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Conclusion

There have recently been a number of attempts at gender- and poverty-sensitive analyses of government budgets in India. The initial focus has been on the expenditure side of the budget because it includes many programmes that are targeted towards women and the poor. The revenue side of the budget has received a lot less attention because, at first glance, not many of the poor and especially women among them appear to be taxpayers of any significance. The only taxes that they do pay are sales taxes (also taxes on imports and exports) because they buy some of the taxed commodities. The available data on consumption expenditure does not permit a gendered analysis because the information is on a household rather than individual basis, though one can do a partial class analysis. For example, given the amount spent by those below the poverty line on food and kerosene in 1987/88, the steep rise in the prices of these commodities because of cuts in government subsidies[25] between 1991 and 1993/94 reduced families' real incomes by about 20 per cent between 1987/88 and 1993/94 (Banerjee, 2004). However, there was no information about what were the class-wise demand elasticities for those items, what kind of adjustments were possible for those families and how the costs of those adjustments were distributed between different members of the families. To that extent the analysis was misleading about the final outcome.

I discussed the theme of this study with several well-known fiscal experts (see Appendix 3) who in recent years had been somewhat exposed to analysis of gender issues in the Indian context. Although they were still sceptical about some of the feminist assertions, they nevertheless provided me with valuable insights into the ways in which revenue-raising systems had been changing in the period since 1991 at the Centre and in the states. In their opinion, the new developments, and particularly the specific measures discussed above, are a move towards making the Indian fiscal system more efficient, more growth-prone and, at the same time, somewhat more progressive.

The analysis behind these conclusions is theoretically impeccable; however, one feels that the arguments are not quite complete because they only refer to one part of the economy, leaving out significant other sections of economic agents and their activities. The experts focus on persons who are in the tax net and changes in whose tax liabilities can be measured. They also consider the views of various organised industries and politically vocal groups, which can provide hard data about the possible impact on them of the changed policies. But these exercises do not take account of the remaining large and amorphous group of persons and activities that nevertheless make a significant contribution to India's GDP as mentioned before. Because of the very nature of those activities and their organisation, it is difficult to obtain regular and systematic information about the effects on them of changes in the policy outlook. Most macro-models therefore assign them to a residual and autonomous category; impact on them, if at all measured, is considered on one-to-one basis but not woven into the mainstream model.[26]

This, however, means that these exercises remain partial and cannot deal with some of the glaring anomalies in India's macro-economy. For example, the Planning Commission in its draft Approach Paper to the Eleventh Plan has admitted that the rate of decline in poverty has been much slower than its earlier assumptions; but there was little analysis about who particularly were the losers and for what reasons. Even when some groups have been identified as losers – for example, cotton growers – there is no investigation into how families cope with sudden poverty, what adjustments are made and who bears the brunt of those adjustments To give another example: policy makers blame rigidities in the labour market for holding back the pace of growth of employment and industries and therefore for the slower growth of the economy. But they know full well that the bulk of the production in the country takes place in the informal sector where there are no labour laws. Indian capitalists have very ingeniously managed to weave informal forms of production organisation into the mainstream economy, but there is no analysis of the impact of changes in fiscal policies on these informal production units. Similarly, though all around us we see women working hard to ensure their families' survival, their work finds no place in the official version of the functioning of the economy.

For this paper, which is concerned with the impact of changes in resource-raising methods on the poor and women among them, the data and their sources used in standard theorisation about tax incidence were of little use. Much more relevant were the insights that emerged from several area- and industry-specific studies with which I have been associated during the past decade or so. Because those findings essentially referred to another section of the economy, the economic reasoning that could account for them and the conclusions that emerged from there were also different from the mainstream analysis.

Shahe Emran and Joseph Stiglitz have written several papers dealing with reforms of indirect taxes in developing countries with large informal sectors (see, for example, Emran and Stiglitz, 2004a, 2004b). They have considered the case of an economy where trade taxes were replaced by a VAT with the same revenue yield. Their assumptions were that the formal and the informal sectors both produced tradable products that were near substitutes for each other, although the VAT applied only to products of the formal sector. Under these assumptions they showed that imposition of a VAT in place of trade taxes would push more and more activities into the informal sector, making it necessary to hike up rates of VAT and thereby further raising the prices of the formal sector products. This would cut into consumer welfare by reducing their consumption in real terms.

The case considered in this paper is basically different. Trade taxes in India have been largely replaced by better collection of direct taxes from a wider network of direct tax payers, which had the potential of making the overall central tax system more progressive in its incidence. That the move, by liberalising international trade in commodities, made many traditional producers and workers worse off is not because the tax system had become more regressive; it was because in India, the process through which an economy adjusts to trade shocks is not being allowed to work itself out. There are critical barriers that prevent free and smooth movement of factors of production, especially of labour and enterprise, between industries that have lost their markets to industries that have been able to expand their markets. One of the barriers is imposed at the international level; capital is allowed to move freely between countries but there are severe restrictions on the international movement of labour. Within the country too, workers find it difficult to move because of language barriers or local prejudices. And in any case, the jobs they move into after migration often do not pay enough for them to move their families to their new workplaces. Because the state cannot remove those barriers, it has to admit that the new regime has made a large section of the workforce redundant or has at least increased the risks and uncertainties they face in their quest for a livelihood. For women of those households, the change leads to an increased workload and a greater responsibility for continuous adjustments that are required to combat that uncertainty.

The basic design of VAT as introduced at state level is about the same as the earlier sales taxes that provided exemptions for essentials and had somewhat progressive rates that were higher for luxuries. However, because of its different collection procedure, VAT is expected to generally reduce tax avoidance and also to prevent the cascading effect of taxes on capital goods. The system as operating in West Bengal gives incentives to getting more units registered and in the tax network as well as for a switch to more capital-intensive technologies. The move has much to recommend it because it will expand the state's tax base and it will also raise the labour productivity of its industries. Both these trends are likely to improve the working conditions of workers who get employment in the working units.

However, this move too will probably discriminate against the existing workforce due to workers' inability to move to the new industries because of either want of necessary skills or limited mobility. Past experience (Mitter and Banerjee, 1998) has shown that in such situations, women who had earlier been working in the more labour-intensive jobs are the ones to be made redundant immediately and not given access to new skills or jobs that replace their earlier ones. There are few reasons to believe that, for the majority of Indian women, things have improved significantly since then.

The third alteration in the Indian public revenue system considered by this paper was of introducing user charges for some basic public services. From discussions with potential payers, it seems that, for the poor and for the average woman, there is no viable alternative to government's provision of health care and they would willingly pay higher charges if that would ensure a better supply of health services. Currently, however, the revenue that is being raised by user charges is not being used for improving the availability or quality of public services to the average person. Therefore, levying user charges has probably made poor women worse off without offering any hope of a better future through the changed policies.