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Special issue

## Reflections on Economic survey 2021-22 and Union budget 2022-23

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GIFT GULATI INSTITUTE OF FINANCE AND TAXATION

# KERALA ECONOMY

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# Editorial
## The context of economic survey 2021-22 & union budget 2022-23

In India, the economic survey and the union budget are two important public documents that attract much attention from researchers, the media and the public at large. The economic survey is, perhaps, the most detailed document that presents an analysis of the state of the economy both at the macro-level and at the sectoral level. Economic survey, usually presented on the eve of the union budget, highlights not only the major achievements during the previous financial year but also the challenges that the economy faces. The union budget, apart from being an annual statement of the revenue and expenditures of the government, also presents the broad contours of the approach of the government in addressing the challenges that the economy faces.

The economic survey 2021-22 and union budget 2022-23 could be considered distinct from their predecessors because it was presented at a particular juncture wherein the Indian economy has dealt with once in a century pandemic for two years, like many other countries in the world. When these two documents were presented, countries in the world, including India were found to be belonging to two distinct blocks. On the one hand, there were countries, mostly from the developed world, that managed to record a V-shaped recovery from the COVID-19 pandemic which hardly left any sectors of the economy or sections of society untouched. On the other hand, are those countries, mostly belonging to the developing world, for whom the return to the pre-pandemic position remains far in sight and the road to recovery appears highly rocky.

The first group of countries that managed to record an economic revival has been able to accomplish the same backed by strong fiscal policy measures. In the United States, for example, the fiscal stimulus package was of the order of 25% of the GDP. The average fiscal stimulus package in the developed countries according to IMF was of the order of 12.9 per cent while that of developing countries average was 4.3 per cent. No wonder, on account of the large-scale borrowing by the developed countries the global debt peaked at US $226 trillion by the end of 2020 and that turned out to the highest level during the last 50 years. Needless to say, the developed countries had hardly any hesitation to borrow for saving the lives and livelihoods of the people. India's fiscal stimulus was only of the order of 4.2% with greater focus being given to monetary policy measures which were of the order of 6.2% of the GDP.

To the extent that the economic survey could be treated as a diagnostic of the state of the economy and the budget as prescriptions, it is important to examine to what extent the economic survey has been able to come up with the right diagnostics such that the union budget is able to propose appropriate budgetary allocations. It is in this context that GIFT organised a seminar on the economic survey 2021-22 and the union budget 2022-23, jointly with the economics department, S B College and department of economics, Central University of Kerala. The seminar was inaugurated by Shri K N Balagopal, honourable Finance Minister of Kerala, with the active involvement of eminent senior scholars who provided an overall assessment of these two documents. A critical appraisal of the budget proposals backed by a detailed analysis of the economic performance at the macro and micro level has been undertaken by the young scholars from GIFT, S B College and the Central University of Kerala with the guidance of the faculty.

This special issue puts together the articles based on the presentations in this seminar. I hope the readers of *Kerala Economy* will find the content useful.

K J Joseph

# Union budget 2022-23 from a people's perspective

K N Balagopal
Finance Minister, Government of Kerala

**S**ubstantial discussions have already been taken place about the Economic Survey 2021-22 and the Union Budget for the financial year 2022-23. Often highlighted in these discussions is the economic crisis that we are confronted with, along with many other countries in the world. It has been generally observed that for economic recovery, there is the need for more active intervention and the economic survey figures show that enough has not been done in that direction. The problem remains that the required up to date data is not available from the official sources. Even from the available data it is evident that the employment and income loss in the economy has been substantial and unprecedented. At this juncture, there is the need to ensure an upscaling of the spending to get over the crisis. But unfortunately, the main problem is that it is not taking place at the required level to make an impact.

In such a scenario, the most important thing is to significantly increase government spending. Viewed in this perspective, the biggest limitation of this budget is that it will spend only Rs 39.4 lakh crore in place of the total Rs 37.7 lakh crore spent last year. In other words, the additional spending is only Rs 1.7 lakh crore. There is only a 4.5% increase in the outlay compared to last year. Considering the level of high inflation, the spending envisaged in the current budget would be lower than the previous year in real terms.

Another issue is the shortfall in sectoral allocation. We can point to several sectors in this regard. Most notable one in this regard is the food subsidy wherein there has been a sharp decline. Similarly, the allocation for procurement of food grains has been substantially reduced. We need to look at this in the context of the intense peasant agitation. Surprisingly, the same thing happened with the MNREGA which has a huge role to play in this crisis situation. Big job loss happened in public sector and organised sectors. The situations in rural areas also is grave.

In the case of COVID vaccine, the central government had set aside Rs 39,000 crore last year. This time it has been slashed to Rs 5,000 crore. Such reduction in the allocation may be under the presumption that the COVID pandemic is over. But that need not necessarily be the case; we need to be prepared and the booster dose is still needed. Yet there is not enough allocation in the budget. Not only that there is not enough money allocated to different sectors, but the biggest problem for the states is the pandemic induced drop in revenue. Therefore, it is imperative that the GST compensation be extended for the next five years. But the budget is silent on the need to extend compensation.

We should have got around Rs 12,000 crore in the GST compensation head. But the budget is silent on the demand to increase the compensation period. Kerala wants the five per cent limit on state borrowing to be extended for the next five years. Although many other states have also made this request, the central government stance is not favourable. Although concerted efforts have been made to raise state revenue at the state level, the pre-pandemic position has not yet been reached. Strangely enough, due to the changes made in the tax rate structure by the Central Government, our revenue neutral rate, which was around 15 per cent at the time of implementation of GST, has now been substantially reduced. The GST rate on one-third of the products has already been reduced. The main reason for this is the unscientific rate changes made by the Central Government at various times. It is paradoxical that in the name of rate consolidation, there is an attempt to increase the rates in some areas.

The most important source of devolution for us is the central divisible pool. Hence the huge decline in the divisible pool is a matter of great concern to Kerala.

At the time of the 10th Finance Commission, Kerala received 3.88 per cent of the funds allotted to the States. By the time of the Fourteenth Finance Commission, it got reduced to 2.5 percent and presently it has further dropped to 1.92 per cent. As compared to 14th Finance Commission, our share is Rs 6500 crore less according to the 15th Finance Commission. Here we have to take into account the revenue that would have been available to the state had there been no decline in our share. When it comes to Centrally Sponsored Schemes also, we are at the losing end. Kerala receives only about one per cent for many schemes provided by the Central Government to the States under the CSS Scheme when entitlement should have been at least 3.5 per cent given the population size of the state. As Kerala has made great strides in some sectors, the Centre denies support to those sectors in the state. This often results in decline in share of central taxes which in turn amounts to penalising performance and thus suffocating the state.

On the one hand, central government reduces direct taxes such as income tax and corporate taxes and raises the indirect taxes. In the last one or two years, the central revenue has come down by more than Rs 2 lakh crore. This will reduce the amount of money owed to the states. It raises not only the GST but also the cess and surcharges that the central government does not have to share with the states. The increase in special excise duty, surcharge and cess are revenue that can be retained entirely by the Centre. Thus, an additional Rs 4.50 lakh crore of non-sharable revenue was collected by the Centre with its adverse impact on the states. Inherent in this trend is the political issue that undermines the federal nature of the constitution and fiscal federalism in the country.

In terms of expenditure, the commitments of the states are increasing and there will be no reduction especially given the context of COVID-19. Kerala spends more on health and education with our spending on social welfare being the highest. During the COVID period, Rs 20,000 crore each was sanctioned through two packages and thus disbursing Rs 40,000 crore to the people. With the enhanced social welfare pensions and implementation of the pay revision along with various other measures in social protection, our expenditure is already on the higher side, is bound to go up leading to huge liabilities. Social welfare pensions were paid on time. Benefits were given to the poorest people and those who had no other pension through various schemes.

In case of death of the key income earner in the household on account of COVID-19, a scheme has been implemented to provide Rs.5000 / - per month to such BPL families for a period of 3 years. This is the first project of its kind in India. In a State with a multiplicity of such projects are implemented, expenditure and fiscal burden are bound to increase. Further, we have implemented pay revision and Salary and wages are paid on time. There are huge liabilities that make up all of this. But if the revenue is collected properly correctly, Kerala will not be in big trouble. If the Central Government shares the tax revenue actually due to us, we will not get into any problems. However, the opposite is the reality.

This year, Kerala should get about Rs 12,000 crore in GST compensation. But the GST compensation ends with June. This year we will get Rs 19,800 crore as RD grant (Revenue Deficit Grant). Next year it will be around Rs 13,000 crore which will be reduced to 4,000 in 2023-24 and will not be available thereafter. This means a substantial reduction in the central share that we have received earlier. The Central budget makes the provision for a long-term loan for capital investment of Rs 1 lakh crore for the states put together. The share of our state will be only around Rs 2000 crore. Simultaneously, the current borrowing limit of 4.5 per cent for the state will be reduced to 3.5 per cent during 2022-23. Thus, in a system where the central government is raising revenue at will and the share of states declining, there will be huge insecurity for the states.

This budget exacerbates the problem of states. Kerala's demand for many basic development projects; special schemes for expatriates, permission for infrastructural projects like K-Rail, schemes to provide employment for women in the traditional sector were not considered. Moreover, the budgeting for the "nectar era (Amrutha Kalam)" within 25 years does not have anything much to provide employment and income for the people. What is more, it doesn't provide for enhancing productivity in agriculture and industry in the long run since hardly any allocation has been made in this direction.

At the same time, the profits of the corporates and multinational international companies including banks increased significantly. State Bank of India, for example, has more than doubled its profits. Increasing profits is good, but we need to look at why the income of the ordinary people and the avenues for their employment are declining at a time when corporate profit is rising. If we move with these types of policies, the "Amrutha Kalam" will remain a distant dream.

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(Based on the inaugural address delivered by the Hon'ble Finance Minister at the seminar on the Economic Survey 2021-22 and the Union Budget 2022-23 organised by GIFT jointly with S B College Changanacherry and the Central University of Kerala Kasargod on 10 February 2022.)

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# Kerala and the union budget 22-23: Synergies and opportunities

Rajesh Kumar Singh IAS

Economic Survey and the Union Budget are two important public finance documents in India that always attract much attention not only of the media but also scholars and common people, and this is indicative of the immense information that they provide and their impact on the people at large. Since the Union and State Governments are collectively responsible for development, the Union Budget could provide the states with a number of opportunities to make use of and at the same time the Union Budget could be synergetic with the States. In what follows I shall approach the Union Budget 2022-23 from this perspective.

It is by now evident that the fiscal space of states in general and Kerala in particular has been shrinking. This is to a great extent on account of the declining share of the state in the devolution by different Finance Commissions. Evidently, the criteria that the successive Commissions have been using for tax devolution like population etc. have not been in favour of Kerala. A superior demographic performance evidenced by reduced population growth does not provide for a better share in the devolution of the divisible pool of the central taxes, simply because more than 60% of the weightage for such devolution is based on population and per capita income distance.

The fact that Kerala's per capita income is 60% higher than the national average also means that the state is in a disadvantageous position when it comes to such devolutions by the Finance Commission. What is more, the Finance Commission has used 2011 census figures that further work against Kerala. The fiscal situation is likely to be further stressed with the phasing out of the GST compensation regime by June 2022. Along with this, we need to factor in the tapering off of the revenue deficit grants under the Finance Commission award. All these amount to the shrinking fiscal headroom for the State unless the state records robust economic growth in the near future.

