

Union Budget 2022-23

Context, Policy Frame Work and Comments on Policies

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- I wish to present three aspects of the Union Budget: (1) The context or the current economic situation of India, (2) Policy frame work of the budget and (3) Comments on policy proposals.

The context or the current economic situation of India

- According to World Bank and IMF, the World is facing the deepest recession since the Second World War.
- India is also facing the worst economic recession since 1947.
- Now the third wave of COVID-19 driven by Omicron variant is spreading throughout the country. This creates an unpredictable economic environment.
- The economic survey says that Indian economy has achieved a GDP growth of 9.2% in 2021-22 and recovered from the COVID-19 induced recession.
- But this is not factually correct.
- If you compare the GDP prior to COVID-19 year (2019-20) and current year (2021-22), you can find that the growth in GDP in constant prices is only 1.2%.
- Second, there is a negative growth in the sector, trade, hotels, transport and communications during the last two years.
- Third, the private final consumption expenditure, which accounts for more than half of GDP, has been registering a fall during the last two years.
- Available evidences suggest that Indian Economy is in a state of stagflation.
- On the one side recession and unemployment has been increasing. On the other side inflation is rising.
- According to economic survey, the whole sale price inflation rate is 12.5% and consumer price inflation rate is 5.2% at present.
- The COVID-19 induced crisis has been creating unprecedented crisis in almost all sectors of the economy, except agriculture.
- Activities in secondary and tertiary sectors are severally affected due to the crisis.

- Except the public sector and organized private sector, there was huge loss of employment in the informal sector which account for more than 80% of total workers.
- The economic crisis has increased poverty, people living below poverty line.
- According to the latest economic survey people below poverty line was 21.9% in 2011-12 (rural – 25.7%, urban – 13.7%).
- It is a pity to note that the central government has not made an attempt to revise the estimate poverty in India since 2011-12.
- But the budget is formulated on the assumption that the economy has revived from the current recession and is in the process of fast growth.
- This factually an incorrect statement.

Policy frame work of the budget

- Accelerate economic growth, achieve fastest growing economy in the World
- 60 lakh new jobs to be created under the productivity linked incentive scheme in 14 sectors.
- Entering Amrit Kaal, the 25 year long lead up to India @100, the budget provides impetus for growth along four priorities:
 - a) PM GatiShakti
 - b) Inclusive Development
 - c) Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, and Climate Action.
 - d) Financing of investments
- The seven engines of growth proposed are Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure.
- Vision of development is Atamanirbhar Bharat plan, (make in India Programme)
- Higher capital expenditure by centre and state will promote private investment, trigger fresh investment by companies
- Promoting technology enabled development
- Reducing imports and promoting make in India policy in defence sector
- Ease of doing business policy, “minimum government and maximum governance”
- Privatisation of public asset and finding resources to cover fiscal deficit or fiscal position
- Reduce fiscal deficit from 6.9% of GDP 2021-22 to 6.4 percent in 2022-23
- Promotion of exports
- Incentive for start-ups

- Scheme for taxation of virtual digital assets
- No change in income tax rates

Comments

- In the context of falling private consumption expenditure, no steps to provide more money at the hands of people through direct or indirect measures
- Not much proposals to provide employment to those who lost jobs in MSME sector, others engaged in informal sector, self-employment categories etc.
- The issue of increasing poverty of people is not addressed in the budget
- On the whole the effect on these policies on the poor, unemployed those employed in informal sector, marginalized sections of the people are negative.
- But the economic effect on organized public and private sector, and their employees are positive. The proposals will have a favourable effect on upper middle class and richer people
- On the other hand, the proposals on development of infrastructure on transport, Atmanirbhar Bharat vision, ease of doing business, higher capital expenditure by center and states promoting technology enabled development, promotion of exports, scheme for taxation of virtual digital assets are positive proposals in the current context.