign of financial strain.

The specter of political patronage looms large over the dwindling resources. With the Telugu Desam Party still wielding influence, there's a real risk that the lion's share of the remaining funds will be diverted to Chandrababu Naidu's controversial Amravati project. This vanity project, stalled due to environmental risks and financial hurdles, is hardly deserving of such a lifeline. The World Bank's withdrawal from the project due to the project's non-compliance with environmental regulations should serve as a stark warning.

In a nutshell, the Smart Cities Mission has been transformed from a visionary endeavor into a political football, kicked around for electoral gains and personal ambitions. The citizens of India, who were promised modern, efficient, and sustainable cities, are the ultimate losers in this sordid spectacle.

DEBIT-CREDIT-FAKE IT: BANKING, FINANCE & LOANS



DEBIT-CREDIT-FAKE IT: **BANKING, FINANCE & LOANS**

Among many stories the Economic Survey tells is the one of banking success. And similar to the other stories, it invites the reader to read between the lines and sometimes outside the plot, to understand its lesson and value.

The survey contains a reiteration of the government's celebratory pitch on banking, weaved around the supposed 'turnaround' as a consequence of a decline in NPA's, rise in bank profits, recoveries of bad debts through the insolvency process, increase in coverage of banking services and account holders.

These claims bear questioning from the standpoint of whether, to what extent, to whose benefit and at what cost have the transformations taken place. Even though the budget shirks from making big pronouncements with respect to banking, the few claims made in the economic survey point to the government's intention to continue with its policies as regards the sector.

The untold story in the Economic Survey is that of massive debt write-offs, haircuts borne by banks to the benefit of corporates, credit access of small enterprises shrinking over time, millions of depositors getting low interest rates on their savings, and public sector banks burdened with abysmal employee to customer ratios despite serving far more people.

- A key "achievement" is the sustained double-digit growth in bank credit, complemented by a significant reduction in gross and net non-performing assets, which have reached multi-year lows. This improvement in asset quality is attributed to better borrower selection, effective debt recovery, and increased debt awareness among large borrowers. The Gross Non-Performing Assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) fell to a 12-year low of 2.8% by the end of March 2024.

But at what cost? Over the last decade, the government has written off around Rs 14.5 lakh crore since it assumed power in 2014, with Rs 2.09 lakh crore wiped out in FY23 alone. Total write-offs by public sector banks and private sector banks in the 2021-'22 financial year stands at Rs 1,72,800 crore, which is much higher than the amount allocated to NREAGA, Health and Education in 2023-'24.

Thus, from 2016-17 to 2020-21, the government had to infuse more than Rs 3 lakh crore in public sector banks in order to maintain mandated minimum capital. That amount could have been used on education, health and social welfare. The story doesn't end here.

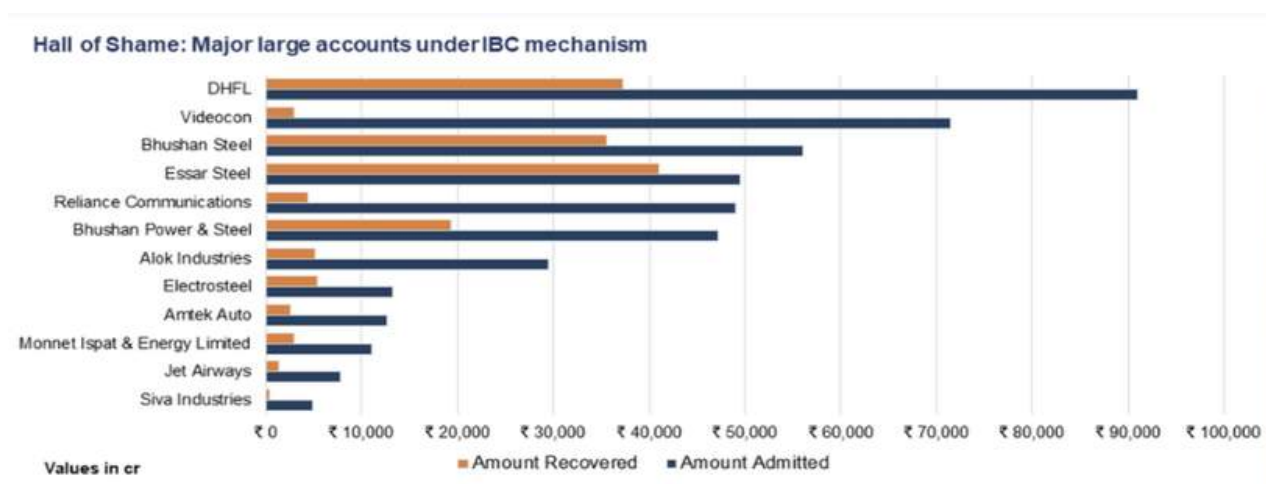
- The Economic Survey claims that the Insolvency and Bankruptcy Code (IBC) in 2016, has revolutionized the insolvency resolution process. Congratulating itself, the FM said in her budget speech, "The IBC has resolved more than 1,000 companies, resulting in direct recovery of over ` 3.3 lakh crore to creditors. In addition, 28,000 cases involving over ` 10 lakh crore have been disposed of, even prior to admission." Promising to make the process more transparent, and adding more tribunals the government looks set to repose even more faith in the IBC regime.

But is that correct? Doesn't the IBC regime require a fundamental rethinking?

Regarding haircuts, banks took a loss of around Rs 69 for every Rs 100 admitted in every insolvency and bankruptcy case. Despite this, the government has touted the mechanism as remarkable progress in the present economic survey.

Data from the quarterly newsletter released by the Insolvency and Bankruptcy Board of India (IBBI) shows that the percentage of realisation of admitted claims under IBC has decreased from 54% in FY18 to 32% in FY24. In 2018, the RBI referred 12 large corporate accounts to IBC for resolution, highlighting concerns about significant NPAs in these accounts, which have been resolved with an average haircut of around 46%.

The analysis by FAN India reveals that the total haircut offered to these 12 large corporate accounts under IBC amounts to Rs 2.84 lakh crore. This figure is significantly greater than the combined allocation of Rs 2.13 lakh crore for agriculture and farmer's welfare and MGNREGS in the interim budget estimates for 2024-25. If this written-off amount had been recovered, the allocation for these sectors could have been doubled.



- India's budget has introduced several key initiatives to support the banking sector, particularly aimed at assisting Micro, Small, and Medium Enterprises (MSMEs) during periods of financial stress. A new mechanism will facilitate the continuation of bank credit to MSMEs when they are in the 'special mention account' (SMA) stage due to circumstances beyond their control. This will help them maintain operations and avoid slipping into the non-performing assets (NPA) stage. Credit availability in such cases will be backed by a guarantee from a government-promoted fund. To further support MSMEs, a new credit guarantee scheme will be launched to facilitate term loans for purchasing machinery and equipment without requiring collateral or third-party guarantees. This scheme will pool credit risks among MSMEs, and a self-financing guarantee fund will provide guarantee coverage of up to ₹100 crore for each applicant. Borrowers will be required to pay an upfront guarantee fee and an annual guarantee fee based on the reducing loan balance.

Additionally, the budget has announced an enhancement in the limit for Mudra loans. The limit will be increased from the current ₹10 lakh to ₹20 lakh for entrepreneurs who have previously availed and successfully repaid their loans.

Context: The NPAs caused by the ultra rich harms the chances of credits available for the poor. The losses incurred by banks due to the high NPAs adversely affects credit disbursement capacity of banks. The public sector banks registered a sharp decline in their share in total credit disbursement of scheduled commercial banks during this period. PSBs could meet a lower proportion of the credit requirement of the MSMEs during the period of rising NPAs.

K.E. Raghunathan, National Chairman of Association of Indian Entrepreneurs, said that the, 'The measures planned will not take us to fulfill the objectives of creating ' informal employment ' or ' Revival of MSMEs '. 'Budget is only lip service for the MSME sector. Those who are unemployed. Those who are poor will remain poor after the budget,' he added. Raghunathan drew attention to the fact that loan during stress is available only to those who have already taken a loan. Thus, this measure does not help the bulk of the MSME's who are in need of credit. To support MSMEs, the government should have thought of a way to make affordable raw materials and machines needed in MSMEs, said K.E. Raghunathan. The National Chairman of the AIE, said that more than 90% jobs exist in the MSME sector, that is why the sector needed much more support. Even the apprenticeship scheme announced by the government in the budget is restricted to top 500 companies and excludes MSMEs.

- The Economic Survey highlights that the Bank credit growth continued its upward trajectory in FY24, with a notable 20.2% increase, bringing the total credit disbursal by SCBs to ₹164.3 lakh crore by March 2024, compared to 15% growth in the previous year. Additionally, lending by non-banking financial companies (NBFCs) surged, driven by personal loans and loans to the industry.

