Interpreting the Budget Speech for 2022-23

Shubhi Agarwal*

ABSTRACT

Though the Budget 2022 has included provisions to tackle the country’s economic vulnerabilities, its successful outcome will be essential to its performance. The Budget Speech 2022-23, labelled as ‘growth-oriented’, pumped optimism into ‘Dalal Street’, and share market operations concluded on a hopeful note after the proposal was delivered. This article aims to go further into the government’s budget complexities to grasp the details of whatever is being pledged, how those commitments are supposed to be achieved, and whether they satisfy the country’s present economic expectations. This article also highlights that consumption demand is still an issue as the budget speech plots the route to prosperity for the next three decades and the budget 2022-23 has prioritized long-term advantages over short-term solutions.

Keywords: Amrit Kaal; Budget 2022-23; Economy; Demand; Development; Growth.

1.0 Introduction

Like a large portion of the rest of the world, India’s government has typically relied on a strategy that predates the “Waterfall” model: a comprehensive study of the challenge, meticulous planning, and finally diligent management. This is the foundation for five-year plans and rigorous city master plans. The trouble is that the actual world is complicated, chaotic, and full of unexpected events and ramifications (Economic Survey, 2021-22). Considering abundant evidence that this did not enhance results, conventional economics responded by creating ever more complex intentions and complicated forecasting models. Friedrich Hayek, an economist, coined the phrase “The Presence of Knowledge”

*Assistant Professor, Department of Economics, Delhi University, Delhi, India (E-mail: shubhiagarwal1001@gmail.com)
Economic Survey, 2021-22 aims to illustrate how India’s economic reaction to the COVID-19 shock was guided by an alternate “Agile” strategy. Feedback loops, genuine tracking of actual outcomes, adaptable reactions, security buffers, and so on are all part of this structure. In this paradigm, planning is important, but more for scenario analysis, identifying susceptible parts, and comprehending policy alternatives than for predicting the sequences of activities in a codified form. Although some sort of policy-making based on feedback loops has always been feasible, the agile approach is especially pertinent now due to the massive real-time information that helps in regular review. GST collections, digital payments, satellite pictures, power generation, freight movements, internal/external commerce, infrastructure roll-out, delivery of different programs, and transportation indicators are just a few examples of this type of data. Most of these are accessible on public platforms but the private sector is already producing numerous new types of data. As a result, short-term policy actions can be adapted to a changing circumstance rather than what a model might anticipate. The longer-term supply-side strategy, which combines incentives that promote economic versatility through advancement, enterprise development, and threat on the one hand, while investing in quality standards, social welfare programs, and macroeconomic buffers on the other, is informed by the same acknowledgment of unpredictability. Learners should be able to see the connections between apparently irrelevant policies such as deregulation, procedure rationalization, privatization, foreign currency reserves accumulation, price stability, housing-for-all, environmental sustainability, the Insolvency and Bankruptcy Code, medical insurance for the poor, financial intermediation, spending on infrastructure, direct benefit transfers, and so on. They’re all about preparing for or profiting from an unpredictable future (Economic Survey, 2021-22).

Boosted capital investment has been the preferred method for prosperity in the budget whereas revenue expenditure has not been significantly increased. With such a rise in infrastructure expenditures, higher capital expenditure is projected to tackle India’s delayed structural reforms and the significant threat of a middle-income bottleneck, driving out private investment. While the official rate of a 35 percent rise in CAPEX has sparked interest, the truth would be in the facts (Ministry of Finance, Union Budget, 2022-23).

2.0 Objectives of the Study

This article aims to go further into the government’s budget complexities to grasp the details of whatever is being pledged, how those commitments are supposed to be achieved, and if they satisfy the country’s present economic expectations.
This article also highlights that consumption demand is still an issue as the budget speech plots the route to prosperity for the next three decades and the budget 2022-23 has prioritized long-term advantages over short-term solutions.

