

Budget 2023: Inclusive and sustainable growth for stable and developed India

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Finance Minister Nirmala Sitharaman presented Union Budget 2023 on February 1.

As the world recedes from the coronavirus pandemic, it witnesses the highest number of violent conflicts since World War II, leading to a pervasive sense of insecurity around the world.

This has been followed by an increase in global commodity prices and accelerated inflation rates, to which the advanced countries responded with monetary tightening, which sparked massive lay-offs in developed economies.

Amid this grave global scenario, India emphasises that inclusive and resilient policies would enable to stabilise states thereby safeguarding the fundamental rights of global citizens.

Budget 2023-24, echoing India's global stance to promote peace focuses on inclusive and sustainable development "Sabka Saath Sabka Vikas."

Focus on inclusive growth

The Budget 2023 emphasises balanced and inclusive development by focusing on provisions for the disadvantaged social groups, the rural and agriculture sector which employ about 55 percent of India's workforce, but contributes only approximately 20 percent to India's GDP and states that require special attention- Jammu & Kashmir, Ladakh and the North-East states.

The Budget, in continuation with the rationale of the previous two budgets, provides an indirect stimulus to economic growth via the unconventional counter-cyclical fiscal policy, wherein the concentration of the Indian dispensation has been on public expenditure with a thrust on infrastructure projects, focusing on robust capital formation. Thus, strategically stimulating the "crowding-in" of private investment to realise the vision of Atmanirbhar Bharat during the Amrit Kaal.

Continuing on the doctrine of a strong accelerator-multiplier effect to advance India's growth trajectory, Finance Ministry announced an increase in the outlay for public Capex by 33 percent year-on-year to ₹10 lakh crore (3.3 percent of GDP), to strengthen India's productive capacity.

This will promote the implementation of public infrastructure development programs, such as Gati Shakti, Bharatmala, Parvathmala and Sagarmala.

The data from the National Statistical Office (NSO) and Reserve Bank of India (RBI), signals that India's unconventional fiscal policy of stimulating business investment, rather than directly putting money in the hands of the citizen to give impetus to consumer demand, restored economic growth.

This is reflected by the numbers presented in this year's Economic Survey indicating that private consumption in India has been at its highest since the year 2015, with improved consumer confidence.

But, as indicated by the World Bank data, there has been a trend of growing inequality, globally and in India.

The Budget discerningly addresses this for India by focusing on the rural and agriculture sector development, better financial inclusion, and schemes for the development of the social sector - health, education and skilling.

To advance India's agriculture landscape the budget announces a credit target of ₹20 lakh crore with a focus on animal husbandry, dairy and fisheries.

The public expenditure on the health sector has risen from 1.4 percent of the GDP during FY2019 to 2.1 percent of the GDP in FY2023.

For the development of the pharmaceutical industry, the Budget allocated funds worth ₹1,250 crore, drastically up from ₹100 crore allocated in the previous year's Budget.

Focusing on education and skill development of the socially disadvantaged group, Union Finance Ministry increased the allocation for the Eklayva model residential school to ₹5,943 crore in the Budget, up from ₹2,000 crore in the previous budget.

To ensure balanced regional development the fund allocation for the North-East Special Infrastructure Development scheme is up from ₹1,419 crore in the previous year's budget to ₹2,491 crore in the Budget 2023.

Further, there has been about 64.5 percent year-on-year increase in fund allocation for low-cost housing- Pradhan Mantri Awas Yojana (up from ₹48,000 crore in the Budget 2022 to ₹79,000 crore in the Budget 2023), to facilitate inclusive development.

Amid the focus on inclusive growth what is a little puzzling is the reduction in the highest surcharge rate on incomes above ₹5 crore ('the super-rich') which is reduced from 37 percent to 25 percent, under the new tax regime.

But otherwise, the revision under the new tax regime intends to put more money in the hands of the middle, salaried class and pensioners, to fuel private consumption demand.

Reemphasising the commitment to advance inclusive growth, the Union Finance Ministry has extended the credit guarantee scheme for Micro, Small, and Medium Enterprises (MSME) to enable collateral-free credit of ₹2 lakh crore to MSMEs, at a reduced credit cost by approximately 1 percent.

The Economic Survey 2022-23 notes that the Emergency Credit Linked Guarantee Scheme (ECLGS) adopted by India to combat the Covid-19 slump was a success. From January-November 2022 there was around a 30.5 percent increase in credit to MSMEs, which helped the MSMEs recover from the pandemic-induced slowdown.

