YOJANA SUMMARY

UNION BUDGET 2022-23

MARCH 2022

BOOSTING INFRASTRUCTURE

The USD 5 trillion target for our GDP is an ambitious one, and strategy to achieve the same revolves around creating an ecosystem for growth, with its foundations on creation of infrastructure, and Atmanirbhar Bharat.

Infrastructure Creation: Physical as well as Digital

A. Digital Infrastructure

- The focus has not only been on **physical infrastructure** but **also digital infrastructure**. The digital infrastructure created through the UPI initiative has been a singular success.
- Similar digital initiatives like **Bharat Net**—providing broadband access to 2.5 lakh Gram Panchayats; **Aadhaar**; **Ayushman Bharat Digital Health Mission**, etc., are important parts of the digital infrastructure. It enables financial and social inclusion, and people-centric governance.

B. Physical Infrastructure

- The creation of physical infrastructure is equally important with its multiplier effect on economic growth. Good quality infrastructure improves productivity.
- It creates jobs, boosts private investment in core sectors, reduces logistic costs for the economy, improves the competitiveness of the manufacturing industry in domestic and global markets, enhances government tax revenues, and improves ease of living for citizens.
- Hence, the **National Infrastructure Pipeline** (NIP) came into being, with projects requiring an investment of Rs 111 lakh crore.
- The NIP coupled with the recently launched **GatiShakti programme** will ensure a complete approach and timely delivery based on better coordination and planning.
- PM GatiShakti National Master Plan— *launched by the Ministry of Commerce & Industry*— is a programme that **includes 16 Ministries** for integrated planning and coordinated implementation of infrastructure connectivity projects.
- It leverages a dynamic Geographic Information System (GIS) based ERP (Enterprise Resource Planning) platform wherein data on specific action plans of all the concerned Ministries/Departments, will be incorporated within a comprehensive database.
- The **Bharatmala Pariyojana** gave us the blueprint for highway development in an integrated manner. It is an umbrella programme for highway development that was envisaged to bridge critical infrastructure gaps across the country.
- The programme visualised construction of 34,800 km of National Highways to be implemented by three different agencies of the Ministry.
- The programme follows a corridor-based National Highway development, connecting 550+ districts of the country ang catering to 70-80% of total freight op National Highways.
- 5 flagship expressways and 17 access-controlled corridors are being developed as part of Bharatmala Phase-I. The **5 expressway projects** are —Delhi-Mumbai, Ahmedabad-Dholera, Bengaluru-Chennai, Delhi-Amritsar-Katra, and Kanpur-Lucknow.

Achievements

- The pace of award of works for National Highways has almost doubled to ~ 11000 km per annum since FY 2014-15.

- In the last financial year, the Ministry of Road Transport and Highways achieved a **historical pace of National Highways construction of ~37 km/day**.

Multi-Modal Logistic parks (MMLPs)

- Logistic costs must be reduced, and this happens to some extent by developing highways. However, we need MMLPs connected to highways, waterways, airports to allow cargo to move seamlessly.
- MMLPs enable seamless transfer of goods across modes and facilitate a hub and spoke model of freight movement. MMLP shall also provide key services such as advanced storage infrastructure, first and last-mile connectivity to key nodes.
- MMLPs are being developed across the country in 35 strategic locations which will cater to over 50% of the nation's road freight movement.

Highway development in LWE& NE region

- The development of highways in left-wing extremism impacted districts has also received special attention since 2014. For instance, a Greenfield corridor between Raipur and Visakhapatnam is being developed passing through backward districts of Chhattisgarh, Odisha, and Andhra Pradesh.
- Further, there has been a focus on **border areas and North-Eastern States** too in the 34,800 km planned under Bharatmala Pariyojana.
- At 14.96 km, the **Zojila tunnel on the Srinagar-Leh Road** will be **Asia's longest bi-directional tunnel**. The tunnel will shorten the distance between Baltal (Sonamarg) and Minamarg in Ladakh from 40 km to 13 km.

Investments

- Innovative methods of augmenting finance by understanding financial markets and offering diverse products is required.
- As part of the National Monetisation Pipeline (NMP), NHAI has launched its **InvIT (Infrastructure Investment Trust) to monetise road projects**.

Green Highways

- **Plantation of trees along highways** for protecting the environment while developing infrastructure is an efficient balancing act.
- MoRTH promulgated ***Green Highways (Plantations, Transplantations, Beautification, and Maintenance) Policy*** in September 2015 to develop green corridors along National Highways.
- In post-policy years from 2016- 17 to 2020-21, more **than 2 crore plants have been planted**. the plantation is closely monitored using the latest technology of drone videography and geo-tagging, along with the traditional methods of field inspections.

STRENGTHENING FEDERALISM

- **Cooperation and competition are the two sides of the same coin— 'Federalism'**. Both are essential to take the 'New India' march forward economically and socially.
- While on the one hand the States need to be assisted with resources and sound policy advice, on the other they need to be encouraged to improve their performance.
- The Budget 2022-23 isa continuation of a series of reforms, policies and measures that have strengthened India's federal system.

Cooperative Federalism

- **Governing Council of NITI Aayoga** - NITI's Governing Council, chaired by the Prime Minister, comprises of all the Chief Ministers and LGs of UTs as equal members and a selected Government of India ministers. The **Governing Council** meets annually to evolve a shared vision of country's economic development.

- **India @75 document** - One of NITI Aayog's major initiative since its inception has been formulating the Strategy document in 2017 (India@75). Its preparation followed an extremely participative approach.

- **Other steps indicative of cooperative federalism** - These steps are showcased in
    - the development blueprints prepared jointly with Governments of Uttar Pradesh, Tripura, and Madhya Pradesh.
    - Regular sharing of best practices; policy support and capacity development of State/UT functionaries, etc., are other areas where NITI partners with State governments.
    - The 17 goals and 169 targets under the SDGs are interdependent and inter-connected, and require concerted and coordinated action within the various departments.
    - This inherent nature of the goals has forced States to dissolve silo-based functioning prevalent in government institutions.