Context: Non-Banking Financial Companies (NBFCs) have become a significant component of the Indian financial landscape. While they claim to offer an alternative to traditional banks, and are often preferred for their easier loan disbursement criteria, the bloodsucking and exorbitant interests they are charging from the common people has forced even the RBI to raise eyebrows even though it has allowed these NBFCs to proliferate in recent years.

Why co-lending models have failed?

Unfortunately, several public sector banks, including Punjab National Bank (PNB), Central Bank of India (CBI), Bank of India (BOI), and Bank of Baroda (BOB), have entered into co-lending agreements with NBFCs. As on March 2024 there outstanding to SCBs is Rs 16.58 lakh crores and the share of Bank Credit in their fund mobilisation is 55.1%. But they have very limited staff and reach because of which they have not been able to increase farm and MSME credit.

Do NBFCs really benefit the small industry and rural poor?

According to reports, a loan repayment crisis has emerged in rural India due to sluggish economic recovery, weak consumer spending, and high-interest rates imposed by Non-Banking Financial Institutions (NBFIs). The decline in tractor and two-wheeler sales indicates reduced rural consumption, while unpredictable monsoon patterns have further heightened uncertainties. Over time, rural borrowers have increasingly depended on NBFIs, which charge high-interest rates. Unlike public sector banks that focus on priority sector lending, NBFIs prioritise profit and quickly become cautious at the first signs of financial trouble. This situation underscores the urgent need to reassess the promotion of NBFIs over traditional bank branches. Additionally, lenders have identified micro, small, and medium enterprises (MSMEs) as another sector severely affected by current uncertainties.

Are NBFCs Extracting Larger Interests from Borrowers?

Non-Banking Financial Companies (NBFCs) could endanger borrower welfare unless regulatory scrutiny is increased. Recent data from the RBI shows that bank lending to NBFCs surged by 15%, reaching Rs 15.5 lakh crore in April 2024, up from Rs 13.5 lakh crore the previous year. Public Sector Banks (PSBs) have been required to increase their lending to NBFCs despite the high default rates seen in these companies. Typically, NBFCs secure loans from PSBs at an interest rate of about 10%, but they lend these funds at rates of 24% or higher.

The Centre for Advanced Financial Research and Learning (CAFRAL), an institution set up by the RBI, has raised alarms about the rising bank financing of non-banking finance companies. They have also issued a warning about the numerous fake or illegal lending apps available, which masquerade as legitimate services but collect data that can be misused. The practice of predatory lending, which includes charging exorbitant interest rates, employing harsh recovery tactics, and engaging in deceptive practices, can severely impact borrower welfare. This is particularly concerning for disadvantaged households, who are increasingly becoming targets of digital lending.



OLD TRICKS OF THE NEW WELFARE APPROACH:

STATUS OF SOCIAL SECTOR SPENDING



OLD TRICKS OF THE NEW WELFARE APPROACH: STATUS OF SOCIAL SECTOR SPENDING

The Economic Survey of India paints a rosy picture of welfare, suggesting that India is a successful welfare state. However, the reality is quite the opposite. Renaming schemes with the prefix "PM" does not ensure access, proper implementation, or uphold the sanctity of Article 21, which guarantees every citizen the right to live with dignity. The survey claims that the definition of welfare has evolved over the past decade and that the "new welfare approach" emphasizes transforming the implementation and effectiveness of government programs to increase the impact per rupee spent. This strategy subtly shifts the narrative to suggest that financial expenditure alone is inadequate, thus justifying cuts under the guise of enhancing efficiency.

While the government touts cost-effectiveness and targeted programs for the poor, it conveniently overlooks these principles when it comes to financial relief for the wealthy. Write-offs, hair cuts and tax breaks for large corporations are rarely scrutinized for their cost-effectiveness, highlighting a stark double standard. This selective emphasis reveals a troubling bias: economic support for the rich is seen as an investment, while similar support for the poor is frowned upon.

Moreover, the language used to describe welfare initiatives further marginalizes the poor. Terms like "free rations" reduce essential socio-economic rights to mere handouts, ignoring the fundamental right to food. This is particularly egregious given that these provisions fall under the right to food, a critical component of social justice. The laborers who have contributed to the economy throughout their lives find themselves unsupported in their old age, as the safety nets they rely on are systematically dismantled.

The "new welfare approach" thereby is just old neoliberal tools repackaged which turn citizens into beneficiaries instead of rights holders. Because only when you treat your citizens as "Ibharthis", or "recipients" or beneficiaries" do you end up doing cost-benefit analysis. It reeks of the regime's disdain for the rights based approach. The poor are not beneficiaries of freebies; they are entitled to these rights. The shift in language and policy reflects a broader attempt to erode these entitlements and reframe them as burdens on the state. This approach undermines the very foundation of socio-economic rights, turning essential services into conditional benefits rather than guaranteed rights. In this way, the new welfare approach not only fails to support the most vulnerable but actively diminishes their rights under the guise of fiscal prudence.

While the government asserts that social sector expenditure has been keeping pace with the sector's growing importance and that spending on social services has shown a rising trend since FY16, the reality paints a starkly different picture. Over the past decade, the wealth gap in India has widened dramatically, with the social sector facing systematic dismantling through targeted budget cuts and policy constraints. This erosion has critically undermined the efficacy of welfare schemes, rendering the government's claims dubious at best.

While NITI Aayog's discussion paper claims that 24.82 crore people have escaped multidimensional poverty between 2013-14 and 2022-23, a closer examination reveals incredulous play with data. Santosh Mehrotra for instance points out how the MPI was arrived at by using data for non-COVID years to extend non-COVID rates of improvements after COVID, to 2022 and 2023. The reality is that India's post-pandemic growth has been characterized as K-shaped, with the upper thin crust experiencing rapid recovery while others continue to struggle. The fact that in the last five years there was a 76% increase in the number of those with wealth above 1000 crore while India's net household savings stood at a 47 year old low is indicative of the nature of recovery.

Inclusive and equitable growth necessitates robust socio-economic safety nets, particularly in the wake of the pandemic's impact and rising inflation. However, instead of strengthening these systems, there has been notable deterioration across various sectors, including food security, health, education, and social security. Allocations have declined in real terms across critical sectors undermining the well-being of millions of Indians.

India's position on the Global Hunger Index has consistently declined over the past five years, reflecting 'serious' levels of hunger, the highest child wasting rate, and the fifteenth highest child stunting rate globally. Despite the increasing food crisis due to the COVID-19 pandemic, the budget allocated to food security has seen a significant decline. Even with the additional grains provided through the Public Distribution System (PDS) under the Pradhan Mantri Garib Kalyan Yojana (PMGKY), current allocations remain lower than pre-pandemic levels. Chronic malnutrition among children is rampant, with 35% of the 8 crore children surveyed by the Poshan Tracker being stunted and 17% severely to moderately malnourished. A recent study revealed that India ranks third in the number of children aged 6-23 months who had not eaten in the past 24 hours, with approximately 67 lakh children falling into this 'zero food' category.

Healthcare has similarly suffered from underfunding. Despite the critical need exposed by the COVID-19 pandemic, the Modi government has reduced allocations to the Ministry of Health, decreasing its share of overall expenditure from 2.31% in 2019-20 to 1.9% in 2024-25. The current health budget as a share of GDP stands at a mere 0.27%, far below the 2.5% target recommended by the 2017 National Health Policy. Even though the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) has seen increased allocations, the number of participating hospitals remains insufficient, with only 60% of empanelled hospitals active in the last six months. Concurrently, allocations to the National Health Mission (NHM), crucial for primary healthcare, have decreased from 1.2% of the total budget outlay in 2019-20 to 0.67% in 2024-25.

The education sector is also facing severe challenges. Access to affordable education is becoming increasingly difficult, with a decline in government and government-aided schools and a rise in private institutions. This privatization trend poses significant barriers for economically and socially marginalized communities. The latest Annual Status of Education Report highlights alarming deficiencies in primary and secondary rural education, with 25% of students aged 14-18 unable to read a Std II level text fluently in their regional language, and over half of all students struggling with basic arithmetic. The budget allocation for the Department of School Education and Literacy has dropped from 3.16% of the total budget in 2013-14 to 1.53% in 2024-25. For the Department of Higher Education, the total allocation for 2023-2024 is ₹47,619.77 crore. In the previous budget, it was ₹44,094.62 crore. The Revised Estimates for 2023-2024 show an increase to ₹57,244.48 crore. The actual expenditure for 2022-2023 was ₹38,556.80 crore. The combined allocations for both departments have fallen from 4.77% of the total budget expenditure in 2013-14 to 2.53% in 2024-25 which is lesser than the 6 percent of the GDP which was the vision of the Education communion in 1966.