The Economic Survey 2021-22, indicates a revival from the pandemic status with an expected growth rate of 9.2% in 2021-22. This is expected to take the economy to the pre pandemic level and the expected growth is about 8.5% in 2022-23. The Economic Survey and Budget apparently articulate a cyclical fiscal strategy. However, it is also admitted that unlike the developed countries India doesnot have the needed "deep-pockets" that would ensure huge fiscal stimulus. As a result, the fiscal package at the national level, as per the IMF data has been only of the order of 4% as compared with 25% in the US and 15% in Germany for example. Evidently India's approach has been essentially focused on credit linked incentives in order to bring back growth. Such an approach is also justified given the well-established public sector led banking system in the country. It has also claimed that India is the only nation which used the pandemic crisis to bring about structural reforms in its economy through various reform measures, some of which of course failed, for example, the agricultural sector reforms had to be withdrawn. But some of the other elements in the ease of doing business and focus on shifting some of the expenditure to the capital side are expected to help revive growth.

Coming to the Union Budget, it may be of relevance to reflect on what are its key highlights and what implications the budget has for Kerala, and for the other states as well. The budget has four priorities, it focuses on a national infrastructure pipeline, which is called PM *Gati Shakti* and prioritizes it, along with other capital investments in sunrise sectors including emerging opportunities in the clean energy sector; and inclusive development.

The national infrastructure pipeline is focused on seven areas, the roads, railways, airports, ports, mass transport waterways and logistics infrastructure. The budget aims at completing 25,000 kilometers of national highways in 2023. Incidentally, some part of that package does benefit Kerala significantly. This is because for the first time, after almost 20 years of struggle, the entire NH 66 redevelopment packages, all 13 of them, have now been awarded by NHAI. Once we complete the land acquisition, which is also in the final stages, we are going to have about Rs 40,000 crores worth of investment, in the national highway redevelopment in Kerala. Towards this end, the state has incurred an expenditure of the order of 25% of the land acquisition costs. This may be seen in a context wherein the Government of India felt that land acquisition cost in Kerala is very high; and only Kerala among the Indian states had to incur a part of the land acquisition costs. With the state coming forward, the logjam has been cleared and Kerala will have a 45-meter national highway from Kasaragod to Trivandrum in the next 3 4 years.

Along with National Highways the other components of the infrastructure development envisaged in the Union Budget, such as Logistics parks, *Vande Bharat* trains etc. are also going to be of much benefit for the state if harnessed effectively. *Vande Bharat* trains may be of much interest because theoretically we could, without giving up on K- rail, still think about getting one or two of those trains for Kerala. Of course, there are issues with curvature which prevents speeds of 100 kilometers an hour in Kerala. However, being EMUs, these trains have fast acceleration and deceleration and therefore could reduce commuting time. Hence Kerala could try to get some access to some of these *Vande Bharat* trains. The Budget also has provided for a national ropeways development plan. Although Kerala is yet to take up such projects, it may be time to think about and take advantage of such projects at Sabrimala or in any of the other pilgrim towns and even areas like Thiruvananthapuram itself, as it could replace the more expensive metro and light metro type of interventions.

The agricultural sector focus of the budget is on the delivery of high tech and digital services to farmers, including the financing of agriculture startups through a combination of Government funds and Bank funds. It is another area where Kerala could perhaps see how we can add value to agriculture and reduce wastage, as far as our agriculture is concerned.

Interestingly, the budget also draws upon a lot of ideas that Kerala has actually pioneered. One of these is the Digital University, which we have already established in the previous budget, and the Union budget also talks about establishing a national level Digital university, and about a "one class one TV channel" program to be expanded to 200 TV channels. Those are the kinds of service delivery that Kerala is already doing, but of course we should take advantage of the national initiatives and secure additional funding for our programmes.

In the area of skill development similarly, the budget deals with a digital ecosystem for skilling and livelihood. Here again, it is very interesting that our State Innovation Council has already prepared a detailed project report on how to use Kerala's educated manpower and how to link them to the digital economy and enable them to work from home through an online "platform of platforms" which will link various National and international job portals. Interestingly, this idea is also something that Kerala has already pioneered and is now being talked about and taken up at the national level.

Similarly, in the health sector, the budget deals with national digital health ecosystem project. Here again Kerala already has a digital E-health card program which has already covered some 300 odd government hospitals. I am inclined to believe that the national program to an extent draws from our experience. Kerala's pioneering initiatives could be used as a kind of a template for replicating in other states as well.

The Union Budget also envisages upgrading 2 lakh *Anganwadis* under the *Saksham Anganwadis* scheme. This is a scheme where Kerala should take advantage for modernizing our *Anganwadis*. Another major initiative under this program of which Kerala could take advantage of is Jal Jeevan mission, which aims at providing universal tap connections. Even though this initiative has its critics, as it tends to provide a kind of a "one size fits all" approach as it focuses on piped water and does not use some of the local initiatives, (for example, Kerala has a well-established tradition of relying on wells for drinking water purposes); since it's a national program Kerala should be going ahead with it, and we should complete this over the next two years taking advantage of the National scheme

Other notable elements of the budget include its attention to ease of doing business and ease of living index. Each of these are areas which affect both the entrepreneurs and the citizen, and we will of course partner with the Government of India. Among these initiatives is the Unique Land Parcel Identification Number for the better management of land records. Kerala has already taken the initiative last year, under the Rebuild Kerala Initiative, with a provision of about Rs 300 crore, for a fully digital Re-survey of the whole state. Thus, there will be a single service portal, to combine the functions and services of the registration department, the Land Revenue department and the Survey department through a single window. This in turn would provide citizens the option of obtaining their land records through a single window with a customized map of their holdings. That is the kind of thing that Kerala has been doing, and this is again something that the Government of India wants to support and Kerala can take advantage of that scheme as well.

Importantly the budget also talks about prioritizing capital expenditure. The key initiative here is the provision for a long term 50-year interest free loan for the states to fund and prioritize the capital expenditure. During the last year, the amount provided for this was only Rs 15,000 crore that has been significantly increased to about one Rs one lakh crore this year. Kerala, by virtue of its population being about 2% of the country should get about 2% of this corpus. It is a useful supplement to our capital expenditure and could be made use of to complete some of our ongoing infrastructure projects. The funds that are consequently being released from the state plan side could be used for other schemes of the state.

In terms of the borrowing space, the state has been able to do the reforms to get the enhanced borrowing every year, and since the reform- linked borrowing program was introduced Kerala got 5% last year, out of which we rolled over .5% to the current year. This year again (2021-2022), Kerala got the full 4% available and we can roll over some portion of it to the next year. Even though, in principle, we do not agree that these borrowings, whose repayment is entirely our own liability, should be linked to reform in the power sector, but given the context, we have gone ahead with this agenda simply in order not to lose out on this additional fiscal resources that the State needs to balance its budget from time to time, particularly during these tough times arising from the pandemic, which has increased our liabilities, both in terms of our expenditure on health, as well as on social security.

The other element that has some implications for Kerala, which has a robust cooperative sector, are the tax proposals of the budget to reduce the alternative minimum tax rate and the surcharge for the cooperatives. This would be a great help for the very vibrant credit cooperative sector of Kerala and, therefore, something that should be welcomed. As a matter of interest, the budget also provided some prospect for digital currency and digital assets to be, perhaps, legalized in the long run. The initiatives for national digital currency and providing a tax regime for crypto currency treating them as an asset class, on which a 30% tax will be imposed, deserves mention given the long term implications. It de facto amounts to some level of legitimization of the of the digital currencies on the private sector side, and I presume that it will be followed by some further regulation for the future. In any case, this at least provide some level of legitimacy of this sector, which has seen a lot of investment by Indians, particularly young Indians, in the last few years.

These are the broad points that I discern from the budget. On the whole, I would consider the budget as a conservative one, which stresses the fact that the Indian Government did not follow the pattern of other developed states in coming up with a huge fiscal handout. It focuses on monetary and credit measures combined with structural reforms and on fiscal consolidation with renewed priorities on capital expenditure and a reduction in revenue expenditure. It is to be appreciated that the Budget is also trying to introduce greater transparency in the sense that some of the off budget subsidies that were fairly large, such as the food subsidy, (almost 2 lakh crore), that used to be kept off budget in the earlier years are brought into the budget. Therefore, in a way, the Central Government will be in a stronger moral position to tell the states that some of their borrowings, whether it is through KIIFB or through various other SPVs (Social security pension company, etc), are to be brought into the budgeting exercise. The States may have to look at that option, because ultimately, that is the most transparent way of handling both real liabilities, as well as our contingent liabilities that arise from time to time to take care of our society in these very turbulent and difficult times.

On the whole there are enormous opportunities in the context of the Union Budget for reflecting on public finances and the Centre -State fiscal relations which could be appropriately modulated, to the benefit of Kerala, which is an outlier state in many ways, and therefore often tends to get neglected when it comes to these kinds of debates in the Country.

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(The author is Additional Chief Secretary (Finance), Government of Kerala)

(Based on the special address delivered by the Additional Chief Secretary (Finance), Government of Kerala) at the Seminar on the Economic Survey 2021-22 and the Union Budget 2022-23 organised by GIFT jointly with S B College Changanacherry and the Central University of Kerala Kasaragod on 10 February 2022.)

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# The external context of the union budget 2022- 23

K N Harilal

It was a long session. Let me therefore, as Chair of the session, take just two minutes and conclude the session.

I would like to mention one aspect, which was somehow missed out in our discussion, but I think should be highlighted here because of its overwhelming influence on the budget, not only the present one but many recent budgets in the country. What I am suggesting is the overwhelming influence of the global situation or the external context, which although not stated explicitly, was a major preoccupation of the finance minister. In the presentations here we saw a major contradiction of the budget, viz., the need to boost the public expenditure on the one hand and the inability of the government to step up public expenditure on the other. This contradiction is best explained in terms of the external context.

The need to increase public expenditure was highlighted by many presentations here. Many reasons for enhanced state interventions were mentioned. They include the record level of unemployment in the country, unenviable position of the country in the global ranking of nations with respect to poverty and hunger, lack luster performance of the economy, especially industry and agriculture, etc. But the government is in a dilemma. Its hands are apparently tied because of the fiscal limits set by the neo-liberal order. The Federal government and the state governments are constrained by the provisions of the FRBM act. You cannot violate the fiscal limits set by the act because it would hurt the confidence of international investors. The rating agencies are unlikely to be indifferent to the pressure of fiscal 'indiscipline'. They might even downgrade India's ratings. The danger is imminent because of the country's dependence on foreign portfolio investments.

One possible alternative for the government is to increase the tax to GDP ratio. There is immense potential to do so in the long run. But, in the short run government cannot afford to withdraw the concessions given to the corporate sector. It is feared that the withdrawal of concessions will dampen the post pandemic recovery. The public debt route, which was very effectively used by the present day industrialized countries, is a taboo for developing nations such as India. India particularly has been quite self-disciplined on this count. Obviously, it is because of the vulnerability of the Indian stock market on the one hand and the foreign exchange market on the other to the ebb and flow of foreign portfolio flows. The stock prices and the balance of payments are highly dependent on institutional flows. Further, policy makers everywhere, not to mention Indian authorities, were particularly concerned about the likelihood of the global inflationary pressure and the possibility of the upward revision of interest rates in United States. Inflation expectations have already started causing havocs in many Southern countries like Sri Lanka. The crisis is visible in the case of many countries such as Turkey, Sri Lanka and in many African nations. There are many other countries joining the stream. Indian situation is slightly better, but we are also highly vulnerable. And I believe that during the course of this year, we will have problems. We will have problems of interest rates going up in United States of America and Europe; and Capital will be moving out. The outflow has already started. We are witnessing a net outflow of foreign institutional investment, which would predictably would increase in the near future. And it will have problems in terms of declining foreign exchange reserves, depreciation of the currency, increasing prices of importable goods, and building up of inflationary pressure.

