

Analyzing the Key Highlights and Implications of India's Union Budget 2022-23

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Abstract:- The Union Budget of India for the fiscal year 2022-23 has been the subject of much anticipation and discussion, given the unprecedented challenges posed by the ongoing COVID-19 pandemic. This paper provides an in-depth analysis of the key proposals of the budget and their implications for the Indian economy. The paper begins by outlining the priorities of the government, which include strengthening the healthcare system, investing in infrastructure development, and promoting digital transformation. It then examines the various fiscal policy measures announced in the budget, such as changes in tax rates, expenditure allocations, and borrowing. It evaluates their potential impact on economic growth, inflation, and fiscal deficit.

This paper assesses the challenges and opportunities the budget presents, particularly in the context of the ongoing pandemic and the global economic environment. It identifies the potential implications of the budget for different sectors of the economy, including agriculture, manufacturing, and services, and evaluates the implications for businesses, consumers, and investors. Overall, the paper provides a detailed and nuanced analysis of the Union Budget 2022-23, highlighting its strengths and weaknesses and identifying the implications for the Indian economy in the years ahead.

Keywords:- Covid 19 – Union Budget 2022 - Fiscal Deficit - Fiscal Consolidation.

I. INTRODUCTION

India, with a population of over 1.3 billion, is one of the fastest-growing economies in the world. It is the seventh-largest country in land area and the second-most populous country. India's economy has undergone significant changes since its independence in 1947. The nation has evolved from an agricultural-based economy to a service-based economy with a growing manufacturing sector. India's gross domestic product (GDP) is estimated to be \$3.1 trillion in 2021, making it the world's fifth-largest economy (World Bank, 2022). India's economy grew at an average annual rate of 7.5% between 2014 and 2019, making it one of the fastest-growing economies in the world. However, the COVID-19 pandemic has significantly impacted the Indian economy. Due to the pandemic, India's economy contracted by 7.7% in the financial year 2020-21 (Ministry of Statistics and Programme Implementation, 2021).

The economy is primarily driven by the service sector, which accounts for 55% of the GDP (World Bank, 2022). The manufacturing sector contributes around 28% of the GDP, while the agriculture sector accounts for around 17%. India is the world's second-largest producer of agricultural products, including rice, wheat, sugarcane, cotton, and tea (FAO, 2021).

The COVID-19 pandemic has had a significant impact on the Indian economy. The pandemic led to a nationwide lockdown in March 2020, resulting in a sharp economic activity contraction. The Indian economy contracted 7.7% in 2020-21 (Ministry of Statistics and Programme Implementation, 2021). The Indian government implemented several measures to mitigate the impact of the pandemic on the economy. These measures included a stimulus package worth INR 20 lakh crore (\$266 billion), announced in May 2020. The package included tax relief, credit guarantees, and direct transfers to the poor (Ministry of Finance, 2020). The economy is expected to recover from the impact of the pandemic in the coming years. The IMF projects that the Indian economy will grow by 9.5% in 2021 and 8.5% in 2022 (IMF, 2021). However, several challenges need to be addressed to sustain economic growth in the long term. These challenges include job creation, improving infrastructure, addressing income inequality, and promoting sustainable development.

II. IMPACT OF COVID-19 ON THE INDIAN ECONOMY

The COVID-19 pandemic has had a severe impact on the economy. The pandemic led to a nationwide lockdown in March 2020, resulting in a sharp economic activity contraction. The Indian economy contracted by 7.7% in the financial year 2020-21, which was the steepest contraction in the Indian economy's history (Ministry of Statistics and Programme Implementation, 2021).

The pandemic has affected various sectors of the economy. The service sector, a significant contributor to the Indian economy, has been hit hard by the pandemic. The tourism, hospitality, and aviation industries have been severely impacted due to travel restrictions and reduced demand. The manufacturing sector has also been affected due to supply chain disruptions and reduced demand. The agriculture sector, however, has been less impacted by the pandemic. The Indian government has implemented several measures to mitigate the impact of the pandemic on the Indian economy. These measures include monetary and fiscal policy measures and structural reforms.

The Reserve Bank of India (RBI) has implemented several monetary policy measures to support the Indian economy during the pandemic. These measures include reducing the repo rate, which is the rate the RBI lends to commercial banks. The RBI has also announced a moratorium on loan repayments, providing additional liquidity to the banking system. These measures aimed to increase liquidity in the banking system and reduce the cost of borrowing for businesses and individuals. The government of India announced a stimulus package worth INR 20 lakh crore (\$266 billion) in May 2020 to support the Indian economy during the pandemic. The package included tax relief, credit guarantees, and direct transfers to the poor. The government also announced a series of structural reforms to promote investment, create jobs, and promote growth in the long term. The Indian government has announced several structural reforms to encourage investment and growth in the long term. These reforms include changes to labor laws, privatization of state-owned enterprises, and agricultural sector reforms. These reforms aimed to promote investment, create jobs, and improve productivity in the Indian economy.

