8. Dark side of election time welfare promises

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The Narendra Modi government has been in office for about 10 years now. It has its share of hits and misses. If the Opposition was sincere and serious, it should have attacked the government for misses, though few and far between, and presented an alternative agenda to the public. Unfortunately, the Opposition has failed to come up with any positive alternative agenda. Instead, with elections on for five state assemblies, the opposition parties are making all sorts of promises in their manifestos.

Most of these poll promises (freebles) can't be fulfilled. These parties, probably, have no intention to fulfil them there are no provisions in the state budgets or off budget borrowings to fulfil these promises State finances are mostly in the doldrums.

The federal structure in India has no provision for bankruptcy of a state, otherwise states such as Punjab and Rajasthan, reeling under heavy debt, may face bankruptcy. They are a big drag on India's fiscal consolidation roadmap.

These election promises can be classified into four categories. One category would consist of such promises that the parties making them have no intention of fulfilment. Such promises could range from giving gold chains to women or the promise of blanket loan waivers to farmers.

The second would be those that need the diversion of precious public resources from productive developmental expenditure to wasteful expenditure. The Congress led government in Karnataka is diverting funds to the tune of ₹ 40,000 crore from developmental projects for poll promises. The deputy chief minister of that state is on record saying that the state will have no funds for development expenditure because the funds will go to fulfil poll promises. The extravagant promises by the Congress government in Rajasthan and the BRS government in Telangana, should these parties come back to form the government, will ensure that there would be no money left for capital expenditure.

The third category of promise entails the creation of future liabilities for the public but hiding them from the public through financial jugglery. Delhi is a classic case where under-recovery on the supply of electricity is leading to the creation of regulatory assets Electricity distribution in the city was privatised long back. These private companies are not able to recover costs including a fixed rate of return on capital employed. This under recovered amount constitutes "regulatory assets in the balance sheets of these private distribution companies. The total figure for FY 2021-22 for the three private power distribution companies comes to ₹ 18.578 crore. If we conservatively assume the carrying cost for this amount to be 8% per annum, the annual interest payable to the distribution companies would come to around ₹ 1,486 crore. This interest burden will be payable by the electricity consumers of Delhi in the future. During 2004 14, the United Progressive Alliance government issued oil bonds to the oil marketing companies to the tune of ₹ 1.25 lakh crore. Similarly, there was off bud get borrowing to the tune of ₹ 2 lakh crore by the Food Corporation of India These amounts were paid by the Modi government.

The fourth category of promises is a reversal of the measures of economic reform. Reversion to the Old Pension System (OPS) is non -Bhartiya Janata Party (BJP) ruled states is a prime example of this. The New Pension Scheme (NPS) was a major economic reform of the Atal Bihari Vajpayee led National Democratic Alliance government and had moved the pension liability of the government from being unfunded to fully funded. The benefits of this far-sighted reform were to become evident a few decades down the line. However one state government after the other is jettisoning this together a few extra votes from government employees.

The BJP is working relentlessly to provide fiscally prudent and responsible social welfare schemes and expose the false promises of the Opposition. We believe in empowerment. not entitlement, and the difference is evident in sound current macroeconomic fundamentals like Gross Domestic Product growth, fiscal deficit, inflation and foreign exchange reserves.

The point is fiscal resources should be utilised in a targeted way with provisioning in the budget, as government need to spend or diverse areas with fiscal prudence.