There will be global export of inflation from the developed countries to the developing nations. We are going to get a part of the US inflation here in India. And may be without stating in clear terms these situations were anticipated by the Finance Minister. That means because of our over-dependence on financial institutions, portfolio flows, we have already surrendered a part of our sovereignty. This is true of many developing countries. Given such a scenario it would be difficult for us to take care of our national goals such as protecting the formal sector, taking care of informal sector, giving more jobs, fighting hunger, fighting Poverty, etc. Because we are following a model where we are dependent on foreign institutional investors and we will have to obey the rules set by that model. The only saving route will be to get out of this dependence on foreign institutional investment and that can be done only if third world countries come together, people come together, demanding a different approach, to development. With that let me thank the panelist and the director of the Institute, my dear friend, Professor K J Joseph for giving me this opportunity.

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(The author is Professor, Centre for Development Studies)

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# The union budget 2022-23: The COVID-19, fiscal challenges and normalization

Pinaki Chakraborty

The Union Budget 2022-23 is the first post-pandemic budget that captures the full fiscal effect of it for the year 2020-21(accounts); gives a comprehensive idea about the emerging implications of the pandemic on government finances for the year 2021-22 (RE); and as the country recovers from Covid, the budget provides policy intents of the Union Government for the fiscal year 2022-23 (BE). How the unfolding global macroeconomic uncertainties will play out during the year, in terms of India's fiscal balance, is not easy to predict. There are difficult questions around macroeconomic uncertainties, be it covid, the emerging post-covid world, or the Russia-Ukraine war. However, there is optimism around key macro numbers, namely, economic growth, tax collections and fiscal consolidation. There has been significant fiscal consolidation at the Union and State levels in the year 2022-23. The post-covid stabilisation of debt and deficit in India also conforms to the global trend.

On the macroeconomic front, the economic shock in terms of GDP contraction due to the COVID-19 pandemic though reversed in the fiscal year 2020-21, a stable and sustained recovery is needed. The Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement presented as a part of the Union Budget 2022-23 mentioned that "in line with the commitment made in the budget for FY 201-22, the Government would pursue a broad path of fiscal consolidation to attain a level of fiscal deficit lower than 4.5 per cent of GDP by FY 2025-26. The Government would continue with its efforts to attain sustained, broad based economic growth, and take such measures as may be necessary to protect the lives/livelihoods of the people, while adhering to the path of fiscal rectitude."

As I write this article, questions are also being asked about the global fiscal situation and financial stability, rising inequality, federalism, the role of government, and long-run macro, fiscal and financial stability. On the role of government, quantifying the optimal size of Government during a catastrophic event like Covid-pandemic is almost an impossible task. However, there is near unanimity that it is the sovereign government's responsibility to bring the economy back on track, provide livelihood support and make necessary increases in health expenditure to contain the pandemic. As of June 5 2023, globally, there were 532 million cases of Covid infection and more than 6.3 million covid related death . In India, the number of Covid cases as of 5 June 2022 was 40.31 million and the number of people who died due to Covid was 0.53 million.

The multidimensional response to deal with the Covid by India's federal system consisted of supporting life, livelihood and economic recovery. Within the overall resource envelope, to deal with the pandemic, the combined health expenditure of the Union and State governments, as per cent of GDP increased. The health expenditure of most of the major states as per cent of GSDP increased from 0.70 per cent in 2019-20 to 0.83 per cent in 2020-21 and is expected to increase to more than 1 per cent in the year 2021-22 (RE) and 2022-23 (BE). India's federal system also delivered well on vaccination. As of 5th June, the number of people vaccinated fully was 64.7 per cent of the total population and more than 74 per cent of the population have been vaccinated with a single dose.

Due to the contraction in revenues and fiscal stimulus for the Covid response, both debt and deficits increased sharply (See Table 1). India's general government debt to GDP ratio is now hovering around 90 per cent of GDP. The debt ratio of the

**Table 1:** Central government, deficits and labilities (% of GDP)

| Year | Fiscal Deficit | Revenue Deficit | Primary Deficit | Total Liabilities |
|---|---|---|---|---|
| 2011-12 | 5.9 | 4.5 | 2.8 | 51.7 |
| 2012-13 | 4.9 | 3.7 | 1.8 | 51.0 |
| 2013-14 | 4.5 | 3.2 | 1.1 | 50.5 |
| 2014-15 | 4.1 | 2.9 | 0.9 | 50.1 |
| 2015-16 | 3.9 | 2.5 | 0.7 | 50.1 |
| 2016-17 | 3.5 | 2.1 | 0.4 | 48.3 |
| 2017-18 | 3.5 | 2.6 | 0.4 | 48.2 |
| 2018-19 | 3.4 | 2.4 | 0.4 | 48.1 |
| 2019-20 | 4.7 | 3.3 | 1.6 | 50.9 |
| 2020-21 | 9.2 | 7.3 | 5.7 | 61.0 |
| 2021-22 RE | 6.7 | 4.6 | 3.3 | 57.5 |
| 2022-23 BE | 6.3 | 3.8 | 2.7 | 57.9 |

*Source*: Union budget documents (various issues)

Union government increased from 48 per cent of GDP to 61 per cent in 2020-21. Though it is stabilizing, as evident from 2021-22 (RE) and 2022-23 (BE), the debt servicing cost is on the rise. The interest payment as per cent of GDP increased from 3.1 to 3.6 per cent, between 2012-13 and 2022-23 (BE). During the same period, as per cent of revenue expenditure, it increased from 23.8 to 29.4 per cent.

Increasing debt servicing costs reduces the fiscal space for development spending. In this context, the large increase in debt and deficit calls for fiscal normalization. Also, the fiscal deficit for the year 2022-23 is higher than what was recommended by the Fifteenth Finance Commission after factoring in the Covid impact while assessing Union finances. However, the direction of fiscal consolidation is towards the reduction of fiscal deficit. As evident from Table 1, the estimated liability to GDP ratio of the Union government for the year 2020-21 (RE) and 2022-23 (BE) are 57.5 and 57.9 per cent respectively. This is significantly lower than the recommended debt/ liability to GDP ratio (61 Percent of GDP) proposed by the Fifteenth Finance Commission. Due to higher nominal GDP growth compared to what was proposed by the Commission, the debt ratio is lower. At the same time, higher growth could not translate into a corresponding reduction in fiscal imbalance (as proposed by the Commission). The fiscal deficit to GDP ratio for the year 2022-23 (BE) is 6.3 per cent as against the 5.5 per cent proposed by the Fifteenth Finance Commission. Thus, in light of the improved GDP growth rate compared to what was assumed by the Finance Commission, better tax collection and increasing capital expenditure, there is a need to rework the path of fiscal correction to set the debt to GDP ratio to a level much lower than what was recommended by the Fifteenth Finance Commission. Probably, the Budget 2023-24 may have to focus on providing a medium-term fiscal framework with a quantified path of fiscal deficit and debt to GDP ratio. A credible MTFP for the Union Government is critical for fiscal stability and debt sustainability. An annual fixed target of deficit and debt reduction is now necessary for a steady and sustained economic recovery. Finally, the post-Covid fiscal consolidation framework is evolving globally and there is pressure on governments to calibrate the deficit and debt in a way that responds to the crisis. Though in the medium-term, the fiscal story is about supporting recovery, it is also true that there is no "one-size fits all" solution to fiscal consolidation and debt sustainability. This remains the most complex part of fiscal management when one focuses on the budget of a single year.

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(The author is former Director, National Institute of Public Finance and Policy, New Dellhi.)

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# Union budget 2022 - 23: Context, policy framework and policies

Alwin Prakash

This brief note is to point out certain major aspects of the budget, which in my view can send some misleading signals. The economic survey has taken a position that Indian economy has recovered from the covid pandemic crisis and the budget or the policy frame of the budget is firmly formulated on the basis of this premise. It is precisely this position that need to be taken with a pinch of salt. It goes without saying that the Indian economy is still in the grip of recession and the economy has not revived, despite some promising vibrations of recovery. And in the light of this common fact, it is evident that the budget proposals, based on a rosy premise of a recovered economy, are in many respects fail to address the current situation. Hence, this brief note considers the following three aspects of the union budget:

1) The context or the current economic situation of India,
2) Policy framework of the budget, and
3) Policy proposals.

**The context of the current economic situation of India**

As the entire world is still struggling to tide over the deepest recession after the second world war, India, highly integrated into the globalized world economy, cannot stand aloof and immune from its far-reaching effects. In the face of new and newer COVID-19 virus variants, what looms large is an unpredictable economic environment. Even then, the economic survey says that the Indian economy has achieved a GDP growth rate of 9.2% in 2021-22 and recovered from the COVID-19 induced recession. But this is surprisingly factually incorrect. If we compare the GDP prior to COVID-19 year (2019-20) and current year (2021-22), it is easy to find that the growth in GDP in constant prices is only 1.2%. Secondly, we can also find negative growth in the services sectors of trade, hotels, transport and communications during the last two years. Thirdly, the private final consumption expenditure which accounts for more than half of GDP, registered a fall during the last two years. Thus in fact, all the available evidences suggest that Indian economy is in a state of stagflation.

That is, on the one side, the economy is experiencing recession with increasing unemployment and on the other side, inflation also is rising. According to the economic survey, the wholesale 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 severly affected due to the crisis. Except the public sector and organized private sector, there has been huge loss of employment in the informal sector, which account for more than 80% of total workers. The economic crisis has increased poverty; according to the latest economic survey, the proportion of people below poverty line (BPL) was estimated as 21.9% in 2011-12 (rural: 25.7%, and urban: 13.7%). It is again pity to note that the central government has not made any attempt to revise the estimate on poverty in India since 2011-12.

However, the budget is formulated on the factually incorrect assumption that the economy has revived from the current recession and is in the process of fast growth.

**The policy frame work of the budget**

The policy frame work of the budget is based on this factually incorrect assessment on the current situation of the economy. And what is the ensuing policy framework? It includes the following: (i) accelerate economic growth and become the fastest growing economy in the world; (ii) create 60 lakh new jobs under productivity linked incentive scheme in 14 sectors; and (iii) entering Amrit Kaal, the 25 year long lead up to India @ 100. Within this framework, the budget provides impetus for growth along four priorities:

a) PM Gatishakti

b) Inclusive Development

c) Productivity enhancement and investment, sunrise opportunities, Energy transition and climate action.

d) Financing of investments.

The budget also gives emphasis for seven agencies, or engines of growth such as Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure. The Atamamirbhar Bharat Plan (make in India programme) is taken as the vision of development. It is expected that higher capital expenditure by the Center and States will promote private investment and trigger fresh investment by companies. The budget also proposes a slew of measures such as 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', privatization of public asset and finding resources to cover fiscal deficit, 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, etc. However, contrary to wide-spread expectations, the budget chooses no change in income tax rates.

Thus, the policy is framed on the assumption that there is no restriction whatsoever and everything is fine such that India is on track to achieve the fastest growth in the world. So far, so good!