Access to essential services like sanitation, drinking water, and housing also remains inadequate. Anganwadis, crucial for child and maternal nutrition, face substantial human resource shortages, with tens of thousands of worker and helper positions unfilled.

These indicators highlight that the government has struggled to effectively tackle the core dimensions of poverty. The narrative that poverty has significantly reduced is contradicted by the enduring and, in some cases, worsening conditions of key MPI indicators. The data suggests that the foundational issues of poverty remain unaddressed, challenging the claim of substantial poverty alleviation.

The claim that social sector initiatives have reduced inequality and boosted consumption spending is misleading when scrutinized against the latest Household Consumption Expenditure Survey (HCES). The HCES shows that rural households' spending on food has declined from 52.9% in 2011-12 to 47.47%, and urban households' spending has dropped from 42.62% to 39.70%. This suggests that a significant portion of household budgets is increasingly diverted from essential food expenses, potentially indicating financial strain rather than prosperity. Furthermore, the absence of the 2017 survey, due to alleged data quality issues post-demonetization, raises questions about the continuity and reliability of this data. These trends do not support the narrative of rising consumption or reduced inequality but rather hint at underlying economic challenges faced by households.

Statement 13: Trend in share of consumption of cereals and food items since 1999-'00: All-India

Period	Rural		Urban	
	% share of cereals in avg. MPCE.	% share of food in avg. MPCE	% share of cereals in avg. MPCE	% share of food in avg. MPCE
1999-00	22.23	59.40	12.39	48.06
2004-05	17.45	53.11	9.63	40.51
2009-10	13.77	56.98	8.16	44.39
2011-12	10.75	52.90	6.66	42.62
2022-23	6.92	47.47	4.51	39.70

Note: For the years 1999-00 & 2004-05, shares are based on MRP estimates and for the years 2009-10, 2011-12 and 2022-23, these are based on MMRP estimates.

Budget 2024: NO SPACE FOR WELFARE

The first budget of Modi 3.0 mentioned the term "welfare" just once and it has no mention of the word "right" even once, revealing the superficial commitment to welfare schemes designed to maintain the illusion of a pro-people government. Despite the rhetoric, the only constant in India's economic landscape has been the steady cuts to social security funding. This is exemplified starkly by the fate of social security programs such as the National Social Assistance

Programme (NSAP), which has seen stagnant budget allocations, hovering around Rs 9,500 crore for the past decade. As a proportion of the overall budget, the allocation to NSAP has plummeted from 0.57% in 2013-14 to a mere 0.2% in 2024-25. Similarly, the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA), a crucial support system for rural employment, has also faced significant budget reductions.

Post-elections, one can see that rural distress has reduced BJP's share in votes and is an alarm for better reforms. Still, there is not much change in the pre- and post-election budget. The distress is a result of rising inequality and stagnated wages. We are living in a bubble where the claims of "sab changa si" are fueling it more. The situation is much worse post-pandemic. The allure of the Ambani wedding has overshadowed the issues on the ground, but they will not remain in the dark always. Priorities have to be sorted, and the pro-elite approach has to change.

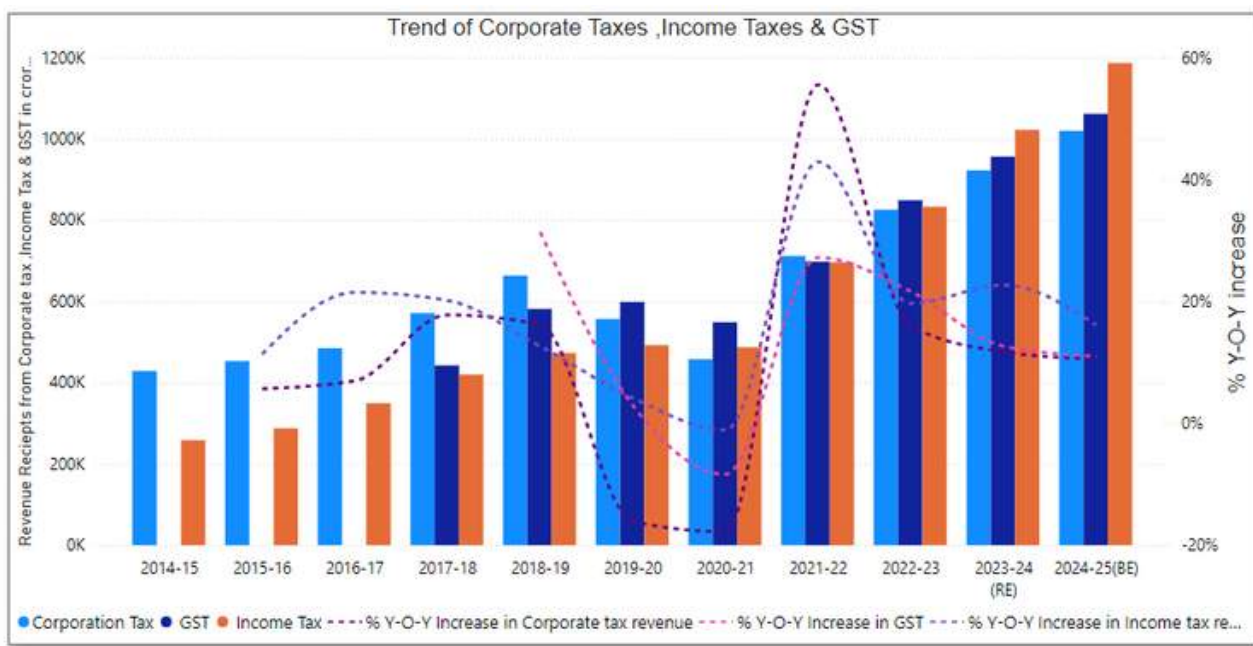


UPSIDE DOWN TAX:
THE ABSURDITY OF TAX
REGIME CONTINUES



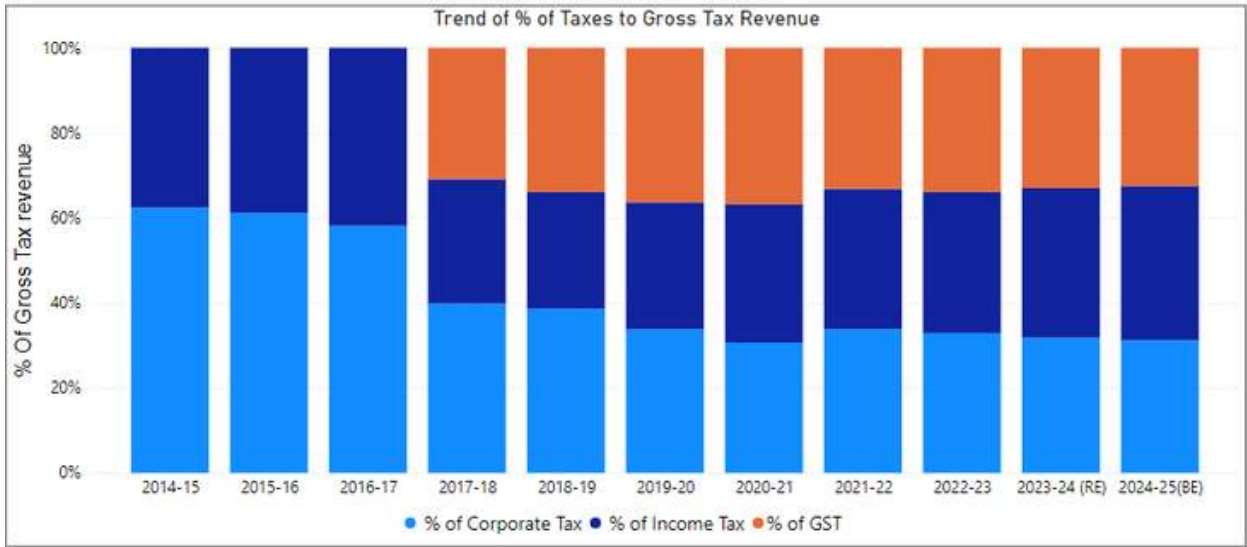
UPSIDE DOWN TAX: THE ABSURDITY OF TAX REGIME CONTINUES

The Budget for 2024-25 at a glance establishes that the share of government revenue from income tax (tax on individuals) at 19% is more than what corporates have contributed (17%). With the reduction of the foreign tax rate to 35% from the current rate of 40% in the proposed 2024-25 budget, this trend mirrors the September 2019 announcement when the government cut the base corporate tax for existing companies to 22% from 30%. Additionally, the tax rate for new manufacturing firms, incorporated after October 1, 2019, was reduced to 15% from 25%, resulting in a revenue loss of over ₹1 lakh crore in 2020-21, which was offset by taxing the public.



