Central Budget 2021-22

A neo-liberal policy tool to Accelerate the Transfer of India's Wealth to India's Corporates and the Foreign Finance Capital

The Central Budget 2021-2022 worth Rs. 34,83,236 crore reflects the continuation of aggressive implementation of economic reforms especially in the last six years. No hidden Agenda! The government announces that it is bold enough to transform the Budget, a powerful fiscal tool, into a strong neo-liberal policy instru-ment by successfully delinking from the goal of socialistic pattern of society. The denial of people-centred development model has been popularised as a "great achievement." It is a bitter truth and a great tragedy. The finance minister 'proudly' accepts that the Budget is formulated under the frame work of recently declared "Atma Nirbhar Bharat Abhiyaan" which is the acceleration of economic reforms. Therefore, the Budget is not merely pro corporate but a clear and strong strategy to hand over the entire wealth of our nation to powerful foreign/domestic global corporate forces. For its successful and smooth implemen-tation, the government started to lay strong foundation, from abolition of planning commission to amendments and liberalisation of various Laws and Acts, including the present Farm Laws and labour code which destroys the nation and throws the lives of majority into severe crisis.

In this context, it is of utmost significance to discuss and analyse the Central Budget 2021-2022 as patriots, to assess its impact on the survival of our nation and its people.

What are the Budget proposals for farmers, labour, poor, unemployed, MSMEs and informal sector?

It is clear to note that neither the economic survey nor the Budget recognise the seriousness of the ongoing farmers' agitation over the past 70 days demanding the 'Repeal of the Black Farm Laws'. Instead, both are adamantly supporting these laws and advocating that 'Contract Farming' is the only solution to double the Farm Income by 2022. The ruling class clearly knows that this is the only way to alienate the farmer from the cultivable land and hand it over to the powerful corporate forces.

In the Budget speech, the finance minister claims that 'Labour Reforms' are one of the great achievements. Its main aim is to strengthen 'ease of doing business' by making retrenchments easier, by curbing labour strikes and by increasing working hours per day and the fixation of the minimum wage at Rs. 178 per day which is less than the MGNREGA wages at Rs. 182 per day.

The present government has full clarity on the source of wealth. Karl Marx strongly stated that labour and nature are the true sources of wealth. Therefore, establishing domination of corporate forces on labour and nature is a necessary pre-condition to enable them to appropriate entire wealth generated in our country.

The Budget also claims that with the 'Pradhan Mantri Garib Kalyan Yojana' announced during Corona Lockdown period, it provided i) Free Food grains for 800 million people for three months ii) Free cooking gas for 80 million households iii) One Nation, One Ration Card, useful to the migrant labour with which they can get the remaining ration at their respective work places.

The Budget fails to address the plight of migrant labour, rural distress, starvation, the serious problem of unemployment, MSMEs, as well as suffering informal sector. Moreover, the Budget as well as the present economic model has no agenda to ensure inclusion of all the people in the process of deve-lopment so as to assure decent livelihoods to all.

The budget, for the last 3 years has usually been announcing insurance scheme, loan provision, and decrease in margin money for the marginalised sections. The MSMEs and middle class are given exemption from audit under certain conditions. The States are given enhanced 4% borrowing of GSDP.

It must be noted that out of Rs. 21 lac. crore package announced in Atma Nirbhar Bharat Abhiyaan, as little as 3.2 % is spent so far. The promised loan of 10,000 crore to MSMEs did not materialise so far.

It is shocking to notice that despite the plight of rural people and migrant labour, the allocations to MGNREGA are only Rs. 73,000 crore which is less than the last budget allocations. Similarly, the

amount allocated to Women and Child Welfare is Rs. 24,430 crore where as it is Rs. 30,007 crore in the last budget. Moreover, several schemes have been regrouped without proper allocations.
The reduction in the allocations to agriculture sector is to the tune of Rs. 11,000 crore.

