# Modi imposes austerity budget as social inequality continues to grow at torrential pace

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**17 February 2025**

Following last year's general election, in which the fiercely pro-big business, Hindu supremacist BJP lost its majority in the Lok Sabha, the opposition INDIA alliance and particularly its "left flank," comprised of various Stalinist and Maoist parties, claimed that a chastened government would henceforth be susceptible to popular pressure.

This was a fraud, aimed at containing the swelling but inchoate popular anger over mass joblessness, endemic poverty and the BJP's relentless communal incitement within the reactionary framework of establishment politics, and their efforts to replace Narendra Modi and his BJP with a right-wing capitalist government. One that would be no less committed than Modi's to "pro-investor" policies and India's "Global Strategic Partnership" with US imperialism.

In the eight months since, the BJP government has continued its rampage against working people's social and democratic rights.

The budget for the 2025-2026 fiscal year, which Finance Minister Nirmala Sitharaman presented to parliament at the beginning of this month, provides massive subsidies for corporate India, cuts income taxes for a small privileged layer and sharply increases military spending, while slashing social spending for India's impoverished workers and rural toilers.

Yet Sitharaman, the finance minister since 2019, had the temerity to claim her budget was "by the people, for the people." In reality, it was a budget for the capitalist oligarchs, the billionaires like Gautam Adani, Mukesh Ambani, and the Tata and Birla families, whose fortunes have grown exponentially over the past quarter-century, thanks to the policies of successive Congress and BJP-led governments. This included the fire sale of public assets, massive corporate tax cuts and other concessions, and the state promotion of precarious contract-labor employment.

As supposed proof of her budget's "pro-people" character, Sitharaman pointed to an income tax concession extended to those who earn up to Rs. 1,200,000 rupees (US $13,812 annually). Such persons will no longer be subject to any income tax, as long as they file using a specific tax form. Much of the corporate press claimed that this was an income tax "bonanza" to the "middle class."

This is all smoke and mirrors. The vast majority of Indians pay no income tax, because their incomes are so miserable. In 2024, in a country of more than 1.4 billion people, only 86 million people filed an income tax return.

Until now, the annual income threshold at which one has to pay income tax has been 700,000 rupees ($8,093), more than double the annual median income of Rs. 324,680 (around $3,900). The lower tax threshold, it need be added, will only be available to those who use the government's "New Tax Regime" (NTR). Introduced in 2020-2021, it provides lower tax rates than the "Old Tax Regime," but in the name of simplification it eliminates many exemptions and deductions.

Sitharaman and the numerous government cheerleaders in the corporate press have claimed that the raising of the income tax threshold will boost middle class consumer spending and thereby augment India's economic growth rate. In truth, whatever boost in consumption it delivers will be highly circumscribed, as even the incomes of privileged middle class people have been squeezed in recent years by sharp rises in food prices and other goods.

In response to pressure from both domestic and international capital, the Finance Minister made a budgetary promise to enhance the "Ease of Doing Business" by dismantling or ignoring environmental and other regulations that stand in the way of private profit making. Already the government has gutted the country's labor laws to an extent that workers in even relatively large enterprises can be fired at will, and employers can now freely hire contract workers instead of permanent workers.

With the Indian economy's growth rate beginning to falter in the face of global economic headwinds, weak capital investment, and anemic growth in consumer spending, especially among the least well-off Indian corporations, foreign investors and credit rating agencies made it clear in the run-up to the budget that they expected the Modi government to provide significant fiscal stimulus.

Even as they did so, they also exhorted the government to press ahead with "fiscal consolidation," that is, reducing the budget deficit to GNP ratio through intensified austerity measures, especially targeting price subsidies and other "redistributive" measures.

According to some projections, India's growth rate could be as low as 6.2 percent during the 2024-25 fiscal year ending in March. While that would be far in excess of the rate of growth in any of the advanced capitalist countries, it is widely conceded that India needs an annual growth rate in excess of 8 percent just to absorb the yearly intake of new entrants to the labor force.

The budget was very much written to meet the conflicting imperatives of providing stimulus for big business and squeezing social allocations.

In last year's budget, the government made a pretense of being concerned about the now years-long phenomenon of "jobless growth," announcing various subsidies to boost the hiring of new employers, trainees and apprentices. In her February 1 budget speech, the Finance Minister had effectively nothing to say about job creation, although nothing suggests that last year's measures have made even a small dent in the jobless crisis, leaving tens of millions, including millions of university graduates, unemployed or under-employed.

**India's growing debt trap**

In the fiscal year starting April 1, 2025 and ending March 31, 2026, the government anticipates spending Rs. 50.65 trillion ($585.55 billion), as compared with Rs. 47.16 trillion ($561.43 billion) in the current fiscal year.

Close to 31 percent of the budget, amounting to Rs.15.69 trillion

($183.53 billion), is financed by debt with interest payments estimated at Rs. 12.76 trillion ($147.51 billion), constituting far and away the biggest single budget item.

Since capital investment by Indian corporations has been in a freefall over the past decade, the government is more than ever the principal source of new capital investment. The government has earmarked a massive Rs. 11.21 trillion ($130 billion) for Capital Expenditure (CAPEX), a 10 percent hike from the previous year.

This will be spent building infrastructure projects, such as roads, bridges, ports and electricity to facilitate the growth of Indian capitalism, and in the form of private-public partnerships. In practice this means funneling massive amounts of public funds into the pockets of politically well-connected crony capitalists, such as Adani and Ambani, who routinely overcharge for their "services," use lower quality materials to increase their profits and frequently fail to meet construction deadlines.