**The policy framework**

A crucial point in this context is that in the face of falling private consumption expenditure, no step has been taken to provide more money at the hands of people through direct or indirect measures. For the last two years there has been a continuous decline in the private consumption expenditure, which accounts for more than 50% of the GDP. Not only that; there has been no proposal to provide employment to those who lost jobs in MSME sector, to those engaged in informal sector, self-employment categories, etc. The pandemic induced crisis has in fact utterly destroyed a number of sectors or economic activities especially in the informal sector. The issue of increasing poverty of people is not at all addressed in the budget. In fact it is a pity to say that we have nobody talking about poverty at all. On the whole, it goes without saying that the effect of these policies on the poor, the unemployed, those employed in informal sector, the marginalized sections of the people is just negative. However, the economic effect on organized public and private sector, and their employees is strangely positive. That is, the proposals have a favorable effect on upper middle class and rich people and also bigger investors and bigger producers. At the same time, 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 do have positive prospects in the current context. And one can showcase such rosy picture to claim that the economy is growing.

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(The author was Chair Person, 5th State Finance Commission, Kerala)

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# Budget sans representativeness: A comment

K Ravi Raman

The Central budget (2022-23) should be viewed from a "representative perspective". A budget is representative if the budgetary expenditures and outcomes are consistent with the larger social preferences rather than serving the interests of a few special interests. Representativeness in fiscal theory aims to determine whether public expenditures benefit the entire population or just a few sections. In other words, it captures the fair distribution of resources, which is done through budget allocation of available fiscal resources. Accordingly, I think the budget is deficient on the front of representativeness and does not address the current crisis, based on this notion of representativeness. Additionally, the budget document is also distorted and contains inconsistencies. As for the mismatches, Professor Alwin Prakash has already explained them. Also, there was a presentation by Suha and Anitha Kumary and they raised some of the issues about how this capital expenditure (CapEx) has been artificially inflated, though they did not use that word exclusively, but that's what sounds like in that presentation.

In my seminars, I used to repeat that Covid 19 is not just a public health or epidemiological crisis but also a "moral economy" crisis. A moral economy crisis in this context is characterized by high unemployment, poverty and inequality as the fall out of Covid19 crisis. Budgets are meant to address these issues. In times of crisis, such as the COVID 19 pandemic, state expenditures must increase or a new expansionary fiscal approach must be adopted. However, as the former finance minister Thomas Isaac has pointed out, relative public expenditures have fallen by three percentage points from 18 per cent to 15.3 per cent. Furthermore, one would expect an increase in allocations to sectors that will benefit the large masses when dealing with the immediate concerns of a pandemic. Contrary to our expectations, when the question of representation is actually discussed, we find either static figures or a drastic reduction in allocations. As a country, we face high unemployment, which is around 8% to 9%, reaching a 48-year high. There is little chance that the Union Government will meet its goal of creating 6 million jobs in the next five years. Although scaling up CapEx is certainly part of the solution, I would say that it is also part of the problem. But it's also part of the problem. The CapEx is raised from 1.3% to 2.9%, or from 5.54 lakh crore to 7.5 lakh crore, a fact that is reasonably challenged by scholars.

There has been a surge in public investments. Therefore, it is assumed that this will pull in private investments and also accelerate what is known as the aggregate demand, which has declined by about 3% during the last two to three years. And CapEx is mainly an investment in physical infrastructure such as roads, bridges, and corridors, so there will be a considerable lag in employment creation. Additionally, how many jobs are actually created depends on many factors such as technology, region, as well as health, education, and living conditions, all of which have not been improved substantially. An increased CapEx often compromises social sector expenditures. In other words, a budget that does not balance physical infrastructure and social infrastructure cannot create many quality jobs in the near future.

There are approximately 5 to 6 million unemployed youth entering the workforce at one level or another. Nearly 10 million people have already lost their jobs. Considering the way the budget makes its presentation that it would create so many jobs, you know it's unlikely to be achieved and even if achieved, it will be insufficient. Therefore, we agree to an extent that we need to increase CAPEX, but at the same time, we cannot expect the Modi government to follow Marx, who argued explicitly that productivity was not a matter of capital, but of labor. Also, if we end those claims as we find in this case, labor and its welfare, and any fiscal tightening in social investment would be detrimental to the productivity of labor, and the emerging labor reforms/codes simply violate the majority of the labor rights. You find a double attack on labor. On one hand, you don't allocate more funds to labor, but on the other hand, you find that workers' rights are being violated.

MGNREGA has been denied additional funding despite the fact that it is considered a flagship program. As we all know, the budget allocation was the same, but this means, and I emphasize this, that millions of workers will be denied employment as in the last few years they received fewer than the minimum number of days of employment. As a result, certain states in certain months experience a demand gap of up to 34 percent. There would be further negative effects on aggregate demand and growth because of the lingering demand gap. First, there is a likelihood that as the allotment increase was not in the budget, the workers who have been working without being paid on time would continue and pause fresh challenges for them. Second, the government refuses to increase wages, which is especially problematic considering the wage rate was not revised last year despite inflation with far reaching consequences on their real wages and income. Third, women workers, particularly those from marginalized social circles, are not sufficiently supported by MNREGA in terms of employment, income and social security.

As a result, female labor force participation rates will also be negatively affected. The government ignores the urban unemployment crisis despite the fact that states such as Kerala have implemented the Ayyankali Urban employment program successfully. The federal government has yet to announce any plans to create urban employment.

It would also be false to assume the agriculture sector could absorb more labor. This is due to at least three reasons, the first of which is that rural distress persists. Farmers' suicides, as well as their struggles for better and fair farm gate prices continue. The promise of doubling farmers' incomes has already been broken. The increasing input costs and credit burdens have even led to a decline in the real income of agriculture households. Second, there has already been a reverse migration from urban to rural areas, rural distress is likely to worsen with the rising cost of reproduction of labor as well as women. Third, the budget further compresses the rural sector or worsens their terms of trade with a massive cut in subsidies. It varies based on whether it is for food, fertilizer, or petroleum, which is about 12 per cent. This budget is entirely exclusive, it destabilizes the livelihood ecosystem of the ordinary people and, at the same time, you don't have any alternative employment opportunities. Of course, you have an increased CapEx, but as I explained above, it comes with a lag, and we are not quite sure what kind of rural jobs, it will generate.

The corporate tax revenue collection in the current fiscal year has been robust, but it has not coincided with an increase in profit margins, reports suggest. Also, the tax GDP ratio was likely to decline in the upcoming year due to the absence of any significant hike in taxes. The corporate tax has remained the same for about a decade or has decreased a classic case of representative bias in favour of the hegemonic classes. Cooperation not only ensured a continuous decline in corporate tax, we all know, it was decreased from 34.9% to 25.17% and for the beginners, there was another decline, it was complemented further by reducing surcharges. Therefore, instead of increasing the tax-to-GDP ratio, the government is more focused on borrowing and asset monetization. All of which will have far-reaching negative implications for society as a whole, and will reinforce the integration of finance capital and the regime in power. I believe that a critical analysis of the emerging nature of the Indian State is needed here, as the emerging nature of the Indian State clearly reveals that there is a need for a different kind of analysis.

I would like to conclude with just a few observations on Kerala in the context of the federal budget. If they increase CAPEX there will eventually be jobs. Kerala would not directly benefit from it, given Kerala's unemployment problems, we know, and its educated unemployment. Almost all the Capex jobs given are unskilled, so such investments will attract more guest workers. As a result of the increase in guest workers in the state, Kerala stands to gain from the spillover effects, however, it is imperative to create more jobs for youth in the state and to increase skilling. Yet, the expenditure on skilling and entrepreneurship has declined. Whether it is the PRAVASI package or the extinction of the GST compensation period, all of those things were explained in a very lucid manner by the Finance Minister, K N Balagopal. In reality, we see an increasing tendency to impose cess and surcharge, which we all know cannot be shared with the state, so I will not explain it, since Pinaki Chakraborty and others have already explained it. Additionally, I would like to share some concerns I have regarding food subsidies through ration shops. NFSA issue prices in the ration shops may increase due to a reduction in food subsidies. Any increase in the price of food grains distributed as part of NFSA would also increase additional financial burdens for a state like Kerala. Currently, we receive food grains at the central issue price at a very subsidized rate from the Centre, but if the subsidy cut is to be applied to those central issue prices, we will have to bear additional burdens.

In conclusion, representativeness in a democratic system should have a different meaning and content, and this budget is disappointing, does not address a contemporary crisis, and will only worsen it. Due to the lack of representativeness in budgets, the sequential gains of the ruling regime must be challenged through democratic politics.

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(The author is member, Kerala State Planning Board)

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# On the ideology of budget 2022 -23

R Mohan

One question that arises when we peruse Economic Survey 2021-22 and the Budget 2023 is 'what is the ideology of this budget?' Economic survey approvingly cites Friedrich Von Hayek, the author of the 'Road to Serfdom' which in the 1950s, inspired C Rajagopalachari, who formed the Swatantra party, which espoused the free market, without government controls on industrial licensing

The Union budget states that capital expenditure by the government will crowd in other investments. This is a very welcome change in approach. If carried through, it will mark a deviation from the principles of fiscal orthodoxy that government's borrowing will crowd out private investments and fiscal deficit is an evil to be kept in check at all times. In our graduate classes, we have been taught that the government and private borrowings are not the same and the private vice can be a public virtue, if spent for capital expenditure which can catalyze economic growth and bring in more revenues for the government and raise its spending capacity in social and economic sectors.

When we look at the figures in the budget, it can be seen that the increase in total expenditure has been marginal at 4.6 per cent. This could have been more when we are recovering from a negative growth rate during the financial year 2020-21 in the pandemic affected scenario. Another point to be taken note of is that the allocation for the MGNREGS, the flagship employment guarantee scheme in the budget estimate for 2022-23 is ? 25,000 core less than the revised estimate of last year, that is, 2021-22. For an economy which is slowly getting back to normalcy the fall in the outlay for MGNREGS is not a very welcome sign. But if the budget estimate is revised upwards in the financial year 2022-23, it will be well and good.

Now coming to the third point: the fiscal deficit for 2020-21 is 9.2 per cent and the revised estimate for 2021-22- is 6.9 per cent. As per the budget estimate for 2022-23, it is 6.4 per cent. In the public finance literature, of the three main functions of the government, namely, allocation, stabilization and distribution, the first two are with the central government. In our constitutional set up, the Union government has more sources of revenue and it should have more responsibility in controlling fiscal deficit than the States. Central government is affording to have fiscal deficit at 6.4 per cent of Gross Domestic Product, States are being asked to get back to 3 per cent Fiscal deficit target in a very quick path by the 15th Finance Commission. In the present situation, when economy is still recovering from the post-pandemic slowdown, States also should be given a little more freedom in having a higher fiscal deficit target. This can be done by the central government outside the budget in allowing Open Market Borrowing quota for the State governments.

The allocation of Rs. 1 lakh crore to all States for capital expenditure is welcome. On the revenue side, the personal income tax collection in 2020-21 has surpassed the corporate income tax. It could be a one off signal, as corporate tax base faced a slump during 2020-21. The class of salary earners does not lose their salary income in the pandemic period. If personal income tax mobilization by the government comes on a par or surpasses the corporate income tax in a durable manner, it is a sign of widening of tax base. But it is too early to say anything as 2020-21 is an outlier year, and we cannot make any generalization on that basis.

As regards to GDP growth rate for 2021-22, it is projected to be 8 to 8.5 per cent by the Economic Survey. But Reserve Bank of India estimates it at 7.51 per cent. The point to be taken note of is that the growth is picking up. Revenue mobilization can pick up more, if there is more effort. Virtual assets are to be taxed from the financial year 2022-23. There needs to be more effort, as Thomas Piketty has stated in his 'capital and ideology', to tax the wealth, the speculative income and inheritance. These are to be given a serious thought in a period when the rising income inequality is staring at us.