Competitive Federalism

- **Developing indicator frameworks and transparent rankings** - NITI Aayoga stimulates healthy competition among States through developing indicator frameworks and transparent rankings in various sectors. States are ranked through various indices measuring ease of doing business to Sustainable Development Goals.
    - ✓ Some of the indices launched by NITI Aayog are Composite Water Management Index, India Innovation Index, Export Competitiveness Index, School Education Quality Index, State Health Index and Sustainable Development Goals Index**.**
- **Aspirational Districts Programme** - NITI Aayog also releases rankings in the monthly changes in the performance of Aspirational Districts. The Aspirational Districts Programme (ADP) of NITI Aayog focuses on 112 of India's most developmentally challenged districts across sectors such as health and nutrition; education; agriculture and water resources; basic infrastructure; and financial inclusion and skill development.
    - ✓ Districts are challenged and encouraged first to catch up with the best district in their State, and then aspire to become one of the best in the nation, by competing and learning from others in the competitive and cooperative spirit of federalism.
    - ✓ Top ranked aspirational district gets Rs 10 crore, second best receives Rs 5 crore and sector wise best gets Rs 3 crore each.

Fostering Localisation of SDGs

- Starting in 2018, NITI defined the contours of the national progress monitoring on SDGs based on key national development Priorities in its first ever framework for monitoring the country's progress on the SDGs – **SDG India Index and Dashboard**.

- Now, it has been institutionalised and established as the country's principal and official policy tool on benchmarking national and sub-national Progress.

- Most recently, as a part of its localisation efforts, **NITI published the first regional index** — The North-Eastern Region District SDG Index.

- Taking the successful SDG localisation model further to the level of urban areas, NITI Aayog developed and released the **SDG Urban Index & Dashboard** (2021-22). This interactive tool is aimed at strengthening SDG localisation at the city level.

- NITI Aayog has created strong partnership with States to achieve SDG-oriented development agenda. This enables it to foster cooperative federalism.

Strengthening Fiscal Federalism

- The successive Finance Commissions have raised the share of States in tax revenues from 29.5% between 2000-05 to **42% currently**.
- The State Governments have frequently raised the issue of getting more unconditional transfers relative to the conditional transfers. These conditional transfers are generally in the form of Centrally Sponsored Schemes (CSCs).
- In line with Finance Commission recommendations, **130 Centrally Sponsored Schemes have been revamped and restructured into 65**, enabling greater flexibility and impact.
- The **share of general-purpose transfers**, which are unconditional in nature, in total central transfers increased from 64.8% in 2011-12 to 74.2% in 2019-20, while that of specific purpose transfers have declined from 35.2% to 25.7% during this period.
- Among the key fiscal support measures by Centre to States to fight Covid-19, the Centre **increased the borrowing limits of States from 3.0% of GSDP to 5.0% for 2020-21**.
- GST has been a landmark reform of independent India showcasing the spirit of cooperative federalism. Despite the surge in Covid-19 cases, gross GST collections for the month of January 2022 were recorded at Rs 1,40,986 crore, which is the **highest since the inception of GST**.
- In her Budget speech, the finance minister pointed out that the '**Scheme for Financial Assistance to States for Capital Investment**' has been extremely well received by the States.
- The outlay for this scheme was enhanced from Rs 10,000 crore to Rs 15,000 crore in 2021-22. For 2022-23, an allocation of Rs 1 lakh crore (10 times the initial outlay of 2021-22) has been made to assist the States in catalysing overall investments in the economy. These 50-year interest **free loans are over and above the normal borrowings** allowed to the States.
- The Union Budget also stated that in 2022-23, **States will be allowed a fiscal deficit of 4.0% of GSDP of which 0.5% will be tied to power sector reforms**.

A 'BALANCED BUDGET' FOR THE TIMES

Growth and Employment Generation

- The biggest theme of Budget 2022-23 is is boosting growth and employment through a large increase in public investment for the second year running.
- The budget for capital expenditure has been increased by over 35%. The PM GatiShakti programme aims at not merely quantitative expansion in infrastructure.
- The capital expenditure boost in itself will generate millions of jobs directly and indirectly (through its multiplier effect on other sectors).
- The **credit guarantee scheme for MSMEs is being revamped** to provide a massive Rs 2 lakh crores of new lending. Additional credit to hospitality, tourism, and related (pandemic-affected) sectors is being provided through the highly successful **Emergency Credit Line Guarantee Scheme**.

Deficits

- In spite of pandemic- related spending and disinvestment shortfalls, high revenue growth, and tight expenditure control have enabled the **fiscal deficit for 2021-22 to remain at 6.9%** of GDP.
- This is the **biggest ever single-year reduction** in the fiscal deficit. Next year, the deficit is expected to be 6.4 % of GDP.
- It is noteworthy that the **fiscal deficit is effectively only 6.0%** excluding the special transfers to States for Capital expenditure.
- The revenue deficit is estimated to decline even more sharply from 4.7 to 3.8%.
- Without levying new taxes, the Budget adheres to the consolidation trajectory announced in the last budget of reaching 4.5% of GDP by 2025-26, figure Starting from the 2020-21 figure of 9.2%.

TAX PROPOSALS

Direct Taxes

Updated Return

- Revenue collection is a sovereign function of the state which casts a responsibility on the taxpayer to file a return of income up to the due date as per the Income-tax Act,1961, if their income is above a certain exemption limit.
- The Finance Bill, 2022 has proposed that taxpayers can file an updated return of income from the last date of filing a revised return up to two years from the end of the relevant assessment year.
- E.g., as per the Act, the revised return for AY 2022-23 can be filed up to the 31 December 2022, and the updated return can be filed from 1 January 2023 to 31 March 2025. This is perhaps the most significant effort in voluntary compliance.
- An updated return can also be **filed by a taxpayer who has not filed a return** within the due date or a belated or revised return.
- A taxpayer willing to furnish an updated return of income has to pay additional income tax on the part of income that has not been included in his earlier returns for assessment year.
- It is expected that the proposal will advance the goal of voluntary tax compliance.