The imposition of Agriculture Infrastructure and Development Cess has already resulted in the rise in the prices of Gas, Diesel and Petrol which seriously affects common people. But the Cess on Gold and Silver is as low as 2.5%. While it is 17.5% on crude palm oil, 20% on crude soya bean and sunflower oil, 35% on apples and 40% on peas. Thus, the cess imposes heavy burden on common people whose lives are already in critical condition.

Main aim of Budgets in the last three years: Measures proposed and implemented to achieve the end

The main aim of the Budget since 2019-2020 is to achieve $5 trillion GDP by 2024-2025. To achieve this, the government claims manufacturing companies need to become an integral part of global supply chains, process, core competence and cutting edge technology. This requires red-carpet welcome to Foreign Direct Investments. Further, all prote-ctionist policies are to be removed as per World Trade Organisation's [WTO] directions. It needs perfectly aggressive implementation of privatisation, liberalisation, corpo-ratisation and commercialisation of all the sectors. The Budget 2021-2022 which is on these lines, is strongly admired naturally by powerful corporate forces as a "Bold Budget" that lays the foundation for strong and long term growth. Therefore, the "stock market gave the Budget a thumping applause".

Further, the government is consciously evolving a distribution system where more than 80% of the wealth created will be appro-priated by the top 1% of the richest. The recent Oxfam report worries that amidst the starvation, joblessness, misery and deaths to the majority during the haphazard lockdown due to Covid-19 pandemic, Indian Billionaires increased their wealth by 35%. This trend will further be accen-tuated by the aggressive imple-mentation of neo-liberal policies of the government including the Budget.

Budget proposals to stre-ngthen "Ease of Doing Busi-ness" and to attract Foreign Direct Investment

The target for Nominal growth rate of Gross Domestic Product [GDP] in 2021-22 is fixed at 14.4%.It is -7.7% in 2020-2021 due to the impact of Covid-19 while it is 4.2% in 2019-20. At the same time, the government aims to decrease Fiscal Deficit to 6.8% of GDP in 2021-22 from 9.5% in 2020-21. Further, the government's target is to decrease the fiscal deficit to 4.5% of GDP by 2025-26.

The government's revenue in the present Budget is estimated to decrease by Rs. 2 lakh crore i.e., 1% of GDP. In addition, the interest payments are as high as Rs. 8, 09,701 crore in 2021-22 i.e., 23.23% of the Budget.

In order to strengthen manu-facturing so as to achieve $5 trillion economy by 2025, the Central Budget 2021-22 has committed to provide Rs. 1.97 lakh crore over 5 years for Production Linked Incentive Scheme [PLI] to boost domestic manufacturing. The scheme is initiated on November 12, 2020 for 10 sectors with the aim of giving companies incentives on incremental sales from products manufactured in domestic units. The Scheme welcomes companies to come and establish units in India so as to decrease imports and to capture growing demand in the domestic market in view of their high capital intensity, The sectors consist of Food Processing, Textiles, other than the already included Mobile Phones, allied equipment, Pharmaceutical ingredients, and medical devices. Thus, incentives will be given to global capital to come to our country.

What are the concessions and incentives provided to Mono-poly Capital?

In this context, a series of reforms initiated to attract invest-ments resulted in the decrease in corporate tax. The government slashed the corporate tax rate to 22% from 30% for existing companies and to 15% from 25% for new manufacturing companies including a surcharge and cess in 2019-20 Budget. This declining trend is continuing and made our country one of the lowest in corporate taxes, among the world. The Dividend Distribution Tax is abolished for the last 3 years.

Further, the Finance Minister has proposed to constitute a "Dispute Resolution Committee" [DRC] to relieve the investor from long pending direct tax disputes. The DRC will cater to tax payers having a taxable income of up to Rs. 50 lakh and a disputed income of up to Rs. 10 lakh. The committee will have the powers to reduce, waive any penalty or give immunity from any offence punishable under the Income Tax Act. Further, the exemption limit for tax audit has been increased from Rs. 5 crore to Rs. 10 crore turnover per annum especially for those who carry out 95% of their transactions digitally.