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(The author is Honorary Fellow, GIFT)

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# Boosting employment creation in Kerala

A V Jose

Thank you, Dr Harilal, the chairperson of this session. It is a privilege being here in the company of very erudite scholars, who can speak authoritatively on the budget and its implications on the economy of Kerala. Since I belong to the crowd of usual suspects of the Gulati Institute always called in, I took the liberty of asking the Dr KJ Joseph, the Director on the topic I should discuss. He suggested that I can go into the employment dimensions. In Alice in Wonderland, there is a character, who advises Alice to dream of at least five impossible things every day before breakfast. I am afraid, employment belongs to that category of impossible things one should dream about. The Union budget and the Economic Survey preceding it do not leave much room for being optimistic on the employment front. Tall claims are always made on the number of jobs that will be created, but then the experience in terms of the employment elasticity of growth so far is very dismal. But in this profession, we are all doomed to dream some "impossible dreams" like they sing in that beautiful musical movie, Don Quixote de la Mancha. I think it is still worth dreaming of impossible things. I am here to tell you about three impossible dreams.

First, on the question of creating more opportunities for formal employment. We have something like less than ten percent of the total labor force of India, categorized as the formally employed. They have secure jobs with assured wages, conditions of employment and social security benefits. In all there are less than 40 million workers out of total labour force of 450 million in India. One can imagine the magnitude of the task that awaits us if we were to bring in formal employment relations for the rest of the labor force in the informal sector comprising of those with regular jobs, but without any access to higher wages or social security benefits, the self-employed, casual workers, and the unpaid workers.

One can at least dream about minimizing the insecurity of their lives by making it possible for them to access better terms and conditions of work, and this is something public policy can work for. The institutional safeguards created by the state can cater to those with the most insecure jobs of the gig economy, now increasing in numbers. They can be brought under the ambit of secure incomes with assured benefits. That is eminently possible, provided we create the right institutional safeguards. Without going into the details of those institutionalized safeguards, let me bring to your attention and assert that it is very much in the realm of possibility for the state to embark on making life less miserable for those with insecure jobs.

A second impossible dream is about women's employment. In this country we are stuck at the level of talking only about low labor force participation rates, low worker population ratios and imprecise unemployment rates. And these rations have some definition problems too. When we take the aggregate ratios, we notice that there are very low labor force participation rates in the range of 40 to 45 percent of the population, which are way below what you observe in other countries. But then, if we disaggregate the figures and deconstruct them into men's and women's participation rates the picture gets clearer. On the front of male workers, if you consider those belonging to the age group 15 years plus, our participation rates are on par with the rest of the world. The rates plunge only when we take up the work participation of women; they are got exceedingly low, and historically so when compared to the rest of the world (SPB 2022). It is worth looking into the reasons why it is so even in a state like Kerala with better access to education, and a higher level of social spending per capita (Isaac 2022). In principle these factors should have made employment accessible to all workers. Since the worker population ratios among women remain low in Kerala, a point to ponder over is whether paid work as such still remains unattractive to women.

My submission is that what needs to be done is to make work more attractive to a large body of women workers by raising the offer price, that is minimum wages, and by improving their social security benefits. It is plausible that many women will come out of the precincts of the household in search of paid work, if only we make a bold move to raise wages that can match their opportunity costs. Public policy interventions of the state can be geared to such an objective. Support of the banking institutions too can also be geared to that goal. Establishments which hire women by offering social security contributions can receive preferential treatment for financial support. These pro-active measures should find a place in public policy all over India, since there is an enormous scope for improving the work participation of women in paid employment.

Third, a massive urban employment creation. Dr. Ravi Raman has drawn attention to the Ayyankali scheme for urban employment in Kerala. The entire country is going to be urbanized quite fast in the coming years. There is enormous scope for generating employment with secure incomes and assured benefits for all those people coming to the urban areas in search of income-earning opportunities. This is not just about the knowledge economy related jobs that give importance in the plan documents. There is a case for taking care of the large numbers of people who belong to the lower end of the skill spectrum and end up taking all the insecure jobs of manufacturing and service industries. This requires careful planning and coordination towards raising and utilizing the required resources. Take for instance the Life Mission housing scheme of Kerala, , which envisages paying 4 lakh rupees each to nearly five lakh households. If we examine the quantitative dimensions of such a massive support scheme, it is equivalent to 20,000 crore or 200 billion rupees. I have no doubt that the state can eventually mobilize resources of such magnitude. When such a huge quantum of the resources is involved, we might as well turn it into a substantive investment programme geared to employment creation within the state. We should aim to manufacture modular structures of different components for houses that can be used for the entire housing program in urban and rural areas of the state. There is scope for extending the investment programme to the whole country. We should aim to involve the cooperatives of skilled and semi-skilled persons, in particular women, who can be entrusted with the job of building houses. Through similar investment ventures, we can reach out to all workers in the informal sector and provide them with secure income and vastly improved conditions of employment.

Let me conclude saying that the dreams mentioned in this intervention can be fulfilled if the entire polity is willing to look forward and accept the need for more practical approaches to employment creation and a coordinated use of resources in the state. Thank you.

■

(The author is former Director & Honorary Fellow, GIFT)

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# An insight from economic survey on state of the economy

Steffy Antony

This year's economic survey came in the midst of several crisis including economic and social crisis. The main focus of this year's economic survey was to trace the recovery path of the country in the past year. In doing so, the survey compared the pre-covid level output with the current levels. The survey discussed both demand side and supply side stressing on its various sectors. Vaccination was discussed separately in the survey as it was an important strategy of the Government and is considered a macroeconomic indicator, critical for opening up the economy and the nation was successful in covering majority of population through its wide vaccination drive. It also analysed the impact of COVID-19 macroeconomic stability as the country, at the time of survey, was again going through another wave of the pandemic and other issues like inflation, liquidity withdrawal etc.

The focus of this paper is on the demand side, supply side and the impact of COVID on macroeconomic stability discussed in the state of the economy of the economic survey 2021-22.

According to the economic survey 2021-22, the economy has shown a sustained recovery since the second half of 2020-21. The advance estimates also suggest a growth of 9.2 per cent in 2021-22 with respect to 2020-21 Provisional Estimate (PE). Economic output in 2021-22 Advanced Estimate (AE) is expected to surpass the pre-covid level output of 2019-20 and this is a 1.6 per cent growth from the 2019-20 numbers. The GDP is expected to grow by 8.0-8.5 percent in 2022-23 which is similar with the OECD's projection of 8.1 percent. It is more than FICCI's projection of 7.4 percent and less than the IMF's projection of 9 percent.

## Sectoral trends

As per the survey, agriculture has been least affected by the pandemic. But still it has not recovered to its pre pandemic levels. The industrial sector on the other hand went through a big swing by first contracting by 7 per cent in 2020-21 and

***The GDP is expected to grow by 8.0-8.5 percent in 2022-23 which is similar to OECD's projection of 8.1 percent, but more the FICCI's projection of 7.4 percent and less than the IMF 's projection of 9 percent.***

then expanding by 11.8 percent in this financial year. All the sectors within the Industrial sector has grown past the pre-pandemic level. Service sector, which has the highest share in GVA (54%), was the most impacted by the pandemic. Financial, real estate and professional services recovered from its negative pandemic level growth of -1.5 percent but did not bounce to its pre-pandemic level of 7.3 percent. To summarise the trend of growth we see a V-shaped recovery in almost all the sectors as mentioned before (see fig. 1).

### Demand side

On the demand side, advance estimates suggested recovery of all components other than private consumption. Private consumption has recovered well, but not compared with the other components and its past levels. Government consumption and gross fixed capital formation have shown significant recovery and it is evident that private final consumption is showing a declining trend. Exports have recovered well but net exports still show negative growth and have not recovered to the pre-pandemic level

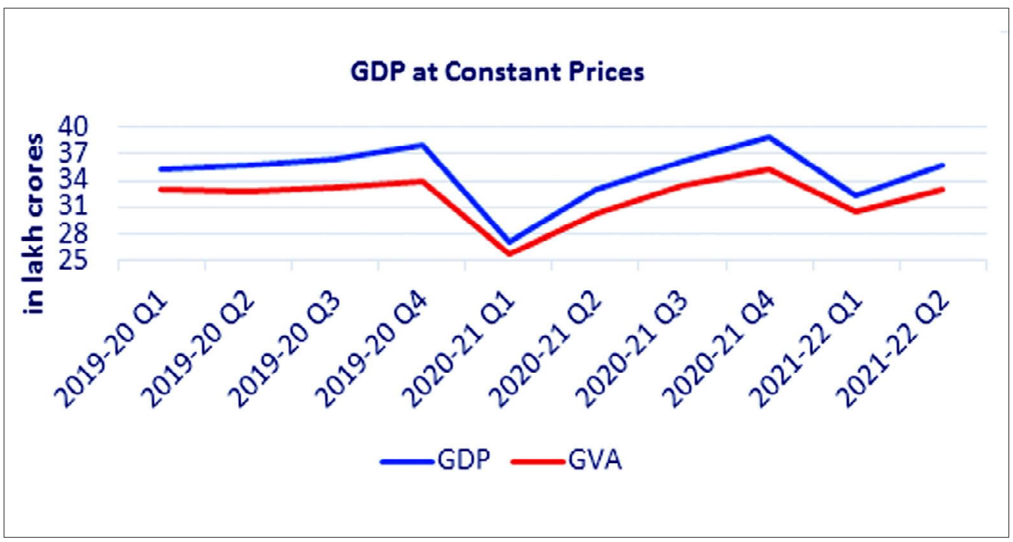
### Consumption

Total consumption consisting of both private consumption and government consumption showed a declining trend. Significant improvement in private consumption was supported by the HFIs. The share of total consumption in GDP shows a decline. Both Q1 and Q2 are far below the pre-pandemic level but the absolute numbers show an improvement compared to 2021 Q1 and Q2.

### Investment

As per the survey, investment, as measured by gross fixed capital

**Figure 1:** GDP at constant prices




*Source:* Calculated based on data from MOSPI

***Service sector,which has the highest share in GVA (54%), was the most impacted sector by the pandemic. Financial, real estate and professional services were affected the most and had not bounced back to its pre-pandemic level of 7.3 percent in 2019-20.***

**Table1:** Sector-wise growth rate (%)

| Sector-wise Growth rate | | | |
|---|---|---|---|
| **Sectors** | 2019-20 | 2020-21 | 2021-22 |
| Agriculture, Forestry & Fishing | 4.3 | 3.6 | 3.9 |
| Industry | -1.2 | -7.0 | 11.8 |
| Mining & Quarrying | -2.5 | -8.5 | 14.3 |
| Manufacturing | -2.4 | -7.2 | 12.5 |
| Electricity, Gas, Water Supply & Other UtilityServices | 2.1 | 1.9 | 8.5 |
| Construction | 1.0 | -8.6 | 10.7 |
| Services | 7.2 | -8.4 | 8.2 |
| Trade, Hotels, Transport, Communication & Services related to Broadcasting | 6.4 | -18.2 | 11.9 |
| Financial, Real Estate & Professional Services | 7.3 | -1.5 | 4.0 |
| Public Administration, Defence & Other Services* | 8.3 | -4.6 | 10.7 |
| GVA at Basic Prices | 4.1 | -6.2 | 8.6 |

*Source:* Calculated based on data from MOSPI

formation is expected to have a strong growth and this growth is of 15 percent in 2021-22 vis-à-vis 2020-21 (PE). Investment to GDP ratio has increased to 31.6 percent in Q1: 2021-22, which is equal to the pre-pandemic level, as compared to 24.4 percent during Q1: 2021-22. Considering the second quarter, ratio has increased to 32 percent in 2021-22 Q2 from 31.2 percent 2020-21 Q2 and it is far below the pre-pandemic level ratio of 34.6 percent.