3.0 Research Methodology

This article uses secondary data. This article uses a descriptive research design. This study uses budget documents for 2022-23, 2021-22, 2020-21, and 2019-20. An explanatory sample design is used in this study.

4.0 Review of the Budget

To begin, a review of budget estimates (BE) for 2021-22 with those for 2022-23 reveals a 35.4 percent rise in CAPEX (Ministry of Finance, Union Budget, 2022-23). If somehow the contrast would be between the revised estimates (RE) for 2021-22 and the BE for 2022-23, the CAPEX increment is 24.5 percent. Furthermore, when total CAPEX is evaluated, which comprises both total budget spending and government business assets, the former has climbed by 24.5 percent while the latter has decreased by 6.6 percent. As little more than a consequence, the real increase in total CAPEX is 10.4%. Although capital expenditures have a deferred multiplier impact, revenue expenditures influence consumption and so they create direct demand in the economy. Realizing that India’s GDP is based on demand, massive gains in revenue spending are projected to spur growth. Despite this, the revenue spending increase in the current budget is just 0.9 percent worries about fiscal prudence and debt endurance; although both are important in the short term, might well have spurred such a shift.

However, such change will only be accepted if the benefits of this trade-off, such as economic stability and consistent capital inflows, balance the disadvantages of growth due to direct consumption. Direct tax incentives, which may stimulate demand, were indeed not included in the budget. Despite India’s stagflationary situation, the budget might have penalized the wealthiest yet offered modest assistance to the middle and lower classes. The budget has failed to do just that. Although the taxation of crypto assets has helped to tax wealth, it is still a small step forward. To offset the revenue loss from the tax benefits offered to the middle and lower classes, the budget might have reinstated the wealth tax or modified the surcharge on the super-rich. This wealth tax may just be included in the budget while the economy is in positive territory. The authorities have made several attempts to enhance transportation, increase modernization, and boost economic competitiveness, all of which will create room for
restructuring by increasing the productive capacity of human capital accumulation and physical capital in the industry. The above steps will be in addition to the capital spending pledged in the budget.

Nonetheless, there were failures in respect of the stimulus to the power generation and the ability to compensate for the pandemic’s adverse influence on individual wealth generation. Whereas the Finance Minister in the budget speech of 2022-23 stated that investment in sustainable energy storage technologies will be made, expenditures for smart grid infrastructure and a generation and distribution network revamp remained absent from the budget speech. The pandemic’s interruptions in academic education, which adversely impacted youngsters from the most impoverished segments of society, may lead to permanent student absenteeism, exacerbating social inequality, particularly gender discrimination. Although accessibility to and efficiency of high-speed broadband coverage is doubtful, discussed in the areas of those overwhelmingly impacted, the remedies to compensate for such disruptions have already been innovative. Whereas the budget asserts that India has achieved its goal of “single market, single tax” unfortunately that’s not the scenario. Except for the goods and services tax (GST), the economy heavily emphasizes union excise charges and service tax. Whereas GST contributes to 59 percent of indirect taxes in the existing budget, union excise charges and service tax are responsible for a considerable 25%. And so was the necessity to sustain metropolitan areas mentioned in the Budget Address, as well as the need to stimulate the growth of Tier 2 and 3 cities (Ministry of Finance, Union Budget, 2022-23). It is also stated in the Union Budget 2022-23 that the government will receive assistance with town development. Though it may appear that a strong emphasis is being focused on urban expansion, the real resources need not support that assertion. The expansion of urban redevelopment allocations between RE 2021-22 and BE 2022-23 is meager at 3% (Ministry of Finance, Union Budget, 2022-23).