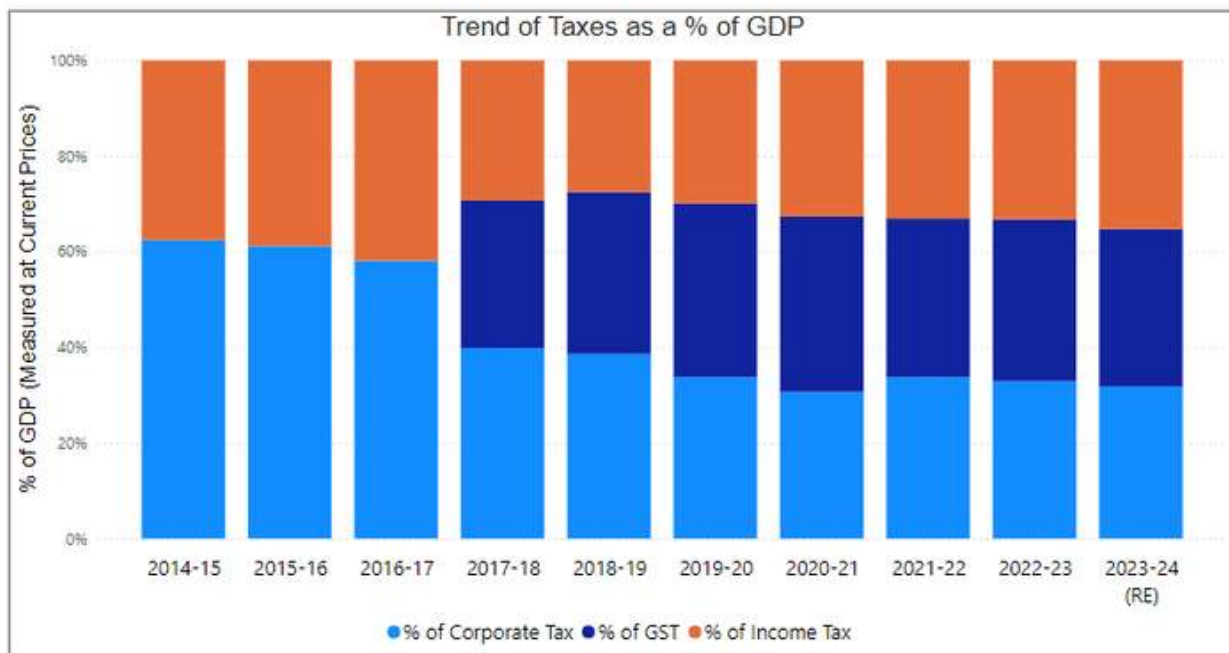
At first glance, the chart might suggest that corporations contribute significantly more to tax revenues compared to income taxes and GDP growth. However, a closer examination of the numbers tells a different story. In absolute terms, corporate taxes have grown by only 2.3 times, from ₹4.28 lakh crore to ₹10.2 lakh crore. Similarly, GDP receipts have increased by approximately 2.3 times, from ₹4.42 lakh crore in 2017-18 to ₹10.6 lakh crore in 2024-25 BE. In contrast, income taxes have surged by 4.5 times, from ₹2.5 lakh crore to ₹11.8 lakh crore in the Budget Estimates (BE) for 2024-25. Interestingly, even the year-over-year percentage increase favors corporate taxpayers over individual income taxpayers.

2nd Chart Explanation



In terms of percentage contribution to Gross Tax Revenue (GTR), the government has recently attempted to reduce the proportion of corporate taxes. The percentage of corporate taxes to GTR has decreased from 34.5% to 26.6%. On the other hand, the percentage of income taxes has increased from 20.8% to 30.9%. Additionally, the percentage of GDP has grown from 23.1% in 2017-18 to 27.6% in the 2024-25 Budget Estimates (BE).

3rd Chart Explanation



One can clearly see from the chart that corporate tax as a percentage of GDP has decreased from 3.4% to 3.1%. In contrast, income taxes have increased from 2.1% to 3.5%, indicating an upward trend in income tax contributions. This suggests that corporate taxes might contribute more than income taxes to the Gross Tax Revenue (GTR). Additionally, GST has increased from 2.59% to 3.24% in the 2023-24 Revised Estimates (RE). However, the government may be attempting to obscure this reality from the public.



SNIPPETS:

**OUR PUBLISHED PIECES
ON BUDGET 2024-25**

INEQUALITY, JOBS, HUNGER: WHY YOU SHOULD CARE ABOUT THE UNION BUDGET

KAVITA KABEER & HARIPRIYA HARSHAN.

This budget is the last chance for course correction for the Modi regime. It is going to be a test of who the government sides with, the 90% citizens of the country or the top 1%

The Ambani wedding episode was a stark reminder of the gulf of inequality in India. The Ambanis reportedly spent Rs. 5000 crores on the wedding, which is just 0.5% of their wealth. While an average Indian spends 15 to 20% of their wealth on weddings, many take loans and go bankrupt too. Yet it is the corporates that keep receiving tax benefits while the general public keeps the coffers of the govt filled with direct and indirect taxes.

It is not by chance that the tomatoes are going at Rs 80 per kg again – inflation in the vegetable segment is the highest at 26% currently. The country's economic planning directly affects your kitchen, your purchases, your transport, and the overall quality of life you lead.

This budget is the last chance for course correction for the Modi regime. It is going to be a test of who the government sides with, the 90% citizens of the country or the top 1%.

In an ideal scenario, the resources of a nation should be distributed equally among all its citizens, ensuring that everyone has fair access and opportunities. However, the current regime's corporate-friendly agenda makes it increasingly difficult for the middle class and the poor to stake claim to the public resources. This budget is the final opportunity to set the policies and the politics right. Because after this, the already high inequality would spiral to such an extent, that it would be impossible to think about a pro-people state, without substantially cutting down on the billionaires' wealth.

The unemployment pandemic

Today, unemployment is spreading like a pandemic; the unemployment rate in the country is 9.2%, and its percentage is even higher among the youth. Eight out of every ten young people are unemployed. You couldn't miss the huge crowds of unemployed youth making news because they turn up in huge numbers for a vacancy of 10 people.

On one hand we are talking about demographic dividend, the idea that if the population is young then there will be some benefit in economic growth. But on the other hand, instead of giving jobs to them, posts are lying vacant in railways and many public sector companies. Even if recruitment exams take place, the rampant paper leaks keep the jobs away from the aspirants.

The BJP government had promised to create two crore new jobs annually if they came to power in 2014. By March 2024, this would have amounted to 20 crore new jobs. Instead, vacancies have disappeared in the public sector! Employment in Central Public Sector Enterprises (CPSEs) has decreased, with a reduction from 17.3 lakh employees in March 2013 to 14.6 lakh in March 2022, marking a loss of about 2.7 lakh jobs over the decade under Modi's administration. The overall decline in employment opportunities is stark, with vacancies through the Staff Selection Commission plummeting from 80,650 in 2014 to 36,348 in 2023 and this list goes on.

The recent Lok Sabha elections have also shown that employment remains the topmost concern in the country. The government needs some serious overhauling of the public sector and it should create and fill vacancies sooner than later.

The double whammy of GST and indirect taxes

The poor are suffering the brunt of GST and other indirect taxes more than the rich. WhatsApp propaganda may say that the poor do not pay taxes. Only two crore people, which is 2.2% of the country's population, pay taxes. But in reality, huge tax is being collected from the poor on everything. From the 5% GST on flour, pulses and rice that you buy, to taxes such as road tax, toll tax, service tax, and the taxes on petrol and diesel are taken out of everyone's pocket.

Corporate tax has been waived off but every small shop owner has to pay GST. Statistics show how demonetisation, GST and Covid lockdowns caused a loss of Rs 11.3 lakh crore to the unorganised sector, along with the loss of 1.6 crore jobs. At the same time, the government is earning so much money from the collection of GST that it has stopped telling how much GST has been collected from this month. The GST collected last month was a staggering 1.74 lakh crore, the highest GST collected this year. This is the same money you have been paying on everything!

It is obvious that if we want to bring more money into the economy and increase demand, then the tax burden on the poor and the middle class will have to be reduced.

Whenever it comes to the performance of this government, its infrastructure work is hailed as the biggest achievement. The onset of monsoon has shown how flimsy this claim is, with airports and bridges collapsing and roads being washed away. Earlier there was a danger of the plane falling, now the roof of an airport can also fall. Railway accidents are happening frequently. But the situation of the people is only meme-worthy, with no actual accountability mechanism in sight. In the last 10 years, Rs 44 trillion has been spent on infrastructure, a lot of money will be spent in this budget too, but the government's bet on infrastructure has failed. Despite investing so much money, neither jobs are being created in this sector nor the infrastructure built under it is standing the test of time.