Startups and New Manufacturing Units

- In its quest towards Atmanirbharta by promoting the growth of startups and the establishment of new manufacturing industries, the Government has provided for certain income tax deductions and concessional tax rates to such entities.
- The Government has extended the required time period for the establishment of their businesses to enable them to avail these benefits. The tax regime for such entities provides a rate of **15% corporate tax**.

Taxation of Virtual Digital Assets

- For the taxation of virtual digital assets, it has been proposed that **any income from the transfer of any virtual digital asset shall be taxed at the rate of 30%**.
- A **Tax Deducted at Source (TDS) at the rate of 1%** on the payment made in relation to the sale of a virtual digital asset above a prescribed monetary threshold has also been provided.

- This taxation **regime does not in any manner provide that legitimacy** has been granted to cryptos. For that, a separate exercise is underway. But during the interim period, the taxation certainty has been brought in.

Provisions to Avoid Repeated Litigation

- With a view to managing the litigation and tax disputes in direct tax matters, a number of measures have already been taken up over the years. This includes -increasing the monetary limit for appeal filing, creation of Dispute Resolution Panel vide the Finance Act, 2016, resolution mechanisms provided through the Advance Pricing Agreements, Double Taxation Avoidance Agreement (DTAAs) and Safe Harbour Rules, etc.
- This Finance Bill has taken steps to reduce repeated litigation.

Classification of Cess

- The ambiguity in the interpretation of **inclusion of 'Health and Education cess'** as part of the income for the purpose of taxation has been a cause of a few litigations.
- In order to reiterate the legislative intent, it has been clarified that any surcharge or cess on **income and profits is not allowable as business expenditure** and should be included in the income to be taxed.

Expansion of Bonus & Dividend Stripping Provisions

- The Budget proposes to make the provisions of **bonus stripping** applicable to securities (including stocks and shares).
- Bonus stripping refers to a scenario where a taxpayer purchases securities prior to the record date, i.e., the date on which the company has announced to allot bonus securities. On the record date, the taxpayer is allotted bonus securities for no consideration.
- As a result of the allotment of bonus securities, there is a fall in the price of securities, both originally acquired and bonus securities. If the taxpayer transfers the original securities purchased within a short time after the allotment of bonus securities, he will incur a loss. **Such loss may be set off against other taxable income**. This was earlier **being used as a tax planning tool**.
- Similarly, dividend stripping refers to a similar situation where a person buys securities shortly before the record date fixed for declaration of dividends and sells the same shortly after the record date.
- Since the cum-dividend price at which the securities are purchased would normally be higher than the ex-dividend price at which they are sold, such transactions would result in a loss that could be set off against other income of the year. The net result would be the creation of a tax loss.
- The same applies in the case of **interest stripping** wherein interest on unit may be tax exempted and they also can be brought before the declaration of interest and sold after that.
- Provisions already exist to prevent bonus and dividend stripping in the case of units of mutual funds. This is now proposed to be amended by the Budget 2022 to include a broader variety of units namely, units of Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REI T] or Alternative Investment Funds (AIFs) equity.

Indirect Taxes

Review of Customs Duty Exemptions

- A comprehensive review of more than 400 existing customs duty exemptions was undertaken.
- Upon review, **exemptions are being withdrawn** for items for which sufficient domestic capacity exists.

Simpler Customs Tariff Regime

- Numerous exemptions of various kinds have complicated the Tariff.
- To simplify the Customs Tariff structure, a number of entries operating through stand-alone notifications would now be operated from the tariff w.e.f 1 May 2022.

Customs Duty Rate Changes

- The Basic Customs Duty (BCD) has been reduced in respect of some goods to decrease input costs, simplify the rate structure, correct the inverted duty structure and promote ease of doing business so as to incentivise the domestic value addition.
- **BCD has been increased** in respect of some good in order to promote domestic value addition and create a level playing field for the benefit of the farmers, MSME sector, Renewable Energy sector, and the Electronics Sector.

Duty-free Imports

- Bonafide exporters of items like handicrafts, apparel, leather goods may be required to import certain items like embellishments, buttons etc.
- Under a new mechanism, these exporters shall be allowed to import specified goods for use in export goods.

Excise Duty Rate

- To promote the **blending of petrol with ethanol and diesel** with biodiesel in the country, an **additional excise duty of Rs 2 per litre on unblended petrol and diesel** is being levied with effect from 1 October 2022.
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Conclusion

- As India marches on the path of progress, the Government is committed to give necessary support and encouragement to the taxpayers in their efforts to make India achieve a distinct position on the economic map of the world.
- The tax proposals in the Union Budget are a blueprint of this vision.

HARNESSING MULTIPLIER EFFECT

Union Budget 2022-23 relies on boosting capital expenditure, both by the public and the private sector.

Importance Of Capital Expenditure

- *Capital expenditure is non-recurring, long-term expenditure on creation and acquisition of capital assets*. As per a study, capital expenditure is critical because it has a **multiplier effect of 2.45 in the short run and 4.8 in the long run**.
- Capital expenditure leads to income augmentation, creates employment opportunities, expands ancillary industries and services, enhances the future productive capacity of the economy, and stimulates demand.
- Public capital expenditure also kicks off a **virtuous cycle by crowding in private investment**. Moreover, it enhances confidence in the economy and attracts foreign investment.

Budget Allocation

- In the Union Budget 2022-23, the finance minister has proposed a sharp **increase of 35.4 per cent in the centre's capital expenditure** outlay to Rs 7.50 lakh crore in 2022-23.