### Exports and imports

India's total exports were expected to grow by 16.5 percent and imports by 29.4 percent in 2021-22. According to the survey, the resultant current account deficit would then be 0.2 percent of GDP in 2021-22. The corresponding capital inflows are viewed enough to finance the deficit. Also, the increasing global commodity prices is supposed to widen the current account deficit in the second half of the year.

### Supply side

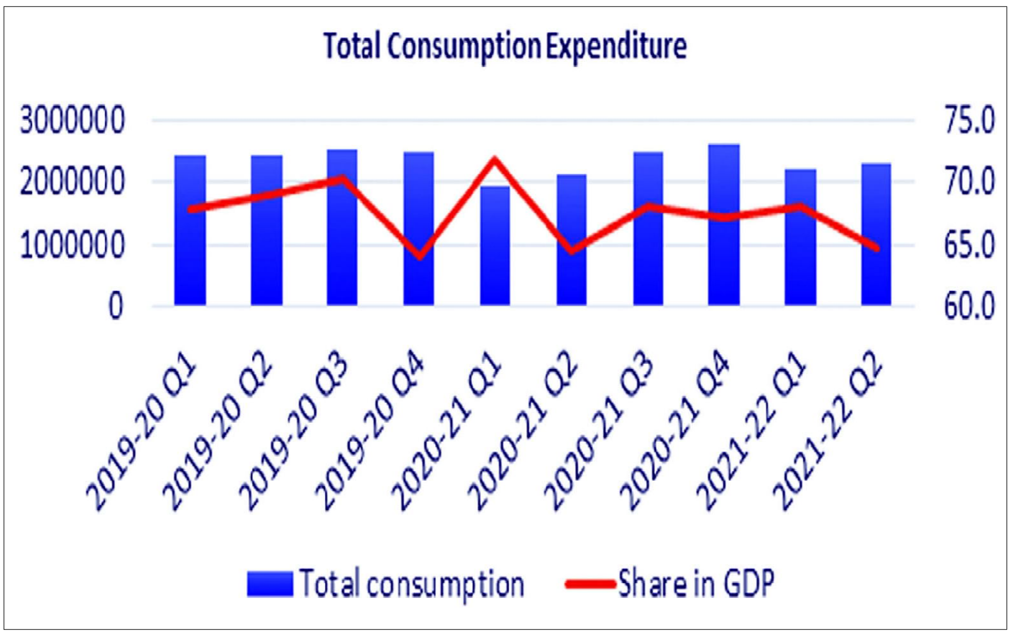
As mentioned in the beginning, the survey also discusses the supply side reforms. This includes factor market reforms and process reforms. There are two common themes in India's supply side strategy. Firstly, the reforms that can improve

**Table 2:** Expenditure components (%)

| Expenditure Components | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|
| Total consumption | 67.7 | 67.7 | 66.3 |
| Private Final Consumption Expenditure (PFCE) | 57.1 | 56.0 | 54.8 |
| Government Final Consumption Expenditure (GFCE) | 10.6 | 11.7 | 11.6 |
| Gross Fixed Capital Formation(GFCF) | 32.5 | 31.2 | 32.9 |
| Net exports | -3.4 | -1.3 | -3.8 |
| Exports | 19.4 | 19.9 | 21.3 |
| Imports | 22.8 | 21.2 | 25.1 |
| GDP | 100.0 | 100.0 | 100.0 |

*Source:* Calculated based on data from MOSPI

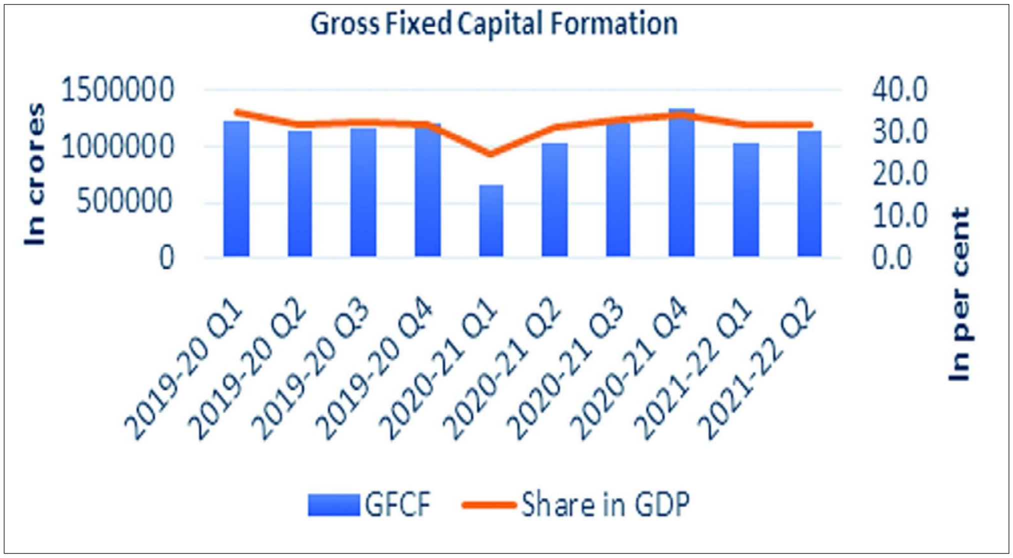
**Figure 2:** Total consumption expenditure




*Source:* Calculated based on data from MOSPI

***On the demand side, private consumption has recovered well but not when compared to the other components and its past level in 2019-20.***

**Figure 3:** Gross fixed capital formation




*Source:* Calculated based on data from MOSPI

flexibility and innovation to deal with the long-term unpredictability of the post-COVID world. These policies include climate/ environment related policies, support of key industries under Atma Nirbhar Bharat. And secondly, the reforms that are aimed at improving the resilience of the Indian economy which consist of industry, BPO, telecom, financial sector, MSME etc.

### Macroeconomic stability

The fiscal support and the health response during COVID-19 has raised the fiscal deficit and government debt in 2020-21 but there is a strong rebound in government revenue. Inflation has also appeared to be a global issue challenging the macroeconomic stability both in advanced and emerging economies.

India has adopted several supply side reforms rather than relying on demand management including deregulation of various sectors, simplification of processes, privatisation, production-linked incentives etc.

The report suggests that the country has gone for what is called a 'Barbell Strategy' combining programmes to guard the worsening impacts on both society and business that happened during the past two pandemic years. There are various criticisms to this year's economic survey

***As per the survey, investment, as measured by gross fixed capital formation is expected to have a strong growth and this growth is of 15 percent in 2021-22 vis-a-vis 2020-21 (PE)***

pointing out that the V-shaped recovery is still not complete and would further take two more years to move to the high growth. Also, supply side has been given more importance than the demand side which has impacted the consumption.

As per the survey, growth in 2022-23 will be supported by a lot of reforms and policies as mentioned earlier with India's GDP projected to grow in real terms by 8.0-8.5 percent in 2022-23. The survey report shows that the economy has gone through a V-shaped recovery with almost all sectors reviving to the pre-pandemic level. Looking at the numbers it is clear that the agricultural sector and financial, real estate and professional services have recovered from the impact of pandemic, but not to their pre-pandemic levels. Consumption and investment have also shown growth in 2021-22 but have not revived to their pre-pandemic numbers.

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# Fiscal position of union government under budget 2022-23: An analysis through the lens of economic survey 2021-22

Suha A M and Anitha Kumary L

Economic Survey 2021-22 and Union Budget of 2022-23 are tabled amidst the third wave of the COVID-19 pandemic, which is still evolving. The pandemic and lockdowns that accompanied threatened lives and livelihoods at an unimaginable scale and severely affected the whole economy. In such a situation, the people have many expectations about the budget. The Union budget is not just a financial statement but a socio-political statement too. Interestingly, the recent data on the economy shows signs of economic recovery in the country. The Economic Survey 2021-22 claims that the agile fiscal policy response of the government through the budgetary stimulus helps for a comparatively faster recovery. The stimulus measures announced during 2021-22 are a comprehensive package including liquidity enhancing and investment boosting measures such as the Production Linked Incentives scheme, credit guarantee schemes, and export boosting initiatives. Since the pandemic is both a supply-side and demand-side shock, stimulus measures should take care of both sides. For this purpose, both capital and revenue spending should have an equal weightage for effective economic recovery in both the short and long run. The Indian fiscal federal setup is based on diversities and inequalities; hence, state governments play an essential role in addressing regional issues. As a vast vertical and horizontal imbalance prevails in the system, the transfers and borrowing through the Union budget are crucial for the States to reinstate the economy, at least in a pre-pandemic condition.

Against this backdrop, in this paper, an attempt is made to analyze the fiscal position of the Central government using the estimates of the Economic Survey 2021-22 and Union Budget 2022-23. The

***The actual growth of revenue expenditure is showing a decline of 7 percent, i.e., from the budget estimate of 2021-22 of Rs.29.29 lakh crore to Rs. 27.02 lakh based on CAGs data for 2021-22. It is observed that the increase in the share of capital expenditure is at the cost of a cut in revenue expenditure.***

economic survey gives us an idea about what the economy has already achieved, and the budget shows the estimates for the coming financial year. The budget has a lot of impact on the lives of ordinary people; thus, it often acts as a political tool. In the context of the pandemic, fiscal policies of central and state governments have a significant role in tackling the situation as it has both macro and micro-level implications. Is this union budget allocation adequate to address both supply-side and demand-side shock for the fast and effective recovery of the economy? Table 1 shows the state of central finances through the major fiscal indicators, while the first column shows the budgeted figures for the last year, i.e., 2021-22. The second column shows the realized figures up to November based on the CGA monthly Accounts. Based on the monthly data, we estimated the figures for FY 2021-22, shown in the third column. The fourth and fifth columns show the revised (2021-22) and budget estimates (2022-23) of the respective variables reported in the union Budget 2022-23.

The analysis of the fiscal position of the union government-based budget 2022-23 in the backdrop of the Economic survey

**Table 1:** Fiscal position of union Govt. 2021-22 budget and revised and BE for 2022-23 (in Crore)

| Sl. No | Items | 2021-22 (BE) | Provisional Outcome of CAG for 2021-22 (April- Nov 2021) | Author's Estimation of RE based on the Provisional outcome of CAG | RE as per Union Budget 2022-23 for 2021-22 | 2022-23 (BE) |
|---|---|---|---|---|---|---|
| 1 | Revenue Receipts | 17.88 | 13.59 | 20.39 | 20.78 | 22.04 |
| 2 | Gross Tax Revenue | 22.17 | 15.42 | 23.13 | 25.16 | 27.57 |
| 3 | Assignments to states | 6.66 | 4.03 | 6.05 | 7.44 | 8.16 |
| 4 | Tax revenue (net to Centre) | 15.45 | 11.35 | 17.03 | 17.65 | 19.34 |
| 5 | Non-Tax Revenue | 2.43 | 2.23 | 3.35 | 3.13 | 2.69 |
| 6 | Non-Debt Capital Receipts | 1.88 | 0.21 | 0.32 | 0.99 | 0.79 |
| 7 | Total Expenditure | 34.83 | 20.75 | 31.13 | 37.7 | 39.44 |
| 8 | Revenue Expenditure | 29.29 | 18.01 | 27.02 | 31.67 | 31.94 |
| 9 | Capital Expenditure | 5.54 | 2.74 | 4.11 | 6.02 | 7.50 |
| 10 | Revenue Deficit | 11.41 | 4.43 | 6.65 | 10.88 | 9.90 |
| 11 | Fiscal Deficit | 15.07 | 6.96 | 10.44 | 15.91 | 16.61 |
| 12 | Primary Deficit | 6.97 | 2.35 | 3.53 | 7.77 | 7.20 |

*Source:* Author's estimate based on CGA Monthly Accounts (ES); BE: Budget Estimates; RE: Revised Estimates

***There is decline in the central government's assignment of taxes to state governments even after increasing central revenue collection As per the estimate , the net tax revenue of the central government would increase from Rs.15.45 lakh crore to around Rs.17 lakh crores in 2021-22, and Union Budget's RE is also showing more or less the exact figure. However, the assignments of taxes to states report a decline of Rs.0.62 lakh crore, estimated from Rs. 6.66 lakh crore (BE) to Rs.6.05 lakh crore .***

2021-22 in this study is confined to revenue position, including States' share in central taxes, expenditure position, deficit position, and borrowing.