There is another sector which has the potential to create jobs and also make the country self-reliant but which is facing a terrible blow after COVID-19 - our small and medium enterprises. More than 90% of the country's workforce is employed informally. This sector provides employment to more than 90% unorganized workers while 45% of last year's total exports came from this sector. The MSME sector also demands that the GST system should be fixed and credit facilities should be easily available.

Also, instead of selling away public sector enterprises, investment should be made in them. A study found that every rupee invested in railways generates Rs 5. To increase economic activity, investment in railways and its safety is very important. As we have seen, the private sector will come to buy public assets at throwaway prices but will never come forward to invest money in building the country's infrastructure.

Today we are at 111th position in the hunger index. And our leaders are calling even the little relief given to the poor as revadi (freebies). But we need such relief. There is a need to increase the budget of MGNREGS and implement a similar scheme in urban areas too. There is a need to listen to the voices of farmers and strictly implement MSP on the ground and not just on paper.

Hope this budget exercise yields to the demands of the 90% of the country.

This article was published in [The Wire](#) and can be read [here](#).

BUDGET 2024-25: INCOME TAX CONTRIBUTES MORE TO GOVT REVENUE THAN CORPORATIONS

PRANAY RAJ

The skewed trend of individual income tax payers contributing more to the union government's coffers than corporates has its basis in the tax break given to corporates five years ago.

The Budget at a glance establishes that the share of government revenue from income tax (tax on individuals) at 19% is more than what corporates have contributed (17%).

This follows from taxes foregone five years ago, when corporates were given a tax break. The corporate tax-rate cut was meant to be at the cost of a revenue loss of Rs 1.45 lakh crore per annum for the government. The 'reason'? That this would boost private investment and create jobs.

Over the last five years, "without compounding, the approximate aggregate revenue foregone is an astronomical Rs 8.7 lakh crore," wrote Sanjay Jha in his open letter to the Union finance minister on the eve of the budget. He asked, "Can you tell us where the jobs are? Where is the capital investment? Did companies merely absorb the resultant savings or distributed them as dividend and profits? Is that why we are seeing a bull run on the stock markets which is in complete contrast to ground realities?"

There are serious concerns about a K-shaped growth afflicting the Indian economy, a severe income inequality, where as per the Paris-based World Inequality Lab, on March 18, 2024, India is faring worse from current policies than it during the British Raj. Studying income tax data between 1922-2023, they found, "By 2022-23, top 1% income and wealth shares (22.6% and 40.1%) are at their highest historical levels and India's top 1% income share is among the very highest in the world." They also said that, "in line with earlier work, we find suggestive evidence that the Indian income tax system might be regressive when viewed from the lens of net wealth."

In the run-up to the general elections, when asked about the severe and growing income inequality, Prime Minister Narendra Modi said in a television interview, "shall I make everyone poor?", reflecting a lack of concern with widening income inequalities.

What the numbers say: 2014-2024

In absolute terms, corporate taxes have grown by only 2.3% (Figure 1), from 4.28 lakh crore in 2014-15 to 10.2 lakh crore in 2024-25 budgetary estimates. In contrast, income taxes have increased by 4.5% in the same period, from 2.5 lakh crore to 11.8 lakh crore. Even the year-over-year percentage increase favours the corporates over income tax payers.

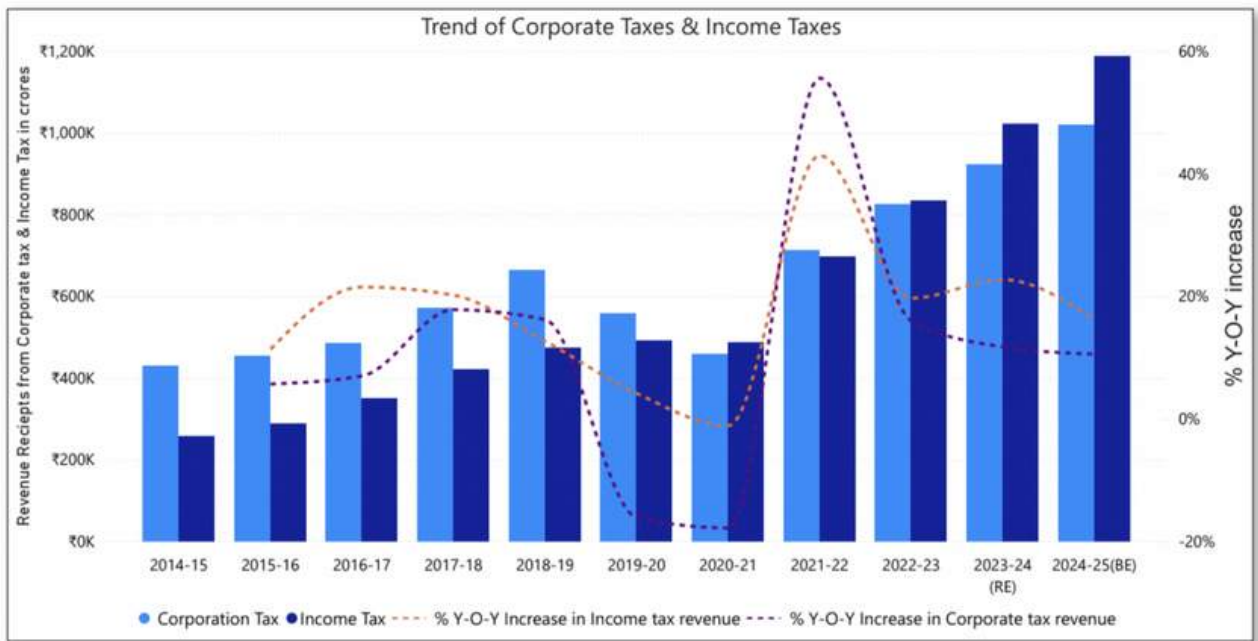


Figure 1

In terms of percentage contribution to Gross Tax Revenue (GTR), the government has recently attempted to reduce the proportion of corporate tax (Figure 2). The percentage of corporate tax to GTR has decreased from 34.5% in 2014-15 to 26.6% in the 2024-25 budget estimates. On the other hand, the percentage of income taxes has increased from 20.8% to 30.9% in the same period.

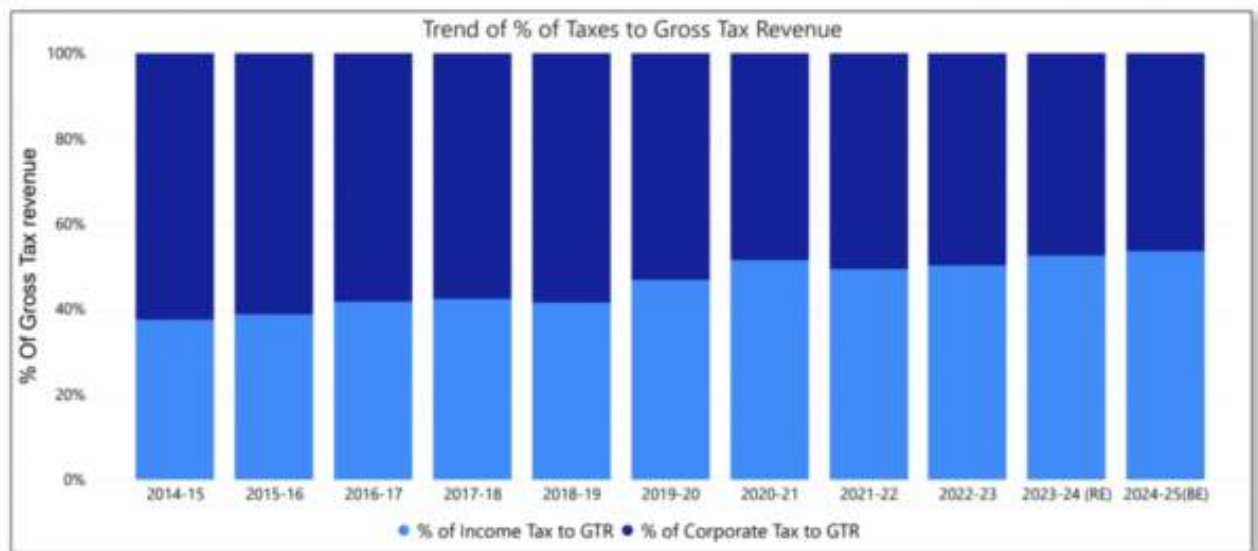


Figure 2

One can clearly see in Figure 3 that corporate tax as a percentage of GDP has decreased from 3.4% to 3.1% in the last 10 years. In contrast, income taxes have increased from 2.1% to 3.5%, indicating an upward trend in income tax contributions.