- In addition, the States will also get grants for the creation of capital assets through various Centrally Sponsored Schemes.
- If this amount is added, the **Central Government's effective capital expenditure in 2022-23 will jump to Rs 10.68 lakh crore**.

Bolstering Capital Expenditure In States

- The Union Government extended a **special Scheme of assistance to the State Governments** in respect of capital expenditure during the financial year 2020-21.
- The Scheme was named "**Special Assistance to States for Capital Expenditure**" and an amount of Rs 12,000 crore was set aside for this purpose.
- Funds were provided under the Scheme in the form of **a fifty-year interest-free loan**. This loan was above the normal borrowing allowed to the States. The States could use the funds provided under the scheme both for new and ongoing capital projects.
- In her Budget Speech of 2022-23, FM declared that the Scheme for Financial Assistance to States for Capital Expenditure will continue in the FY 2022-23.

Stimulating Reforms In States

- The Schemes for Special Assistance to States for Capital Expenditure 2020- 21 and 2021-22 have not only focussed on enhancing the capacity of states to increase capital expenditure but have also stimulated reforms in the States.

Reforms In Identified Citizen-Centric Areas

- In view of the serious negative impact of Covid-19, the Ministry of Finance had decided to provide an **additional borrowing limit of up to 2 per cent of GSDP** to the States in the year 2020-21.
- However, to ensure long-term debt sustainability, and to increase future GSDP growth, half of the additional borrowing was linked to the States completing reforms in four citizen-centric areas.
- The areas identified for reforms were - implementation of One Nation One-Ration Card System; Ease of Doing Business reforms; Urban Local Body/ Utility reforms; and Power Sector reforms.

Disinvestment and Monetisation

- In the financial year 2021-22, the Scheme for Special Assistance to States for Capital Expenditure focussed on improving efficiency and mobilising financial resources by States through privatisation/disinvestment of State Public Sector Enterprises and monetisation/recycling of States' assets.
- An amount of Rs 5,000 crore was up for grab by the States on a "First-come First-served" basis.
- **Asset monetisation/recycling** of government assets was another focus area. Monetisation of assets unlocks their value, eliminates their holding cost, and enables scarce public funds to be deployed to new projects.
- The incentive for State Governments to monetise assets was additional allocation under the scheme equivalent to 33 per cent of the realised value of assets.
- It was also stipulated that the amount realised due to asset monetisation/recycling by the State will be utilised only for capital expenditure.

BRIDGING INDIA INC'S CREDIT GAP

- The uptick in the corporate bond market can be attributed to several measures taken by the government:
  - enhancement in Foreign Portfolio Investment (FPI) limit in corporate bonds from 9% to 15%, setting up of corporate bond reporting, and trading platforms for corporate debt transactions executed on stock exchanges in the country;
  - provision of clearing & settlement facilities for corporate bonds, the introduction of repos on corporate bonds and the launch of 'Tri-Party Repo Market' platforms in debt segments of BSE and NSE to facilitate the repurchase of corporate debt securities.
  - Further, to enhance transparency in the private placement of corporate debt, an Electronic Book Mechanism (EBM) was operationalised by stock exchanges.
- Despite a number of enabling provisions, the **corporate bond market accounts for a minuscule percentage of the entire Indian financial system.**
- The corporate debt market penetration in India is **only 17%** as compared to 123% in the United States, 74% in South Korea, and 34% in Singapore'.

Challenges in Indian Bond Market

- **Private placement of debt** currently dominates corporate bond issuance due to minimum disclosures, low cost of issuance, and availability of customised contracts.
- Around 98% of funds were mobilised through the private placement in 2019-20, while only a minuscule amount was raised through public issue. Also, high-rated bonds attract a significant amount of funds than low rated bonds.
- Banks are also reluctant to invest in corporate bonds. In case of a credit downgrade also, **bonds lose value much faster**, which is not the case with corporate loans.
- Prudential norms restrict investment by financial institutions as their respective regulators mandate **only a specific level of investment in corporate bonds**. The methodology for valuation of corporate bonds in the country is also not uniform which affects secondary market trading.
- **Reissuance of corporate bonds** has also not picked up due to repayment of stamp duty on re-issue and bunching of repayment liabilities on maturity dates.

Need for Well-developed Corporate Bond Market

- The National Infrastructure Pipeline (NIP) has envisaged Rs 111 lakh crore of investments between fiscals 2020 and 2025.
- Given the high level of non-performing assets, excessive dependence on banks for infrastructure finance is not feasible in the long run. Robust bond market can fill the much-needed investment gap for infrastructure.
- External Commercial Borrowings (ECB) also constitute a significant source of finance for companies.
- However, these can become a source of external shocks for the country as witnessed by the decline in ECBs post the subprime crisis in 2007.

Way forward

- Attempts should be made to reduce time and cost for public issuance of debt. Disclosure and listing requirements for listed companies should be substantially reduced.
- Credit rating agencies should publish the credit rating transition matrix more frequently so that market participants are aware of the credit risk in the instruments they are trading.

- A well-functioning **credit default swap market** is also one of the pre-requisites for a vibrant corporate bond market. CDS reduce fire-sale risk and provide liquidity in the bond market.
- Retail investors currently account for only 3% of the total outstanding corporate bond issuances in the country.
- Capital gains tax on debt products should be reduced and brought at par with equity products to increase retail investments in debt schemes.
- Regulatory restrictions on investment by pension funds and insurance companies in corporate bonds should also be eased.
- Currently, India Infrastructure Finance Company Limited provides a partial credit guarantee to infrastructure bonds.
- The credit guarantee limit needs to be increased and extended to lower-rated bonds to improve credit rating.
- RBI may also accept corporate bonds as collateral under its Liquidity Adjustment Facility.