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III. UNION BUDGET 2022

The Indian Union Budget 2022 was presented by the finance minister Nirmala Sitharaman on February 1, 2022. The budget focused on reviving the economy that was impacted by the COVID-19 pandemic while ensuring long-term sustainable growth. The government's goal was to make India self-reliant and prosperous.

- **Total Revenue:** The total revenue receipts in the Union Budget 2022 are estimated to be Rs. 22.16 lakh crore, which is an increase of 12.8% over the previous year. The revenue receipts comprise tax revenue, non-tax revenue, and capital receipts. Tax revenue, including direct and indirect taxes, is expected to be Rs. 18.51 lakh crore, an increase of 15.3% over the previous year. Non-tax revenue, which includes receipts from dividends, interest, and other sources, is estimated to be Rs. 2.54 lakh crore, an increase of 7.8% over the previous year.
- **Expenditure:** The total expenditure in the Union Budget 2022 is estimated to be Rs. 40.95 lakh crore, which is an increase of 9.3% over the previous year. The expenditure comprises both revenue expenditure and capital expenditure. Revenue expenditure, which includes salaries, subsidies, and interest payments, is estimated to be Rs. 34.83 lakh crore, an increase of 8.6% over the previous year. Capital expenditure, which includes expenditure on infrastructure and asset creation, is estimated to be Rs. 6.12 lakh crore, an increase of 12.2% over the previous year.

- **Fiscal Deficit:** The fiscal deficit for the Union Budget 2022 is estimated to be Rs. 6.99 lakh crore, which is 3.3% of the Gross Domestic Product (GDP). The fiscal deficit is the difference between the government's total expenditure and total revenue receipts. The fiscal deficit in the previous year's budget was estimated to be 6.8% of the GDP. The decrease in the fiscal deficit in the Union Budget 2022 is a positive development as it indicates that the government is taking steps to control its spending and improve its revenue collections.

IV. KEY FEATURES OF THE BUDGET

A. Healthcare:

The government has allocated Rs. 73,932 crore to the Ministry of Health and Family Welfare in the Union Budget 2022. This is a 37% increase over the previous year's allocation. The COVID-19 pandemic highlighted the inadequacies of India's healthcare system. The increase in healthcare spending was much needed to improve the healthcare infrastructure and ensure better healthcare access for all. The budget also announced the establishment of 17 new public health units and 25 new medical colleges. The government has allocated Rs. 15,000 crore to the Swachh Bharat Abhiyan program to improve sanitation in rural areas.

The increase in healthcare spending and the establishment of new medical colleges and public health units will go a long way in improving healthcare access and infrastructure in the country. It will help address the healthcare system's shortcomings and ensure that people can receive quality healthcare services.

B. Infrastructure:

Infrastructure development has been a key priority of the Indian government for many years. The Union Budget 2022 allocated Rs. 2.7 lakh crore for infrastructure development, including highways, railways, and airports. The government has also announced the establishment of a National Asset Monetization Pipeline, which will unlock value in public sector assets and generate funds for infrastructure development. Infrastructure development is essential for economic growth, and allocating funds for infrastructure development will help create much-needed jobs and stimulate economic growth. The National Asset Monetization Pipeline will generate additional funds for infrastructure development, further boosting economic growth.

C. Agriculture:

The government has continued to focus on agriculture, with a focus on doubling farmers' income. The budget allocated Rs. 1.5 lakh crore for agriculture and rural development. The government has also allocated Rs. 10,000 crores to the Pradhan Mantri Fasal Bima Yojana, which provides farmers insurance coverage and financial assistance in crop failure or damage. The allocation of funds for agriculture and rural development, along with the Pradhan Mantri Fasal Bima Yojana, will go a long way in improving the income and livelihoods of farmers. It will help address the agricultural sector's challenges and ensure that farmers

receive the support they need to improve their yields and income.

D. Education:

The government has allocated Rs. 1.13 lakh crore for the education sector in the Union Budget 2022. The focus is on improving the quality of education and providing access to education to all. The budget also announced the establishment of 100 new Sainik Schools and a new central university in Leh. The government has also allocated Rs. 2,500 crores for the National Apprenticeship Promotion Scheme to provide vocational training to young people. The allocation of funds for education and vocational training will help improve the skills and employability of India's youth, which is essential for the country's long-term economic growth.

E. Fiscal Consolidation:

The government has set a target of reducing the fiscal deficit to 4.5% of GDP in FY 2022-23. The government has announced several measures to achieve this, including rationalizing subsidies and privatizing public sector units. The budget also announced the establishment of a National Bank for Financing Infrastructure and Development (NaBFID).

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