The GST paid by MSMEs during FY2022 stood around ₹5.4 lakh crore, the highest since FY2019.

Further, given the backdrop of a grave global scenario, India is also prudently building its defence capabilities, the fund allocation to the Defence Ministry was up by about 13 percent year-on-year at ₹5.94 lakh crore, which includes the capital expenditure for military modernisation of ₹1.62 lakh crore.

The pursuit of stability

In the current unprecedented global times, India pursues to focus to build a fundamentally robust and stable nation.

The Budget 2023 promises a long-term growth strategy, envisioning strong supply-side fundamentals to create a powerful accelerator-multiplier effect.

The Government of India centres attention on building its productive capacity with a thrust on infrastructure projects, and strategically stimulating private investment spending.

This is likely to advance employment opportunities for India's citizens. The impetus to 'animal spirit' is also provided by making access to credit for MSMEs more buoyant.

The focus on health, education and skilling is envisioned to create a more abled workforce apt for Industry 4.0, to advance economic development.

Given the global conflicts India prudently attention to balanced economic growth, to avoid any possible internal unrest due to unequal distribution of economic progress.

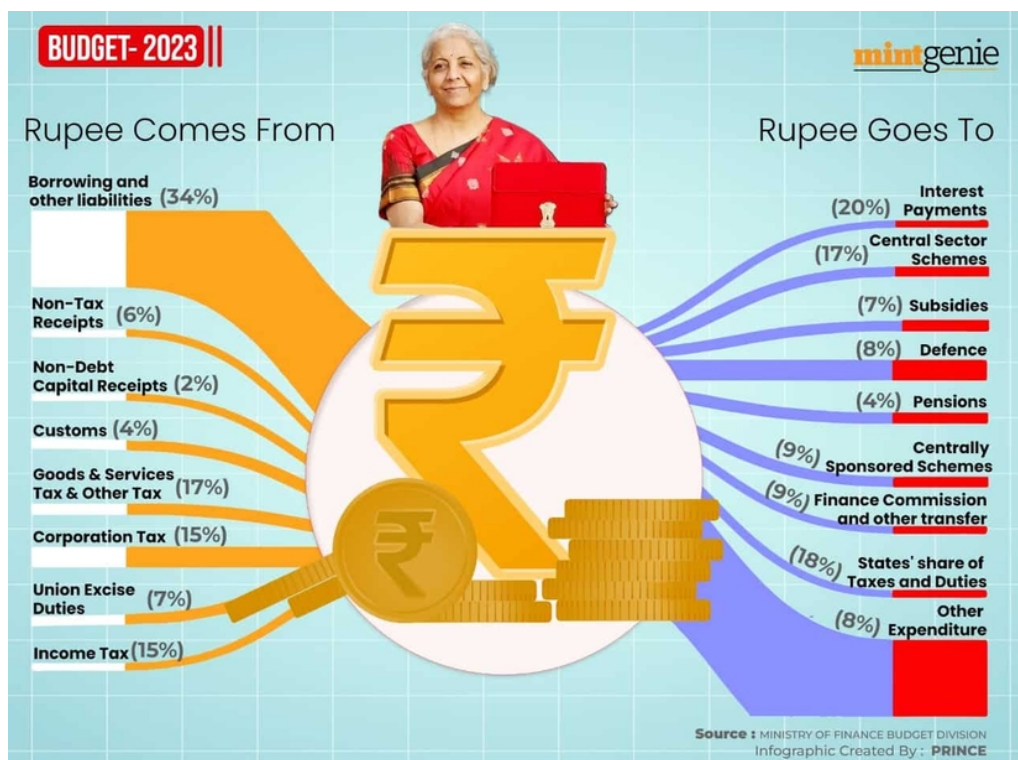
After combating inflationary pressures during 2022 with monetary tightening, India prudently continues to adhere to the commitment to fiscal consolidation, with the target to decrease in fiscal deficit from 6.4 percent during FY23 to 5.9 percent in FY24.

Further, to safeguard its national security India is also judiciously building strong defence capabilities.

In a nutshell amidst the changing world order, India's 2023 Budget pursue to create conducive conditions to ensure a stable nation with strong fundamentals and potential for economic growth.

(The author of this article is Assistant Professor, O.P. Jindal Global University)

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