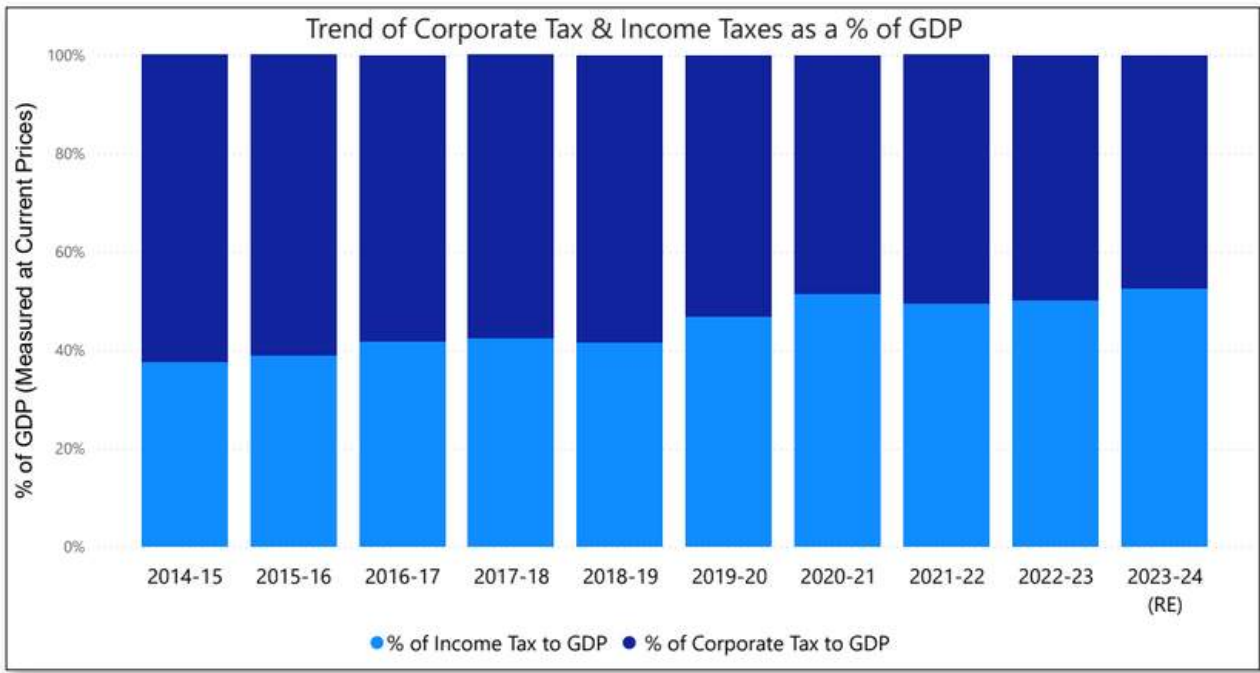


Figure 3

Personal Income Tax vs Corporate Tax: 2018-2023

Individual tax collections in India surged by a whopping 76% between 2018-19 and 2022-23. But, critically, the corporate sector share in that tax collected has inched by only a fraction, just 24.45%.

Personal income tax collection, which includes Securities Transaction Tax, stood at Rs 4,73,179 crore in 2018-19. It increased to Rs 8,33,307 crore in 2022-23, The Indian Express, [citing](#) the Central Board of Direct Taxes, reported.

However, corporate tax collection increased to Rs 8,25,834 crore in 2022-23 from Rs 6,63,572 crore in 2018-19.

This calculation underlines a reinforcing of the trend noticed about individuals being squeezed even as corporates are given relief.

Tax relief given to corporates in 2019 caused the ratio between individual contribution to total tax versus that of corporates to start to get skewed. As in this analysis, this was when the finance minister announced “an [unprecedented cut](#) in corporate tax rates from the prevailing basic rate of 30% to 22%.” This was apart from other incentives that were also announced.

This article was published in The Wire and can be read [here](#).

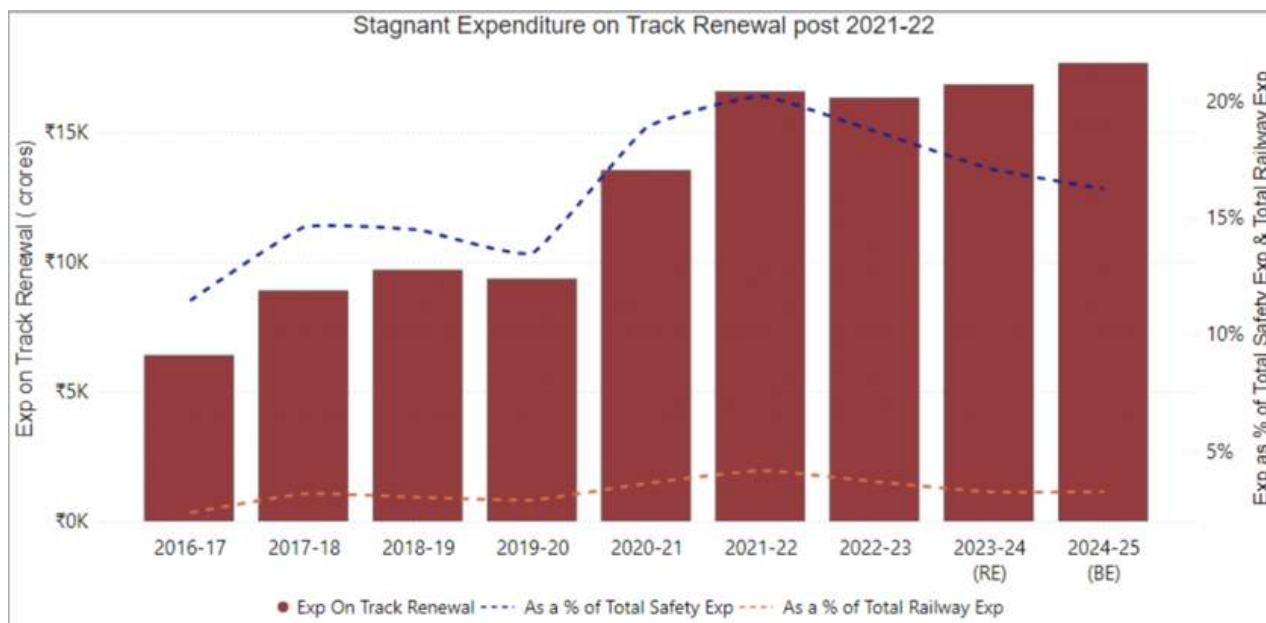
CHARTS: DEBUNKING THE MODI GOVERNMENT'S RAILWAY SPENDING MYTH

PRANAY RAJ

Despite this significant increase, the proportion of the total railway budget allocated to safety has remained stagnant and even declined since 2018-19 when measured as a percentage of total railway expenditure.

While it may seem impressive that spending on railway safety activities has soared from Rs 55.9 thousand crores in 2016-17 to Rs 1.08 lakh crores in the FY 2024-25 Budget Estimates, the real story lies in the details.

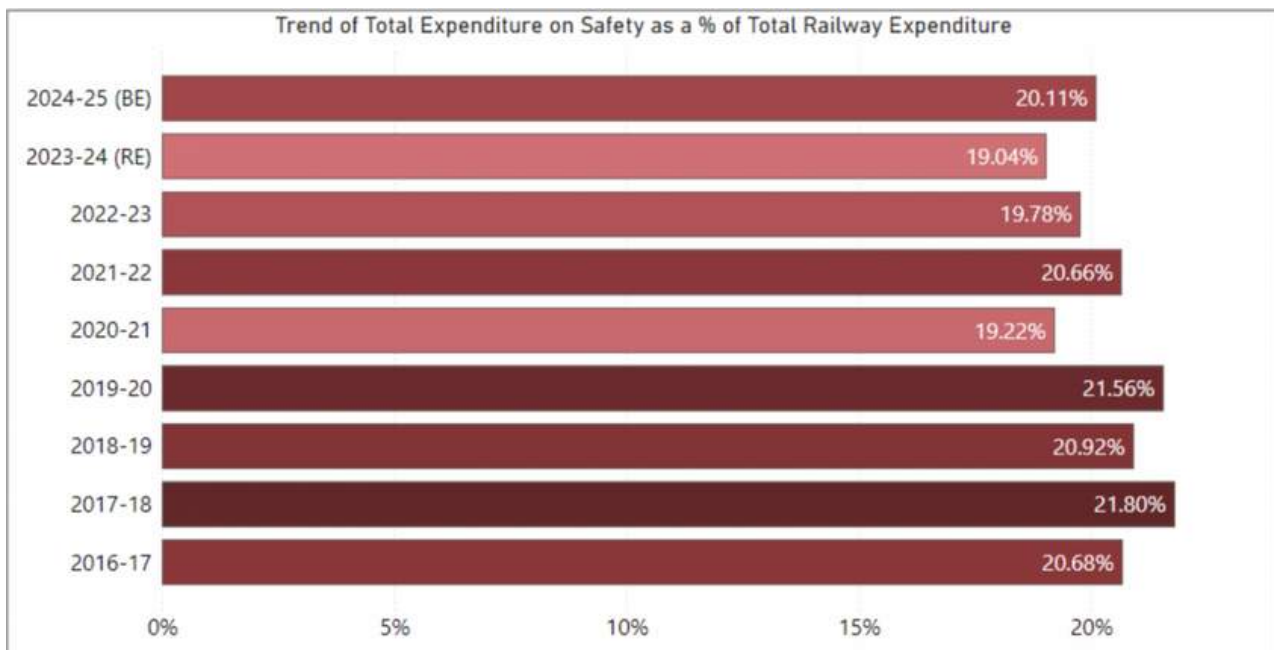
Despite this significant increase, the proportion of the total railway budget allocated to safety has remained stagnant and even declined since 2018-19 when measured as a percentage of total railway expenditure.