Furthermore, there is no assurance of effective corporate governance for urban local governments in charge of urban planning and implementation. By instructing the government to do the necessary, there is still no effort to improve the operational and financial flexibility of urban local government, which would be essential for effective urban governance. The budget raises concerns about the development requirements of borderline settlements with low population, poor connection, and inadequate infrastructure. The emphasis on infrastructure development and the creation of employment opportunities for all these areas is commendable, just because it tackles local underdevelopment and serves as a predecessor to urbanization. Merging current programs and maybe some new cash will be used to fund this endeavor. The budget has grown by 6%, contrasting BE 2021-22 and BE 2022-23. Furthermore, when considering
the RE 2021-22 and BE 2022-23, there has also been a little decrease in distribution (0.3 percent). Additionally, merging current systems is only beneficial if the goal is to promote effective resource consumption; otherwise, there would have been no added benefit. The agrarian sector’s concrete recommendations have been digital rather than focusing on sustainable farming standards and processes, which are premised on cost-effective eco-friendly solutions and the fundamentals of a sustainable society; therefore do not require excessive electrical energy consumption. Agriculture’s adaptability to global warming, among many other disturbances, is recognized to be improved by these sustainable farming methods and techniques.

Moreover, despite 87 percent of India’s landowners having small and marginal farmers, relying on innovation rather than sustainable farming principles and procedures to improve farming makes very little sense (Ministry of Finance, Union Budget, 2021-22). These methods need minimal expenditure and are not hindered by inadequate technological connectivity. Finally, although the budget gives the impression that it has tackled the most pressing economic issues, there seems to be a concern about the magnitude of budget commitments and the kind of remedies offered to respond to these challenges. Ultimately, the evidence of the cake is in the government’s budget effective execution of policies and programs mentioned in the Union Budget of 2022-23 and the results can be ascertained by effectively and efficiently implementations of policies by administrations that they can provide in their reports and appraisals.

5.0 India’s Amrit Kaal: Budget 2022

The Economic Survey of India 2021–22 forecasts an annual growth rate of 8–8.5 percent for FY 2022–23, which is much less than that of the IMF’s overly bullish forecast of 9%. Besides that, the government has admitted that this growth figure is conditional on underlying principles along with no more many pandemic-related financial interruptions, decent monsoon season, organized departure of international reserves (if any) amid mount rising inflation, and steady petrol prices, and a general decrease in market uncertainty. The national income (about real GDP) is required to eventually rebound to pre-pandemic standards in FY 2021-22, according to preliminary forecasts. In consideration of something like this, the Union Budget 2022 aims to establish a growth plan for India’s economy over the next three decades, entitled “Amrit Kaal.” This year’s budget aims to reconstruct India’s promise to the Sustainable Development Agenda 2030, which is largely determined by technological developments, by focusing on main pillars:
Interpreting the Budget Speech for 2022-23

- Inclusive Development
- Enhanced Productivity
- Energy Transition
- Climate Action
- Private and Public Investments

Just like earlier indicated in the 2022 Budget, the administration has vowed to take several significant initiatives. PM Gati Shakti, which supports big infrastructure expansion, transportation effectiveness, and flawless communication, should be paid greater emphasis. Within this concept, the nationwide grand plan aims to connect the seven wheels of development under the National Infrastructure Pipeline, resulting in increased productivity and long-term economic expansion. This has stated its intention would develop and launch “Digital Rupee”—the Central Bank Digital Currency (CBDC)—using blockchain technologies by 2022-23 in terms of cutting operating costs and improving the currency administration process performance.

The financial budget also establishes a compelling vision for inclusive growth in the farming sector, with co-investment modeling techniques to monetize rural start-up companies; rapid urbanization with a greater emphasis on Tier 2 and 3 urban centers; inter-linking of major channels such as udyam, e-shram, and others to certainly stands consolidation and development programs; and universalization of health care and education, with a wide range of psychological health, backed by the digitalization.

Distributions were also made to make sure climate action and energy transition activities, such as incentivizing solar PV module deployment, shifting to a carbon-neutral economy, and encouraging the establishment of new circular economy investment opportunities. All of these are positive moves, but the administration must walk cautiously to manage the optimal trade and problems. It moreover raises the issue of whether we have bounced back from the pandemic’s financial impact. If otherwise, will the new proposals be able to successfully push forward the planned expansion strategy amid these persistent problems? If there is insufficient information regarding any other subject matter, the state government would have to address it in the coming decades by chalking out the appropriate policy actions or by performing a pilot survey for the success of the policy schedule.