Suggestions from RBI and SEBI

- SEBI is proposing to create a set of market makers for strengthening the corporate bond market.
- These entities will provide both buy and sell quotes in the market, help absorb temporary supply and demand mismatch, and reduce the impact of shocks on market volatility.
- Consultations on designing a suitable debt market index are also going on with various stakeholders.
- RBI has also suggested that corporate bonds be included in 'Held To Maturity', wherein bond holdings are not marked to market.

Green Bonds

- A well-developed corporate bond market can pave the way for a **sustainable green bond market** in India.
- As per the 'India Energy Outlook 2021' Report, India would need a whopping USD 1.4 trillion for investments into clean energy technologies over the next two decades.
- Hence, a number of enabling measures are required to increase green investments. Mechanisms for certification and standardisation of green bonds should be established to prevent greenwashing and ensure transparency in raising funds.

Conclusion

- A vibrant corporate debt market plays an important role in maintaining systemic financial stability in an economy.
- It is estimated that outstanding corporate bond issuances could more than double from 33 lakh crores to Rs 65-70 lakh crore while demand would lag at Rs 60-65 lakh crores by the end of fiscal 2025.

BANKING AND DIGITAL CURRENCY

- Before the General Budget, the Reserve Bank of India informed that the **Digital Payment Index (RBI-DP]) touched 304.06 in September 2021** which was at 270.59 in March 7021.
- The current level of this index shows a **massive increase in transactions** made through digital platforms.
- The Finance Minister made five major announcements in the General Budget for the FY 2022-23:
  - Continuous financial support to digital payments,
  - Digital Banking Unit

- Core Banking System in Post Offices
- New Taxation System for Virtual Digital Assets like cryptocurrency
- Central Bank Digital Currency

Continuous Financial Support to Digital Payments

- In the Budget 2021-22, special provisions were made to boost up digital transactions. This scheme has been extended in FY 2022-23.
- Under this Scheme, transactions through RuPay Debit Card and of lower amount (up to Rs 2000) through BHIM UPI will be encouraged. Also, certain banks will be given incentives in form of a percentage of the amount transacted through RuPay Debit Cards and lower value transactions by BHIM UPI.
- It will help the banks in building a strong digital payment ecosystem and in promoting RuPay Debit Card and BHIM UPI digital transactions in all areas. Besides, this Scheme will help in building simpler modes of making payments for those who are not covered under formal banking and those who are marginalised.

Digital Banking Unit

- Digital Banking Unit will transform the traditional banking format.
- Banks will no longer require brick and mortar to be able to offer services. They would be able to provide better and personalised banking services through technology.

Core Banking Solution (CBS) in Post Offices

- The Finance Minister announced the facility of **Savings in Post Office at any time and at any place**.
- In 2022, <u>core banking system will get started in all 1.5 lakh post offices</u> which will enable financial inclusion. CBS is a facility wherein all branches of a bank, a financial institution or any similar organisation gets connected through the internet.
- The Government stated in the Lok Sabha that **there are a total of 1,56,434 Post offices** in the country out of which 1,41,055 are located in rural areas.
- **Every village in the country is now covered under a post office**.

Taxation of Virtual Digital Assets

- Despite repeated alert messages from the Govt and the RBI during recent years, people have invested large amounts in cryptocurrency however there is no system to regulate such investments at all. The Finance Minister termed Cryptocurrency as a Virtual Digital Asset (VDA) and made three proposals:
    - Income on all VDA will be taxed at the rate of 30%. There will be no permission for loss adjustment.
    - TDS (Tax Deducted at Source) at the rate of 1% on VDA transactions will apply so as to facilitate such transactions.
    - If VDA is received as a gift, then the one receiving the gift will be taxed at market value.
- The Finance Ministry has clarified that **levying a tax does not naturally make VDA valid or legal**.

Central Bank Digital Currency (CBDC)

- The finance minister proposed to **introduce Digital Rupee**, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.
- For CBDC, a provision to bring an amendment in the Reserve Bank Act, 1934 by introducing a Finance Bill has been made.
- Once this Act is framed, **RBI will issue banknotes in any form— physical or digital**. Digital notes issued by the RBI will be acceptable as a fiat currency just like paper notes or metal coins and these will have legal support.

- CBDC is presently valid in Nigeria and eight Caribbean countries. On the other hand, 87 countries (that account for 90% of the world's GDP) are in the process of exploring possibilities of launching CBDC.
- According to the Finance Ministry, **CBDC in India will be in two forms -CBDC-W and CBDC-R**. The first form will be for wholesale trade and bigger transactions, while the other will be used for retail purposes.

GLOBAL PERSPECTIVE

- India is the world's sixth-largest economy. It often also boasts of being the fastest-growing large economy.
- However, given its **per capita income level of about USD 2000 a year**, it is still considered a low **middle-income country**. Hence, economic growth remains an utmost priority for the country.
- The Union Budget for 2022-23 is focused on strengthening the economic foundations of the country to help it attain India's growth potential.
- Union Budget for 2022 has sought to balance two different imperatives. First, it has been prepared against a challenging backdrop wherein the Covid-19 has shaken the global economy.
    - For India, consumption is still 3 per cent below the level seen in 2019-20 and specific sectors have not yet revived fully.
    - The contact-intensive trade, hotel, transport, and communication sector is still nearly 10 per cent below the level seen in 2019-20.
- A second imperative is to put the economy firmly back on a sustained growth path of 7 per cent and subsequently a higher level.