On the track renewal front, post 2021-22, expenditure has risen by a mere 6%, despite a spate of train derailments in recent years.

Another anomaly is that track renewal expenditure as a percentage of total railway spending has averaged just 3.4%, down from 4.2% in 2021-22. When measured as a percentage of total safety expenditure, this average is at 17%, having decreased sharply from 20.2% in 2021-22 to 16% in 2024-25.

This raises the question: what activities are consuming the remaining 84% of the safety budget?



The proportion of the track renewal in overall safety expenditure should be increased to prevent derailments and save lives in the future. This concern was previously highlighted by the Comptroller and Auditor General (CAG) in its report number 22 of 2022 on derailments in Indian Railways.

The report noted that the allocation for track renewal dropped from Rs 9,607.65 crores in 2018-19 to Rs 7,417 crores in 2019-20, and even these funds were not fully utilised. Out of 1,127 derailments during 2017-21, 289 (26%) were linked to track renewals.

This article was published in [The Wire](#) and can be read [here](#).

THE ECONOMIC SURVEY ONLY INCREASES CONCERNS OF INEQUALITY

PRANAY RAJ

A closer look at the figures reveals a worrying story.

As the country gears up for the presentation of the Budget for the financial year (FY) 2024-25, the economic survey for 2023-24, tabled by Union finance minister Nirmala Sitharaman is key to understanding what plagues the current government.

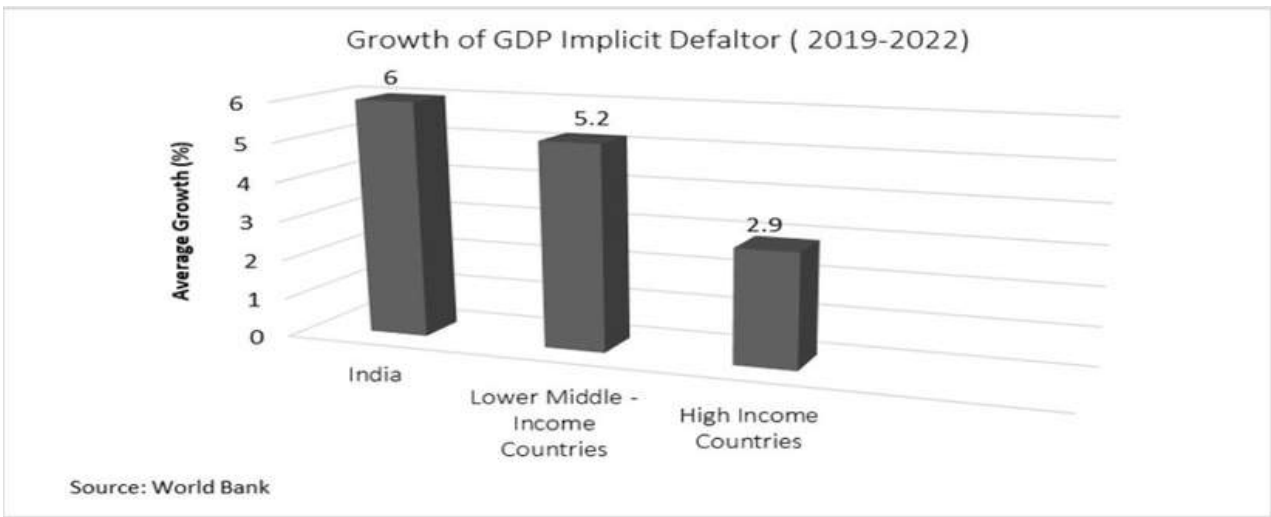
This will be the first budget presented by a Bharatiya Janata Party which does not hold a majority in the Lok Sabha.

The economic survey tabled yesterday projected that India's real GDP grew by 8.2% in FY24, marking a growth of over 7% for the third consecutive year. Does this unprecedented growth benefit those who are at the bottom, with approximately 3.44 crore people living in extreme poverty in the country? Numerous issues impact those at the bottom of the socioeconomic ladder, with major macroeconomic indicators affecting them far more significantly than those at the top.

Inflation is one of the variables that significantly impacts the poorer and middle-class, as it leads to higher spending on the same basket of goods, thereby reducing household gross savings. Household savings hit a record low of 5.2% of gross national disposable income (GNDI) in FY23. The recently released monthly data from the MOSPI (Ministry of Statistics and Programme Implementation) shows that while headline and core inflation have eased to 5.1% and 3.1% respectively, the CFPI (Consumer Food Price Index) remains high at 9.4% in June 2024. There has been ongoing debate that India's inflation is primarily driven by food inflation. The present economic survey notes that "India's inflation targeting framework should consider targeting inflation excluding food," citing that it is not demand-induced but supply-induced.

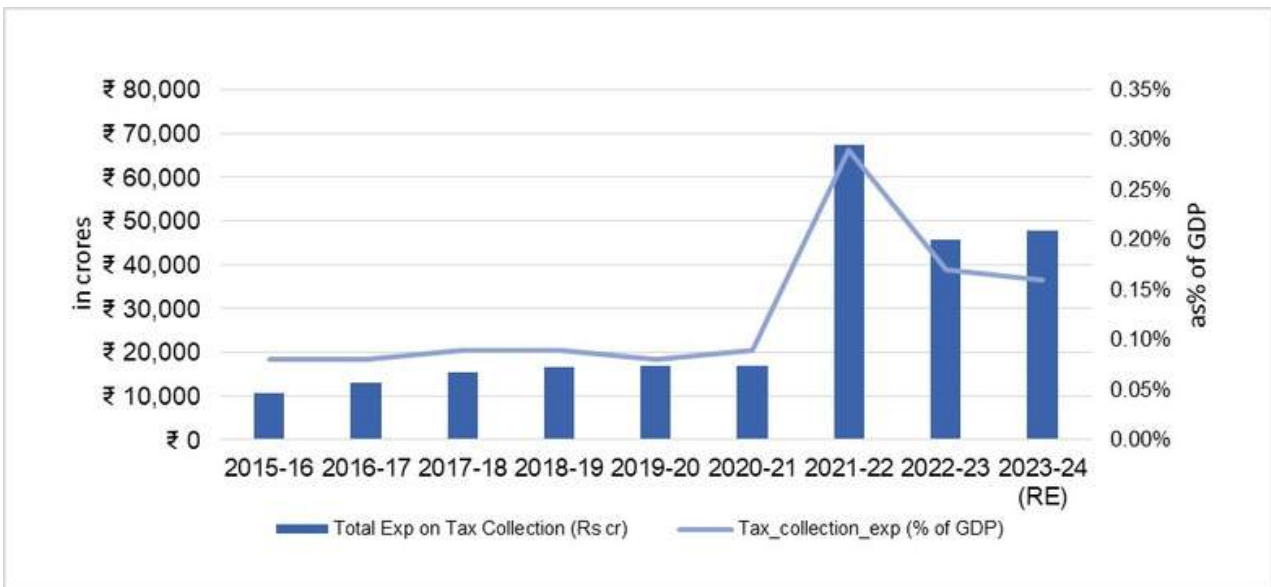
Is the government now considering hiding the increased rate of food prices by changing the inflation targeting framework? Regardless of what the government does, the brunt of the rise will continue to affect the people.

Many countries use the GDP deflator, also known as the implicit price deflator, to measure inflation. This measure reflects the ratio of the value of goods and services an economy produces in a particular year at current prices to those in the base year, capturing the true economic scenario as it is not confined to a fixed basket of goods but reflects changes across the entire economy. An eye-opening analysis by the Financial Accountability Network, titled 'Inflation' reveals a surge in India's GDP implicit deflator, skyrocketing from 2.4% in 2019 to 8.2% in 2022, averaging 6%. This rate is significantly higher than that of lower middle-income countries (5.2%) and high-income countries (2.9%).



Source: Made by the author for Financial Accountability Network India – FAN India.