6.0 Changing Consumer Buying Patterns During a Financial Crisis

The Indian market has rebounded itself from the longest period of decline in recent years. Even yet, it would indeed be inaccurate to blame this decline only on the
COVID-19 pandemic. India’s pre-pandemic growth rate was 3.7 percent, much less than that of the 8.2 percent recorded in 2016-17. The progressive falls in private final consumer demand development in the country, and according to some analysts, has always been the main factor behind the global recession. Concluding a Reserve Bank of India (RBI) research, in 2021-22, Private Final Consumption Expenditure (PFCE) increased by 9.4%, mainly due to the fulfillment of pent-up consumer demands. Unfortunately, it has not yet reached pre-pandemic levels. Lack of market demand, in consequence, has a significant impact on business revenues and public jobs. Poor household incomes and subsequent drops in consumer demands exacerbate the issue. The prior budget may have played a critical part in immediately increasing economic status to alleviate the consumption situation. Furthermore, it concentrated on infrastructure expenditures to alleviate production shortfalls, while failing to prioritize the healthcare and education sectors, which authorities throughout the globe have traditionally targeted to battle unemployment and inflation. The Union Budget for 2021 was primarily an upper strategy to stimulate economic development, focusing on the manufacturing industries rather than the more labor-intensive farming sector.

The Indian market is at a split right now, contending with comparative economic instability and growing inflation expectations. Significant governmental investments in job sectors like farming and infrastructure are anticipated to enhance private consumer spending expansion to 7.2 percent in 2022-23 (Ministry of Finance, The Union Budget 2022-23). In contrast, the Union Budget for 2022 included various direct tax breaks to boost disposable income and encourage corporations and cooperatives to make private investments that result in job creation. Parents of people with impairments have received tax exemptions. Co-operative tax cuts were also proposed, with the alternate minimum tax rate for cooperative organizations being decreased to 15 percent from 18.5 percent before.

The Finance Minister hailed the accomplishment of the Production Linked Incentives (PLI) scheme, complementing its importance in realizing the Atmanirbhar Bharat goal and emphasizing its employment possibilities. In the next 5 years, this is expected to generate 6 million new opportunities (Ministry of Finance, The Union Budget 2022-23). As per the Union Finance Minister, the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), which was formed in 2000 by the Micro Small and Medium Enterprise (MSME) Ministry and Small Industrial Development Bank of India (SIDBI) to help facilitate the stream of institutional credit to micro and small enterprises (MSEs), will be reorganized with an increase in spending to enable additional credit of rupees 2 trillion for small and micro enterprises and broaden employment options.
The budget allotment for Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), from the other extreme, has indeed been reduced to rupees 730 billion from rupees 980 billion the prior year. In addition, no revisions to the income tax slabs have indeed been proposed for FY 2021-22. Only individuals would be entitled to submit amended Income Tax Returns (ITRs) within two years following the announcement. In face of contemporary inflation expectations, the much-anticipated increment in the standard deduction had also been immediately canceled.

### 6.1 Would the liberties/announcements provided in the budget be perfectly adequate?

Although the budget includes a potential rise in capital spending, it wouldn’t be enough to drive growth. Supply-side measures include the PLI Program and the redesigned CGTMSE. Even though the declarations are excellent, there seems to be no transparency or assurance about how they might result in employment generation. Tax deductions for co-operative societies are also a good thing in a general way for supporting MSMEs’ access to financial services, which would be critical for long-term effectiveness and justice. Such steps, meanwhile, must always be reinforced by much more explicit attempts to boost consumer needs. Because the pandemic has resulted in widespread mass layoffs, the most disadvantaged population is currently depleting its meager funds to buy products and services. Although abundant supply, this must have played a key role in the delayed recovery of consumer spending.