Tax incentives to International Financial Services Centre [IFSC]:

To facilitate the on-shoring of offshore funds into India, the Finance Minister announced new tax incentives for units under the IFSC.

The tax incentives are provided in addition to tax holidays for capital gains for aircraft leasing companies. Further, tax exemption is also given for aircraft lease rentals paid to foreign investors. Moreover, there is tax incentive for relocating foreign funds in the IFSC and also exemption to investment division of foreign banks located in IFSC.

Tax incentives to attract Foreign Investments:

The last Budget granted 100% tax exemption to attract Foreign Investment into Infrastructure sector, of course on certain conditions. As they cause small inconvenience, these conditions were also relaxed in the present Budget, especially related to conditions that prohibit private funding and restrict commercial activities.

Further, tax holidays are extended till 31st March 2022 for affordable Housing Projects.

Further, the present Budget initiated 'Customs Duty Rationa-lisation' to eliminate 80 'outdated' exemptions and to review more than 400 exemptions to ensure "Distortion free Customs duty Structure", as per the guidelines of World Trade Organisation for the benefit of global monopoly Capital.

Budget proposals for financial sector for the benefit of foreign & domestic global corporate forces

The Budget 2021-22 proposed to amend Insurance Act, 1938, to raise permissible Foreign Direct Investment [FDI] limit from 49% to 74% in Insurance Com-panies to allow foreign ownership and control. Thus, our country will have 'Atma Nirbhar' Foreign owned Insurance companies shortly.

The Budget also proposes for the legislative amendment in the same session to privatise two public sector banks in addition to Industrial Development Bank of India [IDBI] and also one General Insurance Company in 2021-22.

Budget proposal to setup private sector led Bad Bank to deal with NPAs

This is in fact a government plan since long time in view of the growing problem of Nonperforming Assets/Bad loans. As per RBI report, NPAs will be increased to 13.5% of total advances. This will lead to lending crisis. In order to raise the lending capacity of Public Sector Banks, the present Budget plans to pump Rs. 200 billion into these banks from April 2021.

What is a bad bank then?

It is a new structure consisting of Asset Reconstruction Company and Asset Management Company, led by private sector to consolidate and take over existing stressed debt and then manage to dispose of the assets to alternate invest-ment funds and other potential investors at reduced rates for eventual value realization.

Why does the problem of NPAs/Bad debts growing steeply especially since 2014? Who are these defaulters? Who is supporting this growing trend? What is this scam/fraud? What is its consequence finally?

The issue of NPAs/Bad debts is growing sharply since 2014. During 2004-19, the scheduled commercial banks wrote off Rs. 8.41 lakh crore worth bad loans from their books/balance sheets. As high as 75% of these write offs worth Rs. 6.35 lakh crore belongs to the bad debts of the period 2014-19.

This process appears to be technical, just to clean the Bank's books for tax efficiency. However, the recovered amount, if any will be shown as profits later. Shockingly, RBI itself states that 90% of written off amount was never recovered so far. K.S Chakraborty, Former Deputy Governor of RBI worriedly states that these write-offs itself is a "big scam" because most of the written off loans are big loans issued to powerful Corporates. Moreover, bad debt is identified as the primary cause of Banking crisis especially from 2014 onwards.

Thus, it is simply the government supported Banking Scam and clearly shows that the powerful corporates are respon-sible for the lending crisis of the Public Sector Banks. Despite this clear evidence, the dominant forces and ruling class strongly popularize the argument that the 'Farm loan Waiver' is the cause of Public Sector Banks' crisis so as to mould the public opinion acco-rdingly. This allegation is totally wrong. The RBI data shows that in 2017-18, Farm loan waiver in seven States is just equal to Rs. 49,800 crore while the bad loans written off of the top corporate forces during the same year is as high as Rs. 1,61,327 crore. Similarly, SBI study states that in FY 2019, Farm loan NPAs increased to 12.4% of total bad loans of Rs. 8, 79,000 crore. This indicates the percen-tage share of Farm loan NPAs in the total bad debts.