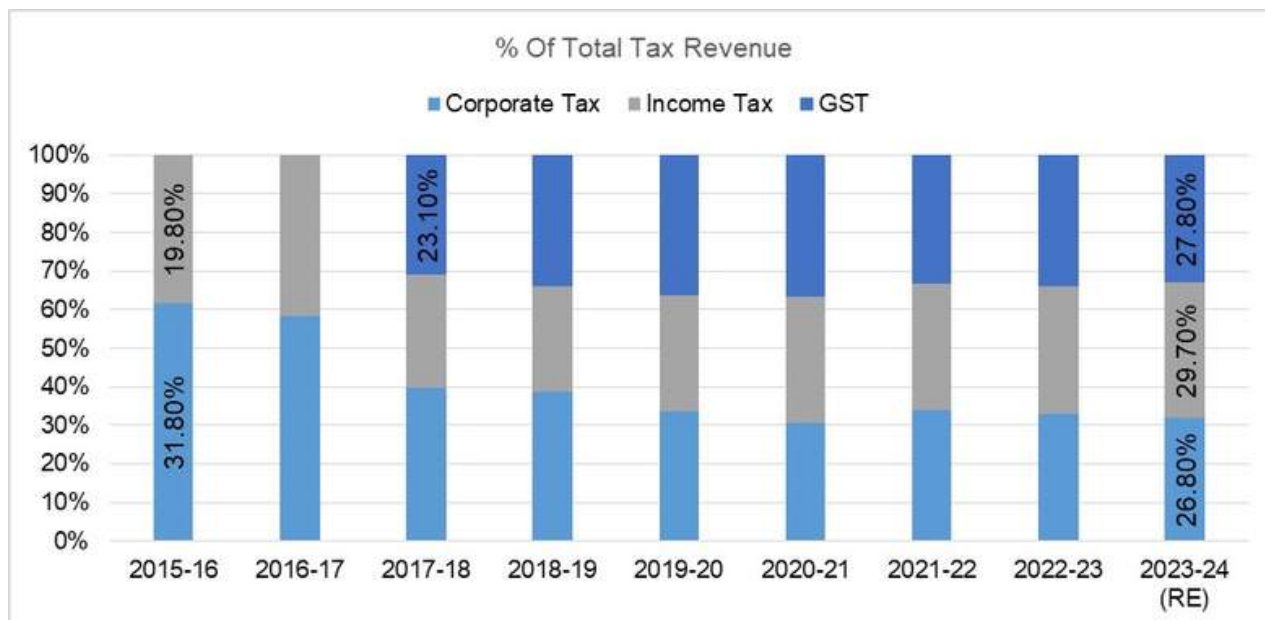
Taxation is another crucial variable that garners significant speculation and close attention during the budget presentation. The economic survey has projected a 13.4% growth in gross tax revenue for FY24, with a tax buoyancy of 1.4, attributing this to enhanced progressivity in taxation over recent years. However, a closer examination of the major tax revenue sources reveals some alarming trends. While the government claims that direct taxes contribute about 55% to gross tax revenue and indirect taxes 45%, several issues emerge.



Visualisation by the author. Source: Union Budget documents.

Particularly concerning are the disparities in taxation between corporates and individual income taxpayers, and the increasing percentage of GST receipts in total tax revenue, indicating that even those not within the tax slabs are ultimately taxed at a higher rate. The share of total tax revenue receipts from corporates was around 31% in FY 2015-16 but has significantly declined to 26% in 2023-24. This reduction led to a government loss of about Rs 1 lakh crore in FY 2020-21, which was offset by taxing the people. Consequently, receipts from income tax have surged from 19.8% to 30%.

Adding to the burden on the populace is the rise in GST, which has increased from 23% of total tax revenue in FY 2017-18 to 28% in FY 2023-24. Moreover, the introduction of GST has led to a sharp increase in tax collection expenditures. The total expenditure on tax collection was around Rs 10.6 thousand crore in FY 2015-16, which has ballooned to around Rs 47.7 thousand crore in the revised estimates for FY 2023-24. This problem could have been alleviated with the wealth tax, but the government abolished it in favour of the ultra-rich.



Visualisation by the author. Source: Union Budget documents.

Another major problem that has surfaced in recent years are non-performing asset write-offs and haircuts offered to big corporates. Over the last decade, the government has written off around Rs 14.5 lakh crores since it assumed power in 2014, with Rs 2.09 lakh crore wiped out in FY23 alone. Regarding haircuts, banks took a loss of around Rs 69 for every Rs 100 admitted in every insolvency and bankruptcy case. Despite this, the government has touted the mechanism as remarkable progress in the present economic survey.

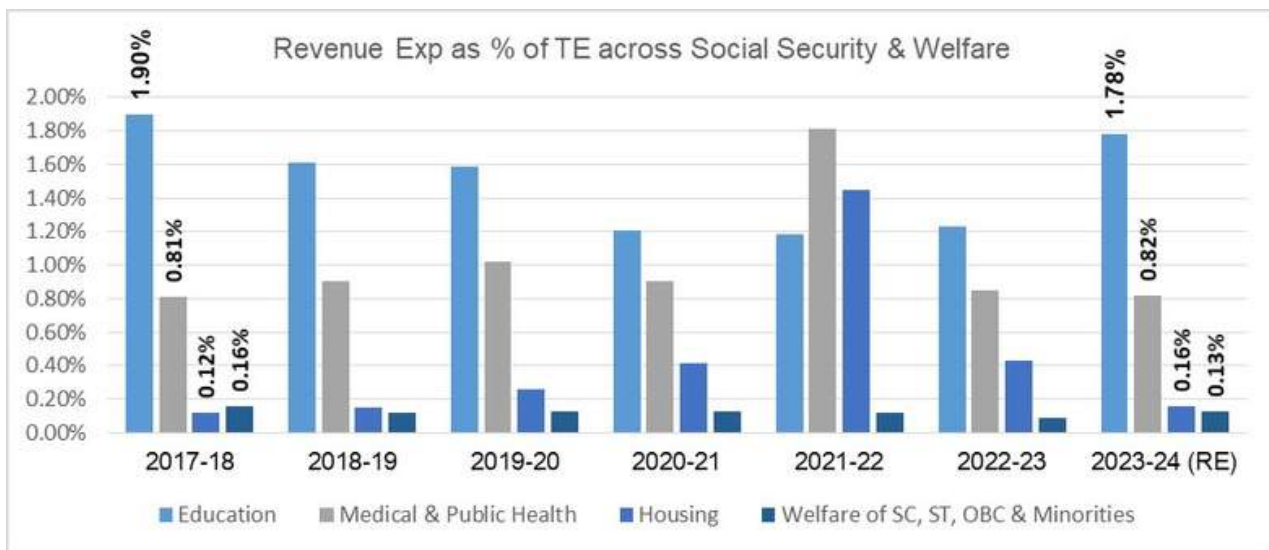
Data from the quarterly newsletter released by the Insolvency and Bankruptcy Board of India (IBBI) shows that the percentage of realisation of admitted claims under IBC has decreased from 54% in FY18 to 32% in FY24. In 2018, the RBI referred 12 large corporate accounts to IBC for resolution, highlighting concerns about significant NPAs in these accounts, which have been resolved with an average haircut of around 46%.

The analysis by FAN India reveals that the total haircut offered to these 12 large corporate accounts under IBC amounts to Rs 2.84 lakh crore. This figure is significantly greater than the combined allocation of Rs 2.13 lakh crore for agriculture and farmer's welfare and MGNREGS in the interim budget estimates for 2024-25. If this written-off amount had been recovered, the allocation for these sectors could have been doubled.



Visualisation by author. Source: <https://ibbi.gov.in/en>

Expenditure on social services is crucial for a developing nation like India, contributing to eradicating poverty, improving health infrastructure, enhancing education, promoting social equity, fostering social cohesion, and advancing rural development. According to the government in the economic survey, “Over the last decade, the Indian concept of welfare has significantly transformed into a long-term oriented, effective, and empowering avatar”. As per government estimates, overall welfare expenditure has grown at a CAGR of 12.8%, education by 9.4%, and health by 15.8%.



Visualisation by the author. Source: Union Budget documents.

However, a closer look at the figures in terms of percentage of total expenditure reveals a different story. For example, spending on education was just around 1.9% in FY 2017-18, which has fallen to 1.7% in 2023-24. Medical and public health expenditure has decreased from 0.8% to 0.16%, and welfare for Scheduled Castes, Scheduled Tribes, and minorities has declined from 0.16% to 0.13%. Despite overall growth in expenditure, the proportion allocated to these critical sectors has either decreased or remained stagnant, highlighting a gap between intent and impact.

As we await the finance minister’s announcement, one can only hope for a budget that prioritises inclusivity and equitable growth.

This article was published in *The Wire* and can be read [here](#).

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