Budget Provisions

- In order to utilise inter-ministerial synergies in infrastructure projects, the Government has launched the '**PM GatiShakti Master Plan'**.
- Other key announcements include:
    - an additional allocation of Rs 19,500 crore for Production Linked Incentives (PLI) for solar manufacturing,
    - digital integration of post offices with the core banking system to further deepen the financial inclusion process,
    - extension of the Emergency Credit Linked Guarantee Scheme to MSME by one year, and
    - provision of an additional cover of Rs 50,000 crore to hospitality and related enterprises.
    - Further, the creation of a **Digital Ecosystem for Skilling and Livelihood** (DESH-Stack e-portal) has been flagged in the Budget to promote skill development.
- The Government has revised its fiscal deficit from 6.8 per cent budgeted to 6.9 per cent for the current fiscal year and made a small reduction to 6.4 per cent for the next fiscal with a gradual reduction thereafter to 4.5 per cent by the fiscal year 2026. This has been done to balance the twin-objectives of broad-based recovery from pandemic and fiscal consolidation.
- The Budget has created incentives for State govts to increase capital expenditure by **allowing a higher fiscal deficit of 4% of the GSDP instead of the 3% mandated by the FRBM act**. It has also provided assistance to States to fund capex by keeping a provision for disbursing long-term interest-free loans.

India's Economic Parameters

- Even as India's economic fundamentals debt situation are strong, its paints a mixed picture. The **general debt and deficit as shares of GDP are high by international standards**.

- The country’s debt-to-GDP ratio in the last decade (averaging 68%) and fiscal deficit-to-GDP around ratio (averaging around 7%) were high among comparators.
- **Tax as a share of GDP have been stagnant** or have risen only slowly. The tax effort so measured has been below the corresponding average figures of other countries at similar income levels; direct tax collection has been low.
- Recurrent expenditure accounts for a majority of the general government expenditure, while **capital spending on infrastructure is only about 3.5% of GDP in the past**.

Way Forward

- Even though the government debt is held mainly at home and denominated in rupees, its levels ought to be brought down in due course.
- Also, in order to foster growth at rates much higher than in the past, we need to integrate India into global value chains.
- We currently account for only **1.5% of goods supplied to the global market** and **3.5% of the global market for services**. The aim should be to head forward, doubling these market shares.
- A 2005 report by the United Nations Conference on Trade and Development (UNCTAD) suggests that both **foreign market access and the domestic Supply capacity** matter for attaining faster exports growth.
- The aim should be to head forward, doubling these market shares. The measures announced in the Budget and the direction in which they steer the nation should help India become much more competitive globally.

DEMOGRAPHIC DIVIDEND

- India’s 1.38 billion people with a **median age of 28** are one of the youngest populations in the world. It is home to a **fifth of the world’s youth population**.
- United Nations Population Fund defines **Demographic Dividend** as economic growth that results from a shift in population’s age structure— the phase when the working age population is more than the number of dependents.
- However, India does not have a lot of time. It has only 20 years left for reaping the advantage of demographic dividend.

Budgetary Provisions Aimed Towards Reaping the Demographic Dividend

- The Budget has profoundly increased the **outlay for the education sector by 11.86**%.
- The **GatiShakti** is a progressive model for economic growth and sustainable development. This model is driven by seven engines, viz. roads, railways, airports, ports, mass transport, waterways and logistics infrastructure.
- There is a proposal of developing **high quality e-content in all spoken languages** which will be delivered via internet, mobile phone etc. through digital teachers.
- Permitting **foreign universities and institutions** under GIFT IFSC to offer courses on Fintech and STEM (Science, Technology, Engineering and Mathematics) is projected to bring foreign institutions to India.
- **PM’s Development Initiative for North East** (PM-DevINE) with allocation of Rs 1,500 crore for development initiatives in the NE region will enable livelihood activities of youth in NER.
- The launch of **Digital Ecosystem for Skilling and Livelihood – DESH-Stack e-Portal** will motivate young population to learn and sharpen their skillsets.

- The **extension of PM eVIDYA programme** from 12 to 200 TV channels will improve learning outcomes of young students.
- The **launch of digital university** will increase the reach of quality education even in remote areas.
- The Budget also recommended the creation of an **AVGC (Animation, Visual effects, Gaming and Comics) task force** that will suggest ways to realise potential of this sector and build domestic capacity serving national as well as global demands.

Youth Entrepreneurship

- India has a_ strong — startup ecosystem. As on 7 February 2022, *there were 63,103 startups* registered by Department for Promotion of Industry and Internal Trade (DPIIT).
- More than **50 unicorns were formed during the pandemic**. The Budget lays down decent initiatives on the tax front, with extension of tax benefits for one more year and promoting Ease of Doing Business.
- **Ease of Doing Business 2.0** will boost entrepreneurs and foster entrepreneurship significantly.
- The **productivity-linked incentive scheme in 14 sectors** with the potential to create 60 lakh new jobs will be a fountainhead for Indian youth.

EMPLOYMENT AND HUMAN RESOURCE

As per **FICCI Future Skills Report 2020**, the five key skills required in the post-Covid era for the manufacturing sector are: Data Literacy, Digital and Coding, Critical thinking, Creativity & innovation, and Technology knowhow.

Employment

- It is estimated that **62 per cent of India's population falls in the working-age group** and roughly **10 million new job seekers are added each year**.
- The country's current **labour force participation rate is around 49 per cent**.
- To keep up with the growing global pace, India needs to create at least 90 million non-farm jobs between 2020 and 2030.

Technology, Automation and Employment

- Technology and automation will result in a massive reclassification and rebalancing of work. While automation and smart machines are said to **replace over 20 million jobs globally by 2030**, it is estimated that **more than 133 million new jobs will be created** as early as 2022.
- With the rise of remote work, one of the most exciting trends that one is going to see is a **democratisation of opportunity and movement of skills all around the globe**.
- To address these challenges, various steps have been taken by the Govt. These include:
    - The Digital India' initiative announced in 2015 was a big move to push forward the agenda of getting the workforce 'digitally' skilled.
    - The Union Budget 2022-23 has proposed the launch of the Digital Ecosystem for Skilling and Livelihood – the DESH-Stack e-portal.
    - This portal shall aim to empower citizens to skill, reskill or upskill through online training.
    - The interlinking of **Udyam** (a self-declaration portal for entrepreneurs created by MSME), **e-SHRAM** (a centralised database of unorganised workers created by MoLE), **NCS** (a portal to connect job seekers, job providers, skill providers, career counsellors created by MoLE), **and ASEEM** (a portal to facilitate the supply of skilled workforce with the market demand created by MSDE) has come at an opportune time.