For example, as of February 2024, 443 out of 1,902 ongoing projects had reported cost overruns amounting to Rs 4.92 trillion ($56.88 billion), a massive 18 percent increase over the original estimates.

The military budget has been hiked by close to 10 percent to Rs. 6.81 trillion ($79 billion). This comes on top of close to double-digit annual hikes over the past decade.

For just these three items, interest payments on the national debt, CAPEX and the military, the government has budgeted Rs. 30.78 trillion ($355.85 billion). This represents about 61 percent of the total budget, leaving a meager 39 percent for all other expenditures.

This is why the social sector and agriculture have been the target of massive cuts. The budget for the Agriculture and Farmers' Welfare department has been cut from the Rs. 1.31 trillion ($15.14 billion) that the government expects to spend this fiscal year to just Rs. 1.27 trillion ($14.68 billion). The budget allocation for the provision of subsidized foodstuffs, such as rice and lentils through India's Public Distribution System (PDS), is the same as last year, Rs. 2 trillion ($23.12 billion). Due to inflation, this amounts to a massive cut, one that will compel the hundreds of millions of impoverished people who depend upon the PDS to eat even less.

Spending on healthcare and education remain woefully inadequate with an astounding shortage of 2.4 million hospital beds and at least 1.2 million teachers.

The Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS), which is supposed to guarantee 100 days of menial manual work to one adult member of every rural household, is being starved of funds. The allocation for the coming year is stagnant at Rs. 860 billion ($9.94 billion). The daily wages paid to this most oppressed layer of the rural working class reveal the utter cruelty of Modi government. In many of the states, daily wages for extremely strenuous backbreaking outdoor work still amount to a miserable Rs. 200 ($2.31) per day. Even these wages are frequently held up for weeks, even months. At least 65 million rural households numbering about 300 million people depend upon MGNREGS for their livelihood.

The massive increase in military spending is a humongous drain of public funds. Out of Rs. 6.81 trillion ($79 billion), around Rs. 1.8 trillion ($20.8 billion), is allocated to buying new military equipment, such as fighter jets, nuclear-capable ballistic missiles and other weapons systems.

This military spending is directed first and foremost at China, and secondly at New Delhi's traditional arch-rival, Pakistan. The India bourgeoisie has harnessed itself to US imperialism's military-strategic offensive against China, in the hopes of securing US investment and strategic favors.

However, for the influential Observer Research Foundation (ORF) think tank, which is financed by India's Reliance Industries owned by the oligarch, Mukesh Ambani, the military budget is inadequate, or at least must be fundamentally restructured so that much more money is spent on weapons and far less on personnel, especially pensions.

The Modi government has announced a disinvestment (privatization) target of Rs. 470 billion ($5.43 billion). This exceeds the Rs. 330 billion ($3.81 billion) the Modi government expects from its disinvestment receipts in FY2024-25. Disinvestments of government ownership in public enterprises and other assets, such as ports and airports, are another mechanism the Modi government uses to enrich India's capitalists. For example, the government sold off the government airline Air India to the Tata conglomerate for a miniscule amount in 2021.

**Placing the burden of taxation ever more fully on India's workers and toilers**

The budget will further increase wealth and income inequality in India, already among the worst in the world. The revenue of the Indian government is overwhelmingly derived from income taxes and the highly regressive Goods and Service Tax (GST) introduced in 2017. GST is charged for all goods, services and even packaged food items and routinely adds 12 to 18 percent to the price. Although indirect taxes did exist at both the state and federal levels prior to the imposition of the GST nationwide in April 2017, the tax burden on the masses from the GST is nothing less than crushing.

GST and income tax revenues now amount to Rs. 26.16 trillion ($302.43 billion). As compared to this, corporate taxes are estimated at a mere Rs. 10.82 trillion ($125 billion). Since coming to power in 2014, the Modi government has worked systematically to shift the tax burden to wage earners while consistently cutting corporate taxes. In the 2010-11 fiscal year, the corporate tax amounted to 67 percent of direct tax collection, and the remainder was collected as income tax from wage earners. There was no GST at that time. Currently, the tax burden on wage earners and the lowest strata of the population constitutes 71 percent of the total direct and indirect tax collection.

The charity organization OXFAM India in a report released on January 15 highlighted the extraordinary burden of the GST on the masses. It stated:

> Approximately 64 percent of the total Rs. 14.83 lakh crore (trillion) in Goods and Services Tax (GST), came from the bottom 50 percent of the population in 2021-22. As per estimates, 33 percent of GST comes from the middle 40 percent and only 3 percent from the top 10 percent.

The majority of Indians do not have regular jobs and make a living in what is termed as the "informal sector," comprised of small roadside fritter-sellers and other hawkers, daily casual workers, servants and the like. Since no new jobs are being created, especially in the manufacturing sector, which accounts for a mere 15 percent of India's GDP, more and more youth are compelled to fend for themselves as so-called "self-employed." So desperate is the condition of the Indian masses that, according to a study conducted by Foundation for Agrarian Study (FAS), the data from the government's Household Consumption Expenditure Survey in 2022-23 revealed that more than 360 million people are unable to afford daily food, healthcare and housing.

Despite all the talk of the Indian economic growth rate being the "envy" of the world, the Indian economy is in dire straits even from the utterly crass standpoint of bourgeois economists. Capital investment from foreign and domestic capital has plummeted over the past decade. In the 2024

Fiscal Year FDI (Foreign Direct Investment) inflow plunged by 62.17 percent to $10.58 billion, a 17-year low.

So desperate is the need for capital investment, India's Chief Economic Adviser V. Anantha Nageswaran advocated last year that the Indian economy should integrate itself into China's global supply chains or promote FDI from China. This even as New Delhi integrates itself ever more fully into the US war drive against Beijing.