Throughout this instance, initiatives that create jobs and have a strong multiplier impact can give rapid help. MNREGA’s funding allotment might have been increased, and the program’s extension to metropolitan areas may have resulted in guaranteed employment generation. Furthermore, tax reductions for the lower and middle-class categories might just have resulted in a proportional rise in disposable income for individuals who voluntarily spent a bigger proportion of income on spending requirements than the wealthiest fraction. This is indeed critical for the government’s efforts to improve economic optimism, especially in the MSME sector. Boosting those people’s earnings is the most effective approach to assure consumer needs for MSME commodities. As a result, taking into account the four basic principles mentioned previously, the advantages can only be realized in the long term. Realistic short-to-medium term actions are necessary to effectively stimulate private final consumption to overcome the current stagflationary scenario and assist effective announcement of the various programs. One of the most successful approaches is to put money in the pockets of the people via direct better livelihood initiatives like MNREGA or middle and lower-income tax refunds.
6.2 Budget 2022-23 has prioritized long-term advantages over short-term remedies

This year’s budget is exclusively based on reviving the growth of the economy. It proposes a plan to solve its most concerning pattern in India’s economic plotline: a decade of diminishing private investment. In other words, this year’s budget is a reaffirmation of last year’s pandemic-recovery policy, and it’s also a shot in the arm for long-term growth in the economy. The primary goal is to increase government expenditure dramatically, with an emphasis on infrastructure building and employment growth.

Revenue expenditure and capital expenditure are the two main types of government expenditures. The previous category covers all government expenditures which do not result in the formation of assets or the reduction of liabilities. Salaries, interest payments, pensions, administrative costs, and so forth are all included. Significantly, substantial welfare systems like the Food Security Act, MNREGA, and other direct cash transfer schemes are included. Following the deadly COVID-19 epidemic, some of these programs were critical in preventing humanitarian disasters and hunger-related fatalities in India.

However, unlike the previous two years, almost all of these programs have earned very minor increases in this year’s budgetary allocation, with the majority of the increase in government expenditure going to the second component—capital expenditure. Spending on asset creation, for example, contributes to increased productivity, job creation, and long-term growth. Capital expenditures are expected to increase by 24.5 percent over last year’s revised forecasts in the next fiscal year (Ministry of Finance, The Union Budget 2022-23). The PM Gati Shakti Scheme has been adopted as the means of stimulating significant infrastructure projects throughout the country and boosting interconnectivity via highways, trains, canals, and airways (Ministry of Finance, The Union Budget 2021-22). Market analysts and economic experts who analyze economic development and growth are expected to enthusiastically support that. Our government is rethinking and broadening the theme of social protection, which is a shift from previous approaches. Whereas previous aspects of social safety, such as cash payments, agricultural goods, and job guarantees, have concentrated on instant relief and short-term strategies, this year’s budget broadens social welfare to include low-cost housing as well as connects directly to piped water and sanitation services. The budget has increased funding for these programs significantly. As a result, asset development has gotten a lot of attention from the standpoint of safety nets. Whereas the administration thinks in a long-term expansion plan, there is a clear trade-off between current consumption and demand stimulation.
For something like a variety of justifiable reasons, it has attracted a lot of attention. The pandemic has wreaked havoc on food security and wages all around the world. Financial assistance has primarily gone to the lower 40% of the population. Nevertheless, my research suggests that demand in the lowest 80% of rural India has decreased dramatically. That research is for rural homes (based on real data), however considering that the pandemic was substantially harsher in metropolitan areas throughout India, this could readily be generalized to urban residents. As just a corollary, the middle class has seen a drop in expenditure comparable levels to that of the rich people. The rationale behind prioritizing capital expenditure expansion above revenue expenditure expansion is fair. The multiplier effect of capital spending on consumer spending is much bigger than the multiplier effect of revenue expenditure on business growth, according to findings from international and Indian statistics. In essence, for India, the approximations for capital and revenue expenditure have indeed been determined to be 2.45 and 0.99, accordingly (Ministry of Finance, The Union Budget 2022-23). As a consequence, putting the marginal government investment into infrastructure and long-term asset development helps to save money.