Moreover, to mitigate the problem of Farmers distress due to drought or monsoon failure, the government steps forward and declares ‘Farm loan waiver’. This amount is part of the Central Budget Expenditure. How then will it lead to Banking Crisis? Further, Farm loan waivers are spread over a period of 2-5 years for a variety of reasons. Moreover, only 10 States have announced this scheme for the last 6 years and Jharkhand became the 11th one only in 2020-2021. In all these States, wide variations will be noticed between announcement and actual outlay which is always less than 50 percent. Usually, Farm loan waiver will be only on the paper and is not applicable to Tenant Farmers whose proportion is high among the total peasants.

Thus, the real offenders, the top level borrowers/top corporate forces are protected by the government itself by allowing write off of their loans to throw the public sector banks into the trap of lending crisis. On this pretext, PSB’s will be privatised to establish the domination of corporate forces in the Financial Sector.

Responding to a RTI query, the RBI released list of top 50 wilful defaulters, until September 2019 where public sector banks have written off as much as Rs. 68,607 crore. They include the companies of absconding diamantaire Mehul Choksi, fugitive business man Vijay Malya and Neerav Modi. Moreover, till Dec 2018, the top 100 borrowers of public sector banks had bad loans worth 4.44 lakh crore. It is curious to notice that the govern-ment supports this process as it continues waiving off loans of top corporate powers.

Thus the government con-sciously throws public sector banks into crisis and tries to pump finances to raise their lending capacity. Again, our PSBs are forced to lend to powerful corporate defaulters whose huge loans will be written off later furthering the crisis. This process will end with the privatization of public sector Banks.

Disinvestment and Strategic sale as a Big Neo-liberal Policy drama:

The Budget 2021-22 proposes to raise Rs. 1.75 lakh crore through the process of Disinvestment and Strategic sale. The main objective is to minimize the presence of Central Government Public Sector Enterprises including financial institutions so as to create new and wide investment space for private sector. Thus, the “Disinvestment and Strategic sale” is a strong neo-liberal tool with which all the public sector undertakings, their assets including land will be handed over to powerful domestic/ foreign global corporates as quickly as possible.

The Budget classifies strategic sector into

i) Atomic Energy, Space & Defence
ii) Transport and Telecommu-nications
iii) Power, petroleum, coal & other minerals
iv) Banking Insurance and financial services.

The budget says that in strategic sectors, there will be bare minimum presence of the Public Sector Enterprises. The remaining CPSEs in the strategic sector will be privatized/merged/rationalized with other CPSEs or closed.

In the Non-Strategic sector, CPSEs are either privatized or closed.

The Finance Minister “proudly” says that despite covid-19, the government never stopped working towards disinvestment. This clearly indicates the govern-ment’s ‘commitment’ to transfer the wealth of the nation to corporate forces amidst miserable sufferings of the marginalised due to the covid-19 pandemic. In 2021-22, disinvestment of BPCL, Air India, Shipping Corporation of India, Container Corporation of India, BEML Pawan Hans, Neelachal Ispat Nigam Ltd among others will be completed. Further, to fast forward the policy, NITI Ayog will work out on the next list of CPSEs that would be taken for strategic disinvestment. Moreover, States will be incentivized to hasten the process of disinvestment in State PSUs.

Atma Nirbhar Bharat will not accept public assets lying ‘idle’. Therefore, surplus land with government Ministries, Departments and PSEs will be monetized by direct sale or concession.