**Revenue position**

An attempt has been made to estimate the revenue receipts for the year 2021-22, based on the CAG's average monthly revenue collection up to November 2021 (Economic Survey also used the CAG data up to Nov 2021, page 49). Further, we compare our estimate with the union budget figures. As per our estimate, the revenue receipts for 2021-22 are Rs.20.39 lakh crore against the union budget figure of Rs.20.78 lakh crores. Comparatively, our estimate stands close to the union budget figure. Notably, there is a revenue appreciation of Rs. 2.51 lakh crore from the budget estimates of 2021-22 to revised estimates. This significant increase in the revenue collection could be due to the increased collection from Income Tax, Corporate tax, GST, and others in the last quarter. We also observed that the higher revenue receipts had been mobilized from the existing tax structure, not through the additional revenue mobilization from direct and indirect taxes.

**States' share in central taxes**

Another critical concern is the decline in the central government's assignment of taxes to state governments even after increasing central revenue collection. States have a significant role as they are the forefront fighters in handling the situation; they will be able to act accordingly as they are witnessing the ground reality. Therefore, supporting state governments to get back on track is a significant responsibility vested with the Central government in the federal fiscal setup. An increase in the tax collection, especially Income tax and Corporate tax, can increase the states' share in central taxes. As per our estimate in Table 1, the net tax revenue of the central government would increase from Rs.15.45 lakh crore to around Rs.17 lakh crores in 2021-22, and Union Budget's RE is also showing more or less the exact figure. However, the assignments of taxes to states report a decline of Rs. 0.62 lakh crore, estimated from Rs. 6.66 lakh crore (BE) to Rs. 6.05 as per our estimation.

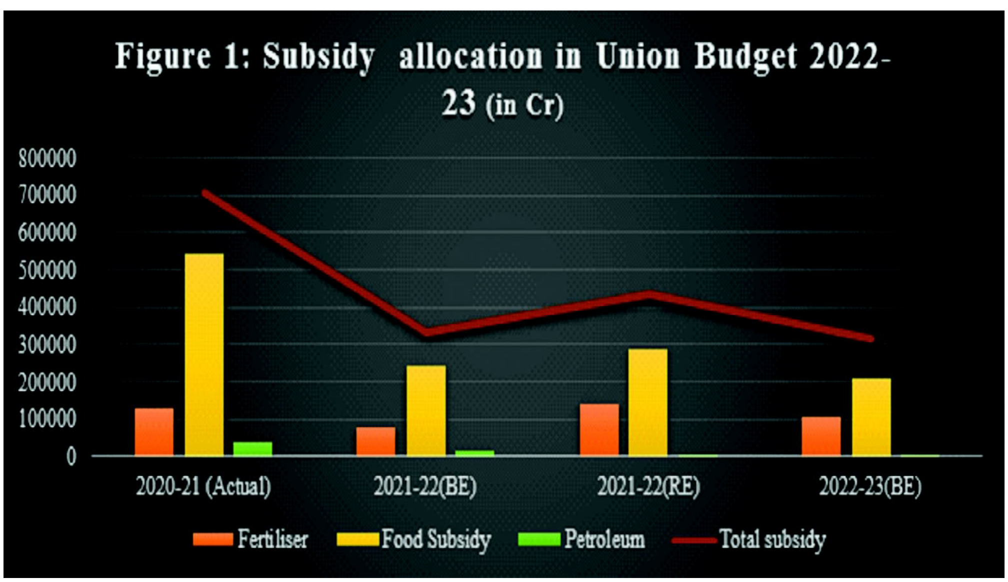
In contrast, the budget reported an increase to Rs. 7.44 lakh crores; about Rs. 1.39 lakh crore increase in the budget from our assessment seems unrealistic. Notably, the budget allocation of tax assignment to states for 2022-23 is Rs. 8.16 lakh crore, requiring more clarity. Going with our estimation would imply that the

***One of the possible reasons for the loss in the centre share to states even after the rise in the revenue receipts of the Union Government could be the increase in the percentage of cesses and surcharges (around 25 percent of gross tax revenue of the Union government based on the 2021-22 RE data) in the kitty which are not included in the divisible pool.***

increase in revenue collection of the Union Government is not beneficial to states for meeting their fiscal shock. This decline in assignment to states would be a severe blow to fiscal federalism. One possible reason for the loss in the shares even after the rise in the revenue receipts of the Union Government could be the increase in the percentage of cesses and surcharges (around 25 percent of gross tax revenue of the Union government based on the 2021-22 RE data) in the kitty which are not included in the divisible pool. The exclusion of cess and surcharges in the tax assignment to states seems to be a serious concern. It is time to revisit this provision with appropriate legal changes.

**Expenditure position**

An increase in the revenue receipts automatically warrants an increase in revenue and capital expenditure. Our estimation shows a decline in the revenue expenditure by Rs. 2.28 lakh crore based on the CGA's monthly data from the budget estimates for 2021-22. And the Union Budget's RE showed an increase in the revenue expenditure, around Rs. 2.38 lakh crore from the budget estimates. Compared to our estimates with Union Budget figures, there is a difference of around Rs. 4.65 lakh crore. And the materialization of this considerable expenditure in this short period (two




*Source*: Based on union budget 2022-23 data months-February and March 2022 only) is a herculean task and seems unrealistic.

Furthermore, the pandemic, which threatened the population's lives and livelihood, needs to be appropriately addressed through increased subsidies and income support schemes. They are crucial as they can effectively contribute to the economy's short-run recovery. It is clear from the data that the food subsidies, which is an essential component in the total subsidies, decreased drastically for the year compared to the last year's actuals. It further shrinks the budget allocation for 2022-23 (see Figure 1). Along with capital spending and colossal investment plans, social welfare and security aspects should also need an emphasis in this dire situation.

While focusing on the long-run measures through increasing the infrastructure, Union Budget 2022-23 ignored the short-run measures for addressing the severe effect of the pandemic. In the short run, the scope for employment generation is not possible with this sort of allocation. In the case of Capital expenditure, according to the union budget's RE Rs. 6.02 lakh crore, which is slightly more than the budgeted figure, our estimates show a decline from 2021-22 BE. Our estimation stands at Rs. 4.11 lakh crore, which shows a difference of Rs. 1.91 lakh crore between our assessment and RE by the Union budget. There is apprehension that meeting the remaining capital expenditure within two months is highly unrealistic. Thus, there is a possibility of a decline in capital spending for FY 2021-22. The claims of the union government at this point are doubtful. There is a significant push toward capital spending through announcements for the upcoming year, as the Finance minister saw the huge capital spending as the way out from this labyrinth of low economic growth. Hence, the budget allocation increased considerably, i.e., from a RE of Rs. 6.02 lakh crore to Rs. 7.50 lakh crore. How much it will realize is a matter of great concern? Moreover, the current year's decline in capital spending reflects the lack of stress on employment generation measures, as observed in the Economic survey 2021-22. Notably, the situation demands more focus on increasing employment opportunities and reducing inequality; still, the allocation for this cause showing a decline is disturbing.

The actual growth of revenue expenditure is showing a decline of 7 percent, i.e., from the budget estimate of 2021-22 of Rs. 29.29 lakh crore to Rs. 27.02 as per our estimation for 2021-22. It is observed that the increase in the share of capital expenditure is at the cost of a cut in revenue expenditure. However, there is only a meager increase in the total expenditure for 2022-23, i.e., around 4 percent from the 2021-22 RE of the Union Budget. It implies that the expenditure of the Union Government is not at all expansionary during this pandemic period.

**Deficit position and borrowing**

The deficit scenario is quite puzzling; our assessment based on the monthly CGA data shows a decline, while the revised

***Another notable point in Union Budget 2022-23 is a drastic decline in social welfare expenditures for subsidies, income support schemes, and short-run employment generation schemes like MGNREGA, which is a grave concern during this pandemic***

estimates of the Union budget showed a considerable increase. Based on our estimation, the revenue and fiscal deficit stood at Rs.6.65 and Rs.10.44 lakh crore, respectively, which means there is a decline in the deficit scenario compared with the budget estimates for 2021-22. On the other hand, the RE of the Union Budget shows a high figure for the revenue and fiscal deficit compared with our estimates; the difference stands at Rs.4.23 and Rs.5.47 lakh crore for revenue and fiscal deficit respectively. Generally, the high revenue deficit, fiscal deficit, and the corresponding upsurge in borrowing are observed features in the fiscal scenario of the Union Government, which is quite disturbing. A decline in revenue and fiscal deficit from the revised estimate of 2021-22 to the Budget estimate of 2022-23 is a good sign for the fiscal consolidation path and macroeconomic stability. Still, the fiscal deficit and revenue deficit stand around 6 and 4 percent of GDP, respectively, higher than the FRBM targets. Moreover, the vast difference in Economic survey estimates and Union Budget figures needs further investigation. However, an expenditure cut during this pandemic affects the economy's recovery and resilience.

## Conclusion

Examining the Economic Survey 2021-22 and Union budget 2022-23 evokes many apprehensions. Firstly, one main point emphasized in the study was the differences between our estimates based on the CGA's monthly data, Economic Survey 2021-22, and the Union budget 2022-23, which is quite natural as the budget also has political connotations. The second point is that even after increasing revenue receipts, the need to increase expenditure and the assignments to the States' is not adequately addressed. Though there is a higher estimate in the assignment to state as per the budget figures, the realization is not higher in 2021-22 based on the CAG's estimate.

Another notable point is a drastic decline in social welfare expenditures through subsidies, income support schemes, and short-run employment generation schemes like MGNREGA, which is a grave concern during this pandemic. It is important to note that higher expenditure allocation in revenue and capital expenditure in the budget estimate of 2022-23 is difficult to realize when considering the past performance in 2021-22 as per the estimates. Another observation of the study is that the budget emphasizes more capital spending while ignoring the revenue expenditure, which is not the right way to address the existing issues in the economy amidst the pandemic. Short-run unemployment and demand shocks also deserve equal attention along with the long-run and supply-side measures for the economy's recovery. It is seen that the expenditure of the Union Government is not at all expansionary during this pandemic period. This year's budget is looking up to the future with starry eyes while standing in hellfire, without doing much to address the present issues.

