

1

Introduction

At the 1995 Fourth World Conference on Women in Beijing, representatives from the developing world shared their growing impatience about the slow pace of improvements in gender relations. Even in countries that had long ratified the Convention on the Elimination of All Forms of Discrimination against Women, policy makers had failed to do enough towards fulfilling those promises. Therefore, it was necessary not only to demand more concrete commitments from governments but also to closely monitor each government's actions on all fronts, starting with an analysis of its relative financial priorities and the administrative machinery that it sets up to fulfil those priorities.

With this objective, several studies have been made of the expenditure side of the annual budgets of the Government of India (GOI) and of some of the country's state governments. These studies, under the sponsorship of the United Nations Development Fund for Women (UNIFEM), the United Nations Development Programme (UNDP) and the Ministry of Women and Child¹ have brought out the meagre extent of resources committed to gender-sensitive measures by successive governments (see, for example, NIPFP, 2003, 2004; SACHETANA, 2003; Eapen and Thomas, 2005). Moreover, attempts to examine the implementation process of specific budgetary policies have shown that there were many gaps between professed objectives and actual programmes on the ground. This severely impaired the desired impact of the measures and led to questions about their utility (SACHETANA, 2003; Unni and Rani, 2005).

Most of these studies so far have been of the expenditure side of various budgets; however, it is equally important to study the other side of the budget, which shows the means used to get resources for activities. Choosing between different ways of raising the necessary resources is an important problem for policy makers because there is usually a significant difference in the impact of those various methods on production and distribution in a given economy. Public finance theory is particularly concerned with devising a mix of methods that can minimise the cost of raising the required resources and also converge as closely as possible with the distributional ends desired by policy makers. The question to ask is therefore: if other things remain the same, what would be the relative impact on specific groups of population of two alternative methods of raising the same amount of resources?

Objective, organisation and sources

Objective

This paper aims to analyse the relative impact on the poor – and especially on women among them – of some recent changes in the pattern of resource mobilisation at the

central and state levels in India. To some extent, these changes in fiscal policies have been a consequence of new economic policies adopted by the GOI since 1991. Partly also, there was an urgent need for all levels of government to raise more resources for meeting their fast-increasing expenditures. For many years, several high-powered expert committees had been urging major reforms in India's tax policies with the overall intention of promoting faster economic growth and at the same time ensuring that the burden of taxation is spread equitably, i.e. by taking into account the relative ability to pay of different groups in the population (GOI, 1993, 2002a, 2002b).

Organisation

The first part of the paper describes the constitutional position of different levels of government in India, and the inter-relations between them as they have changed over the years. In the same section, there is a brief review of the relative fiscal positions of different levels of government as compared to their functions and of recent changes in those positions. The paper provides some details on the financial position of the GOI and of some major state governments over the past several years. For local government organisation and finances, the information provided is for West Bengal and a selection of local bodies in that state.

The second part of the paper analyses the possible impact of some specific recent changes in the revenue-raising systems of different levels of government. For the GOI, it examines the shift from trade taxes to direct taxes that took place in the last decade. At the state level, it looks at the rules and regulations governing the levy of value added tax (VAT) in West Bengal and its impact relative to that of the earlier sales taxes. In addition, it examines the levy of user fees for health services in that state and the possible impact of these again on the poor and on women. A brief concluding section summarises the findings.

Sources

The material used in the study is from several kinds of sources. First, it has used budgets and other official sources such as the Economic Surveys of the GOI and reports of the Finance Commissions. Second, it reflects some academic discussions on related issues. Third, I have interviewed several experts on public finance in India at different levels. In addition, the paper uses a lot of material that was collected in the course of several studies conducted by myself with the Centre for Studies in Social Sciences, Kolkata, and with SACHETANA in the last decade and a half.² I also conducted a brief case study of user fees for health services at a government hospital and in the health department of the state government.

In addition, meetings with women in two villages of West Bengal were organised with the help of SACHETANA during March and April 2006 (see Appendix 2). The findings played an important role in drafting this paper. Policy makers in India are disadvantaged for want of detailed data regarding happenings at the grassroots. In particular,

there are no regular channels of communication through which the views and problems of women – especially poor women – can be communicated to decision makers. Therefore, even with the best of intentions, the latter continue to have very vague ideas about the lives of these women. To give just one example: the current policy of the GOI is to promote hospital deliveries of all children. This does not allow for the fact that for a large section of rural women, hospital treatment is anathema, given the difficulties they have in reaching there and the treatment they have learned to expect from hospital staff.

Meeting a group of women helps to correct some of these lacunae because women willingly talk about their lives when they are in a group of peers, and their talk usually resolves round their current problems and their ways of dealing with them. For example, in these meetings there was considerable discussion about the rising prices of daily necessities, particularly food-grains and kerosene under the collapsing rationing system. They had a lot to say about the poor state of publicly provided health services and the mounting costs of sending children to schools, which has led many of them to take up some paid work and also cut down household expenditure on items like fuel. Some were aware of the changes in trade policies and talked of market prospects for local products like flowers and fish. All this provided a very valuable starting point for the selection and analysis of changing fiscal policies that is the focus of this study.