



To bloom or not to bloom It is not clear if the benefits of the Pradhan Mantri Kisan Yojana will start flowing in time for the BJP to harvest electoral dividends
G RAMAKRISHNA

STATES OF MATTER

Benefits in doubt

With new cash doles and shrinking capital spending, public finances in the country are approaching a critical juncture



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In what was described in media commentary as a “showstopper”, the BJP government, in the last Union Budget of its term, announced a cash dole for families that may be particularly stressed by ongoing adversities in the farm sector.

The BJP’s setbacks in recent Assembly elections were widely ascribed to its neglect of growing agrarian distress. Whether the Pradhan Mantri Kisan Yojana (PMKY), to be implemented with retrospective effect from December 2018 in an unusual stretching of budgeting norms, will retrieve lost political ground, remains the focus of speculation.

Benchmarks exist by way of the Telangana government’s Rythu Bandhu programme announced in the budget for 2018-19, and the more recently declared Direct Benefits Transfer scheme in Odisha. Both promise far more generous payouts than the PMKY.

The PMKY’s identification of beneficiaries, with state governments expected to pitch in, has just begun and it is not clear that the benefits will start flowing in time for the BJP to harvest electoral dividends. In an analytical sense though, the new transfer schemes point towards a critical juncture that public finances may be approaching.

Direct provision of services through investment in the rural sector was once the preferred strategy. Since the 1980s though, public investment in agriculture has persistently tapered downwards. In 2005, the National Rural Employment Guarantee Act was introduced, scrupulously avoiding the appellation of a cash dole while seeking to foster a renewal of productive assets in agriculture. Though audits of the scheme have turned in a favourable verdict in rural welfare terms, the contribution made to growth and productivity is yet to be assessed.

A choice between direct provision and a cash dole that the beneficiary could use to access a service through a freely chosen pro-

vider, is evident in the evolving philosophy of healthcare. In nominal terms, the recent Budget’s outlay for the National Health Mission barely matches the actual spending in 2017-18 and the revised expenditure for 2018-19. In an evident shift, the outlay for the national health insurance programme, Ayushman Bharat, has been stepped up close to three times.

Inherent in a cash payout or an insurance scheme is the calculation that services would be made available when demand rises. However, this cannot quite be taken for granted in the absence of a comprehensive programme of investment in health facilities. There is a risk that if demand falls below a threshold level, the private provisioning of services may simply not materialise, resulting in cost escalation rather than efficiency.

This may be the place that budgeting under neoliberalism could be leading towards. One among many trends discernible since the early ’90s is a decline, in proportionate terms, of capital spending out of budgetary resources. Viewed in another fashion, the creation of assets — either physical or financial — out of budgetary resources has been diminishing in importance, as budgets become increasingly about planning for the housekeeping expenses of governmental apparatuses.

Within aggregate capital spending, the share of budgetary resources has been diminishing, while public sector enterprises (PSEs) are stepping up with greater contributions. This could be through internal resources of the enterprises or market borrowings. In an optimistic view of this trend, PSEs compelled to shift out of a dependence on low-cost infusions of equity, would be under pressure to improve performance.

That argument would stand if there were

no contrary demands being placed on PSEs. Disinvestment is the obvious problem here, since the Union government in recent years has scaled up its ambition after over two decades of rather indifferent performance. The new modality is strategic investment, directing the larger PSEs to buy up entire governmental holdings in others.

As an instance, the Oil and Natural Gas Corporation (ONGC), last year, bought up the government’s entire shareholding in Hindustan Petroleum for ₹39,000 crore — each share valued significantly above its prevailing market price. Despite ample cash flows, ONGC had to incur significant debt to complete the purchase.

ONGC has also bought into oil fields run by the Russian oil giant Rosneft in Siberia, at prices that seemed unwarranted by their potential yield. In what seems a quid pro quo, Rosneft, in turn, invested in the highly debt-stressed Indian company Essar, buying up its port and refinery in Gujarat at a generous price.

This strategy could soon bring PSEs to a state of debt-induced distress, like other sectors of the economy. That would be a price future generations may be unwilling to bear.

An alternative may well be for India to join the debates currently underway in the US, the UK and other economies that pioneered the pathway towards the current neoliberal impasse. Betting on the supply-side on the assumption that lower tax rates would yield higher revenues no longer seems prudent. Addressing the imperative of social and economic equity today may well require a return to the more progressive taxation systems of the past.

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