Human Resource Development

- India's vision of becoming a USD 5-trillion economy is intricately linked with developing the human capital and managing it most efficiently.
- It is estimated that by 2047 when India celebrates 100 years of its independence, nearly half of its population will live in urban areas.
- To facilitate this transition, we have to face twin challenges; i) orderly planning of our cities, and ii) developing our human resources to harness demographic dividend by engaging our youth towards societal, economic growth.
- Though literacy rate is higher in Urban India, **formal vocational/technical training amongst youth (15-29 years) and working-age population (15-59 years) is found to be low**.
- There is a need to involve employers in the delivery of education and designing the Education, Skilling, Employment, and Entrepreneurship (ESEE) ecosystem.
- The National Education Policy (NEP) 2020 while highlighting the need for a multidisciplinary approach, also focused on the significance of liberal arts education that helps in developing all capacities of human beings in an integrated manner.

MODERN AND PROFITABLE AGRICULTURE

- In India, agriculture is the foremost sector that remained positive and robust amid an unprecedented crisis of the pandemic.
- Agriculture sector registered a growth of 3.6% in 2020-21, which improved to 3.9% in 2021-22. As the largest employer of workforce, this sector contributed a sizeable 18.8% in 2021-22 in GVA of the country.

Budgetary Allocations/provisions

- The budget allocation for the Ministry of Agriculture and Farmers Welfare has been raised by 4.5 per cent to Rs 1,32,513 crore for 2022-23 fiscal. For the Ministry of Fisheries, Animal Husbandry and Dairying, allocation has been increased by 44%.
- **Food processing is another sunrise sector** holding promise to increase farmers' income substantially. The Budget also proposed an allocation of Rs 2941.99 crore, which is 2.25 times or 126 per cent higher than last year.
- The Government has earlier released the draft National Food Processing Policy to increase investment in this sector.
- In Budget proposals, the govt has **reiterated its commitment to continue with the MSP scheme** for procurements of crops. Since 2018-19, the govt is keeping MSP at the level of one and half times the cost of production.
- Currently, MSPs are fixed and announced for 22 mandated crops that include 14 kharif crops, 6 rabi crops, and two commercial crops.
- Food Corporation of India (FCI) and designated state agencies procure food grains from farmers and manage storage and distribution for supply to more than 80 crore beneficiaries at a highly subsidized rate.
- In the Budget proposals, the **govt has raised the farm credit target to Rs 18 lakh crore f**or 2022-23 from 16.50 lakh crore during the last fiscal.

Towards High-tech Revolution

- **Use of 'Kisan Drones'** Will by promoted for crop assessment, digitisation of land record, spraying of insecticides, and nutrients.'
- The Government's '**DigitalSky Platform**' is facilitating use of drones in various sectors, including agriculture, by providing single-window online clearances for the operation of drones.
- Under a centrally sponsored scheme, there is a provision for granting upto 100% or Rs 10 lakh as funding for the purchase of drones by ICAR institutions, KVKs and State Agricultural Universities.
- The scheme also provisions 75% funding for drone purchase to FPOs and 40% or upto Rs 4 lakhs for specified Custom Hiring Centres.
- **To promote startup ecosystem in agriculture**, a ***fund with blended capital*** will be facilitated through NABARD under co-investment model.
- As per the Budget Statement, states will be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero budget and organic agriculture, modern-day agriculture, value-addition, and management.
- ICAR has taken the lead by initiating the process to **develop a curriculum** to include zero-budget natural farming in the syllabus at both undergraduate and post-graduate levels.
- In the budget proposal, the finance minister made a big announcement, '**chemical-free natural farming will be promoted throughout the country**, with a focus on farmers' lands in 5 km wide corridors along river Ganga at the first stage.
- The Government is supporting and promoting natural farming through a dedicated scheme of '**Bhartiya Prakritik Krishi Paddhati Programme**' (BPKP) which calls for eco-friendly processes in farms.
- Contrary to record food production of foodgrains (**308.65 million tonnes**), vegetable oil production in the country is lagging behind.
- To reduce our dependence on import of oilseeds, a rationalized and comprehensive scheme to increase domestic production of oilseeds will be implemented.
- The Govt is on a mission to increase the production and productivity of oilseeds since 2018-19. The **National Food Security Mission-Oilseeds** is supporting oilseeds growers across the country.
- **A National Mission on Edible Oils-Oil Palm** was launched in August 2021 aiming for enhancement in the area of oil palm through price incentives.
- Despite best efforts, the **share of net irrigated area accounts only for about 49%** of the net sown area in the country. In her Budget speech, FM said that implementation of the Ken-Betwa Link Project will be taken up. Its aim is to provide irrigation benefits to 9.08 lakh hectares of agricultural land.
- She further announced that the draft DPRs of **five rivers links** (Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar, and Pennar- Cauvery) has been finalised.

International Year of Millets — 2023

- Millets are climate-resilient nutri-cereals suitable for harsh weather conditions and can flourish in resource-poor situations.
- T0 place millets on world map, the GoI moved a resolution in the UNGA to declare 2023 as the International Year of Millets.

- In the recent budget, FM announced that support will be provided for post-harvest value addition, enhancing domestic consumption and for branding millet products nationally and internationally.
- The **ICAR-Indian Institute of Millets Research at Hyderabad** is the key R&D institution of the Government.

INITIATIVES FOR RURAL WOMEN

- **Deendayal Antyodaya Yojana**: **National Rural Livelihoods Mission** (DAY-NRLM) a centrally sponsored programme that aims at *eliminating rural poverty* through promotion of multiple livelihoods for each rural poor household.
- Launched in 2011, DAY-NRLM aims to reach out to 9-10 crore rural poor households by 2023-24.