Unfortunately, the economic rationale for prioritizing long-term infrastructure development and employment generation to satisfy consumer support is much less apparent. In addition, the Periodic Labour Force Survey (PLFS) data shows a significant drop in income, in addition to unemployment levels. What was more noticeable would be that, in comparison with the rest of India, the decrease in income is much more extreme in areas like Uttar Pradesh (UP). UP saw a 23 percent decline in profits following the pandemic, as opposed to a 22 percent drop within India. Furthermore, the analysis suggests that the youngsters of UP have experienced the steepest declines in income in the nation. Although the overall fall in adolescent incomes is at -20% in India, it is significantly worse in UP, at further than -30%. Realizing that the state of UP is going out to vote in just a few weeks, it is indeed apparent that the administration avoided gimmicky election initiatives in this year’s budget statements. The long-term growth pledge makes sense economically, but somehow it looks to be a calculated risk that the BJP leadership is ready to accept strategically. The rationale seems to become that the initiatives like the PM Awas Yojana and Har-Ghar-Nal would motivate supporters in state elections in 2022, much like the massive rural energy initiative achieved in 2017. Apart from the prominent appropriations that dominate much public conversation about the Union Budget, there are a few progressive and practical initiatives worth mentioning. Below mentioned are a few examples:
• The government’s yearly budget emphasis on town development is a key admission that towns require management and could be allowed to thrive naturally because they have in the past throughout the nation. Even though India is now around 35 percent urban, urban planning and administration are frequently policy foregone conclusions (The Registrar General and Census Commissioner, Ministry of Home Affairs, Government of India). Improper planning and municipal government have a high cost in terms of ineffective management and bad attractiveness for inhabitants. Notwithstanding no significant increases in education and health care spending, this budget is solid generally. Money, while important, is only a portion of India’s greater health and education problems. Despite information and technology answers and fast solutions, public health and public education require fundamental sweeping changes.

• Providing tax assistance to handicapped people’s parents/families is a necessary stage. In India, a handicap is now a heavily commercialized issue, with households bearing the majority of the burden with very little state help. Since moreover 5% of India’s population, or approximately 50 million individuals, are handicapped, that legislative blind hole must be addressed promptly (The Department of Empowerment of Persons with Disabilities in the Ministry of Social Justice and Empowerment). Due to the increasing awareness and greater documentation by parents and medical practitioners, that percentage is anticipated to be considerably higher in the next survey.

• Green funding, in the form of green securities, has found a home in the budget, which is a positive (and sensible) step. India, as little more than a significant boom phase, does have the ability and desire to lead the world energy transformation. Although there are numerous market prospects, India needs the appropriate financial frameworks to attract international investments that would enable it to accomplish its objectives. For India, the green loan can replace that significant gap.

• It’s indeed encouraging that mental state is being recognized and prioritized as a government policy priority. This year’s budget includes funding to create an infrastructure of 23 digital labs to provide psychiatric telemedicine programs. It will be handled by NIMHANS, with IIT Bengaluru assisting. In addition, the psychological state, like most healthcare in general, needs specific physical support as well as skilled personnel. Such telemedicine clinics will eventually be expanded and incorporated into primary health care facilities and fitness centers around the country soon. Budget 2021, in contrast, featured a vast proposal to establish contagious health clinics in every medical center throughout India amid the
pandemic. They must obtain an explanation on this—are the difficulties due to inadequate funding or a lack of government capabilities? Tragically, neither of them provides an answer for the Finance Minister.

References


The Department of Empowerment of Persons with Disabilities in the Ministry of Social Justice and Empowerment. Retrieved from https://disabilityaffairs.gov.in/content/