To hasten this process, a ‘Special Purpose Vehicle” in the form of a company is proposed to carry out this activity.

This clearly indicates that the government is in a hurry to identify the surplus land available so as to transfer it to Monopoly capital quickly.

In this context, it is seriously warranted to discuss about SVAMITVA [Survey of Villages and Mapping with Improvised Technology in Village Areas] Scheme which is mentioned in the Budget speech as part of one of the six budget pillars of “Inclusive Development for Aspirational India.”

This is the Central Government Scheme under the Ministry of Panchayat Raj, announced hurriedly on April 24, 2020, amidst serious crisis of Corona pandemic, to transform rural India into ‘Atma Nirbhar’. The aim is to enable villagers to use property as a financial asset for taking loans and for selling and buying. So far, property cards related to the residential land property have been issued to beneficiaries from 763 villages across 6 States. All the 6.62 lakh villages will be covered by 2024, the Budget says! The property cards indicate the Residential land ownership in rural India using modern technology of drones. This will be the basis for property tax in rural India. With this the government will clearly estimate the public/common land available in rural India after deducting the land with individual residential land property cards. In fact, rural India consists of various forms of common land which ensures the survival of rural people. If government takes over it, in the name of 'Atma Nirbhar' to hand over/transfer it to the global corporate forces, what will happen to the common land? It will disappear totally. The future of India especially rural India will be critical and horrible.

Despite serious Farmer's protest, the government is not ready to repeal the 'black' Farm Laws and would like to implement them at any cost to alienate the farmer from Farm Lands so as to transfer it to powerful corporate forces. Thus, the transfer of wealth to global monopoly capital in third world countries including India is land-centred which results in the extinction of common/collective public lands which is very much essential for the survival of majority who are excluded from the process of development. Their lives become further horrible.

Health: It is an important dimension of Human development and its significance is doubly recognized especially in the present period of covid-19 pandemic. The public health system is systematically destroyed by the government over a period of three decades. Still, the system strongly came to rescue the people in the critical time of covid-19. Yet, in the budget, no measure is proposed to strengthen Public Health System.

The present Budget states that importance is given to Health and Well-being. It allocates Rs. 2, 23,846 crore which is 137% more than the last budget, the Finance Minister claims. However, water, sanitation, nutrition and vacci-nation are included in it. Moreover, the amount of Rs. 64,180 crore allocated for PM Atma Nirbhar Swasth Yojana is spread over a period of 6 years; Rs. 35,000 crore is allocated for vaccination, Rs. 60,030 crore for Drinking water and Sanitation and Rs. 2700 crore for nutrition. Thus, the actual allocation to Health Sector is only Rs. 74,602 crore which is less than the last budget. Further, nothing is there to strengthen Public Health System.

The budget proposed Scrap page policy in the name of clean air. It is a voluntary vehicle scrap page policy to phase out old and unfit vehicles- 20 years for personal vehicles and 15 years for commercial vehicles. This policy will raise the sales of automobile industry. Therefore, they welcomed this move.

Education: The budget proposal in this regard is clearly in line with the recent National Education Policy which strongly advocates corporatization of education while dismantling public education system. The policy will encourage global corporate giants to enter and occupy our Education sector totally.

Conclusion:

Thus, the Central Budget, a fiscal policy instrument, has been perfectly transformed into a strong Neo-liberal tool to transfer our nation's wealth to powerful Monopoly Capital to establish its domination on each and every sector of our economy viz. manu-facturing, Infrastructure, Land, Agriculture, Power, Health, Education, finance etc. so as to throw our people into servitude. This is the policy of Atma Nirbhar Ruling Class. This is the bitter truth! It is the greater responsibility of conscious citizens and serious patriots to support, strengthen and direct ongoing agitations against this trend including Farmers' Protest, agitation against the privatization of Visakha Steel Plant, to free our Country from the invasion of India's Corporates and the Foreign Finance Capital Capital.

* * *