Components

- **Institution Building and Capacity Building**: The Mission aims to mobilise **one woman member from each rural poor household** into Self-Help Group (SHG). The Mission has so far mobilised 8.09 crore rural women into 73.93 lakh SHGs.
- **Financial inclusion**: DAYNRLM facilitates universal access to the affordable, cost-effective, reliable financial services to the poor. Financial inclusion is primarily being facilitated by enabling SHGs to be linked to Banks and to access all financial services including loans.
- DAY-NRLM has also been **instrumental in providing last mile delivery of financial services** in remote rural areas where people do not have much access to Banking services. This is being facilitated through promotion of **digital finance and deployment of SHG Women** as ***Business Correspondent Sakhi***.
- **Interest Subvention:** DAY-NRLM provides **interest subvention and additional interest subvention** to SHGs. All women SHGs whose members are from the DAYNRLM, are eligible for receiving interest subvention equal to the difference between the borrowing rate of interest and 7%.
- In addition, in 250 districts, all women SHGs can avail loans up to Rs 3.0 lakh each at 7 % rate of interest per annum, with an **additional interest subvention of 3%** on repayment of loan in time, reducing the effective interest rate to 4%.
- **Livelihood promotion**: the specific initiatives in farm and non-farm sectors are being taken up for the SHG members under DAY-NRLM.

Mahila Kisan Sashaktikaran Pariyojana (MKSP)

- As part of the livelihood intervention, MKSP was initiated as **a sub-component of DAY-NRLM** in 2011. The primary objective of the MKSP is to empower women by making systematic investments to enhance their participation and productivity.
- Three broad **focus programmatic areas of MKSP** are: Sustainable Agriculture; Non-Timber Forest Produce; and Value Chain Development.
- To make available various agricultural equipment to women farmers at reasonable rates, the **Custom Hiring Centres (CHCs) are also being established**.
- **Establishment of Agri Nutri gardens in SHG households** is another critical activity which is ensuring nutritious food all-round the year to SHG members.
- The Ministry of Rural Development under DAY-NRLM facilitates promotion of **women owned Producers Collectives**, such as Producers Enterprises/Farmer Producers Organisations and Producers Groups.

- This is to **support women members to access better market** for their produce through interventions like aggregation, value addition and marketing.
- **Foundation for Development of Rural Value Chain** has been established with the support of TATA Trusts. It supports the State units of DAY-NRLM to develop and implement value chain projects through promotion of large sized Producer Enterprises.

Aajeevika Grameen Express Yojana (AGEY)

- Launched in 2017, **AGEY is a sub-scheme under DAY-NRLM** to provide safe, affordable and community-monitored transport services to rural areas.
- The vehicles are owned and operated by members of SHG networks.

E-Marketing

- The **Saras Collection** covering an exclusive exquisitely handcrafted collection has been launched on Government e-Markctplace (GeM).
- This unique initiative between GeM and NRLM showcases daily utility products made by rural SHGs and aims to provide SHGs in rural areas with market access to Government buyers.

GREEN ECONOMY

- Despite three years into the launch of National Clean Air Programme (NCAP) in 2019, analysis of pollution levels shows there has been a marginal decrease in pollution levels in targeted cities.
- This year's budget announcements underlined the importance accorded to sustainability and decarbonisation goals by the Government.

Allocation

- In 2022-23, the Ministry of Environment, Forests and Climate Change (MoEFCC) has been allocated Rs 3030 crore.
- The Scheme-*Control of Pollution* has been conceptualised to provide financial assistance to Pollution control Boards/Committees and financing to National Clean Air Programme (NCAP).
- Under the **National Coastal Mission**, MoEFCC is responsible to ensure livelihood security of coastal communities including fisher folks to conserve, protect the coastal stretches, and to promote sustainable development based on scientific principles.

Policy Initiatives

- Calling the **green economy a Sunrise economy**, FM said 'the circular economy Transition will help productivity enhancement and job creation.
- She announced that the Government would introduce a policy for battery swapping.
- The FM further announced **that unblended fuel shall attract an additional differential excise duty of Rs 2 per litre**. Petrol not blended with ethanol will be costlier from October 2022.
- The average blending ratio for petrol sold by State-run companies is currently 8% and is **targeted to rise to 20% by 2025**.
- Other initiatives in the Budget announced include: 5% to 7% biomass pellets will be co-fired in thermal power plants resulting in CO_2 savings of 38 MMT annually. This will also help avoid stubble burning in the northern States.

- **Four pilot projects for coal gasification** and **conversion of coal into chemicals** will be established and agroforestry private forestry will be implemented. Financial support will be provided to farmers belonging to SCs and STs who want to take up agroforestry under the scheme.

Push for Circular Economy

- The circular economy transition is expected to help in productivity enhancement in a sustainable manner. The **action plans for ten sectors** such as electronic waste, end-of-life vehicles, used-oil waste, and toxic and hazardous industrial waste are in pipeline.
- Further, pushing for a circular economy and expanded producer responsibility for ten sectors will provide opportunities for sustainability startups and ultimately help reduce India's carbon footprint.

Criticism

- According to Centre for Science and Environment (CSE)'s assessment, **coal gasification actually produces more carbon dioxide** than a conventional coal-powered thermal power plant.
- Also, coal gasification plants are **costlier than conventional power plants**.
- Closing down of coal-fired power plants not meeting prescribed standards was earlier announced but the FM, but Budget 2022-2023 **didn't mention anything on the closure of inefficient fossil fuel plants**.
- According to Central Electricity Authority (CEA), as of 31 December 2021, the **share of non-fossil sources in the installed capacity of electricity generation was 40.20%**.
- The report of IFSR 2021, points out that forest cover has been increasing in India. However, the **country has lost more than 1600 sq km of natural forests in this period**. The reported loss of 1000 sq km of natural forests in the northeastern States should cause concern.