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(Suha A M is Research Scholar and Anitha Kumary L is Associate Professor, GIFT)

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# Monetary management and financial intermediation

Prasanth C, Anna K Jacob and K Niranjan

Monetary policy played a supportive role to the government along with the fiscal policy during the onset of the pandemic. Coordinated efforts by the Reserve Bank of India (RBI) in reducing the rates and the fiscal authority in providing fiscal stimulus are the outcome of the pandemic rather than any objective which is mainly enhancing economic growth. Since February 2020, the RBI has undertaken liquidity augmenting measures aimed at ensuring smooth functioning of financial markets and maintaining adequate flow of credit in the economy.

Among the major policy rates, the Monetary Policy Committee (MPC) has kept the Repo Rate and the reverse repo rate unchanged at 4.00 per cent and 3.35 per cent respectively since the previous revision in May, 2020. The status quo on these policy rates indicates an accommodative stance by the RBI by being more supportive to growth of the economy. Even though the inflation hovered in the upper bounds, the MPC was of the view that the elevated inflation levels were due to the supply shocks on the economy which would dissipate once the economy normalises. Considering the 'Omicron' variant of COVID-19, which was more like a flash flood rather than another wave, the policies hint at exiting the pandemic and moving towards normalisation. In this context, withdrawal of fiscal stimulus hinted by a contractionary fiscal policy is evident and the onus would be large on the monetary policy to reign the rising inflation expectations.

The monetary aggregates reveal a decline in the growth rates of Reserve Money (M0) and Broad Money (M3) over the previous fiscal. Within the components of M0, banker's deposits with RBI grew at 42 per cent in the year 2021-22. The currency in circulation (CIC) grew at 7.8 per cent as on 7th January, 2022, the lowest since demonetisation of 2016. The reasons for declined growth could be attributed primarily to reduced

***Status quo on repo and reverse repo rates indicates growth supporting stance by RBI***

**Lowest growth in currency in circulation since demonetisation of 2016**

precautionary demand for cash. Expansion of M3 was largely due to the component of aggregate deposits. Money multiplier (MM) (given as M3/M0) which had been more or less steady during the period 1980-81 to 1995-96, witnessed an increasing trend up to 2016-17. The decline in MM continued till 31st March 2021 reaching 5.2, after which a slight improvement up to 5.3 was witnessed as on 31st December, 2021.

The central banks across the globe have withdrawn their accommodative stance on policy rates and even the RBI has been hinting the same with Variable Rate Reverse Repo (VRRR) which has been increased. The rebalancing of liquidity management by the RBI began in February 2020 with the shifting of RBI's liquidity absorption tool from fixed-rate overnight reverse repo window to VRRR. A key feature of the liquidity management of RBI in 2021-22 included gradual normalisation of liquidity management operations. RBI ensured adequate liquidity in the system along with accommodative monetary policy stance to support growth. RBI resorted to VRRR as the main operation under Liquidity Adjustment Facility (LAF). In May, 2021, the Cash Reserve Ratio (CRR) was raised to the pre-pandemic level of 4 per cent. Owing to surplus liquidity conditions the call money rate traded below the reverse repo rate which is the lower bound of the LAF during the year 2021-22. Further, the operating target of the RBI, the Weighted Average Call Rate (WACR) traded 13bps below the LAF corridor, before drifting back within the corridor in November 2021. In order to provide targeted liquidity support, RBI resorted to special refinance facilities to the tune of Rs. 66, 000 crores to All-India financial institutions, induced term-liquidity facility of Rs. 50, 000 crore to expand COVID-related health infrastructure, Special Long-Term Repo Operations (SLTRO) for small business units and MSMEs, on-tap liquidity window of Rs. 15, 000 crore for contract intensive sectors, and extension of 'On tap Targeted Long-Term Repo Operations' (On tap-TLTRO) till 31st December, 2021. Inducing further liquidity into the system, the secondary market G-sec Acquisition Programme (G-SAP) was announced during the year, under which RBI purchased G-secs amounting to Rs 2.2 lakh crore.

The banking sector of India has performed relatively well with improvement in the capital adequacy ratio (CAR) and reduction in the Gross/ Net Non- performing Advances (GNPAs/ NNPAs). GNPA and NNPA had peaked to 11.2 per cent and 6.0 per cent respectively in the year 2017-18, which fell to 6.9 per cent and 2.2 per cent respectively in September 2021. However, the Restructured Standard Advances (RSA) ratio of the Scheduled Commercial Banks

(SCBs) witnessed an increase of 1.1 per cent from the figures of September 2020. COVID-19 related dispensations and moratoriums contributed to an increase in restructured assets, leading to an increase in the RSA. Improvement in the Capital to risk-weighted Asset Ratio (CRAR) of SCBs in both private and public sector was reflected in the overall CRAR at 16.54 per cent. It is noteworthy that all the Public Sector and Private Sector banks maintained the Capital Conservation Buffer (CCB) well over 2.5 per cent, which would ensure that banks have an additional layer of usable capital which could be used in case the banks incur losses.

Bank credit growth, which had been declining since 2019 from about 14 per cent, has witnessed a continued rise since the beginning of April 2021from 5.3 per cent to 9.2 per cent as on 31st December 2021. Credit to agriculture registered a robust growth at 10.4 per cent in November 2021, while credit growth to industry turned positive reaching 3.8 per cent in November 2021, after it had turned negative in December 2020. Within the micro, small and medium enterprises (MSME) sector, the medium industries and the micro and small industries witnessed a surge in credit growth at 48.7 per cent and 12.7 per cent respectively in November, 2021, reflecting the effectiveness of RBI boost to the sector. In the Budget 2022-23, the extension of Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023 with an increase in its guarantee cover by Rs. 50, 000 crore to total cover of Rs. 5 lakh will provide solace to MSMEs in the hospitality and related services which were drastically affected due to the pandemic.

The Economic Survey states 'Factoring' to be an important source of liquidity, especially for the MSMEs. Considering the recommendations of the Expert Committee on MSMEs under the Chairmanship of Shri. U.K. Sinha, the Factoring Regulation (Amendment) Act, 2021 was enacted. These amendments would liberalise the restrictive provisions of the Act and would widen the factoring ecosystem to provide larger avenues to the MSMEs for availing credit. However, the budget doesn't mention the aspect of factoring or the amendment to the Act.

On the digital payments front, United Payments Interface (UPI), the largest retail payment system in the country, accounted for transactions worth Rs, 8.26 lakh crore through 4.6 billion transactions in December, 2021. In October, RBI increased the daily limit of Immediate Payment Service (IMPS) from Rs. 2 lakh to Rs. 5 lakh with a view to boost digital payments.

On the Equity market front, the Economic Survey observes that during April-November 2021, initial public

***Central Bank Digital Currency to give a major thrust to the digital economy***

offerings (IPOs) of 75 companies have been listed, garnering Rs. 89,066 crore compared to 29 companies raising Rs14,733 crore during the same period in 2020, indicating a spectacular rise of 504.5% in fund mobilisation. Net Assets Under Management (AUM) of mutual fund industry rose by 24.4 per cent, while cumulative net investment by Foreign Portfolio Investors (FPIs) increased by 9.2 per cent as of November, 2021 when compared to the same period in the previous year.

The Budget announcement regarding the introduction of India's Central Bank Digital Currency (CBDC), which would give a boost to the digital economy is noteworthy. The RBI had already indicated as early as in July, 2021 that it would begin work on the 'phased implementation' of CBDC. Except as currency notes, all other use of paper in the modern financial system, be it as bonds, securities, transactions, communications, correspondences or messaging - has now been replaced by their corresponding digital and electronic versions. Use of physical cash in transactions too has been on the decline in recent years which has led many central banks and governments to step up efforts towards exploring a digital version of fiat currency. However, setting this up will require careful calibration and a nuanced approach in implementation. Though a crypto currency bill has not been tabled in the Parliament, the Budget 2022-23 has announced introduction of a 30 per cent tax on the transfer of virtual digital assets. Additionally, to ensure proper reporting of the transaction related to virtual digital assets, a TDS of 1 per cent on the virtual digital asset is introduced.

In conclusion, the monetary policy had resorted to extraordinary measures during the pandemic, but now, monetary policy is expected to anchor inflation and RBI would look forward to quantitative tightening, following the pursuit of major central banks across the globe.

■

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# Sustainable development and climate change

Soumita Das and Preeti Jain

The concept of Sustainability is based on three pillars namely Economy, Society, and Environment. In September 2015, 193 member countries came together with the 2030 agenda and adopted the Sustainable Development Goals consisting of 17 goals and 169 targets. In view of the rapid depletion in climate change conditions marked by exposure of an average of 83.2 g/cubic meters of PM2.5 pollutants, compared to a much lower level of merely 8 g/cubic meters in cleaner countries, rise in water level and exhaustion of natural resources, striving towards achieving Sustainable Goals holds immense importance. In addition to that, the COVID-19 pandemic and its impact on all 17 SDGs has demonstrated that what started out as a health catastrophe has soon turned into a human and socioeconomic crisis. While the crisis jeopardizes progress toward the SDGs, it also emphasizes the urgency and importance of achieving them. It is necessary to seek a revolutionary recovery from COVID-19, one that tackles the crisis, decreases the danger of future potential crises, and relaunches implementation efforts to deliver the 2030 Agenda and SDGs during the Decade of Action. India's overall attainment of the NITI Aayog SDG India index climbed to 66 in 2020-21 from 60 in 2019-20 and 57 in 2018-19, indicating success in the country's efforts to meet the SDGs. This achievement is even more significant in light of the human and economic costs imposed by the COVID-19 epidemic, which has caused nations to fall behind on their development targets and has presented substantial hurdles to the global implementation of the SDGs.

Out of the 17 SDG Goals, India performed well in 8 SDGS for the year 2020-21. Almost all the states have shown increment in their performance with Kerala being in the topmost position followed by Tamil Nadu and Himachal Pradesh. The Government has also been taking extensive measures to improve the climate and achieve sustainable 2030

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***A capacity of 4.25 GW of the wind-solar hybrid has been installed as of 31st December 2021***

agenda. According to the budget provision 2022-23, the government has allocated Rs. 3030 crores under the Ministry of Environment, Forests and Climate Change, Rs. 18697.88 crores under the Department of Water Resources, River Development and Ganga Rejuvenation, Rs. 6900.68 crores under the Ministry of New and Renewable Energy, and Rs. 16074.74 under the Ministry of Power.

**Government measures taken to preserve the current state of the environment**

Our country's social and economic development over centuries has continued to have an impact on the environment which makes preservation of our environment essential.

As per the data of India State of Forest Report 2021, India is the tenth-largest country in terms of forest area accounting for 24% of total India's geographical area and 2% of the world's total forest area. Madhya Pradesh (11%) has the highest forest area in India followed by Arunachal Pradesh (9%) and Chhattisgarh (8%). The Government has been making policy measures for Plastic use and waste management. In effect, the manufacturing, stocking, and selling of single-use plastic shall be prohibited from July 2022. The thickness of plastic carry bags has been increased to 120 microns which shall come into effect from December 31, 2022, and this is being done in order to stop littering and to enable the reuse of the bags. In addition to this, for a more comprehensive action plan, the first meeting of the National Task Force for successful execution of the Plastic Waste Management Rules, 2016 was held on 31st August 2021.

Rapid urbanization and industrialization have resulted in the expansion of the gap between sewage generation and treatment which is a major source of increase in pollution of rivers. The Ganga River Basin is India's biggest river basin housing roughly 43% of the country's population and providing 28% of the country's water resources. In an effort to preserve and conserve the water bodies, Namami Ganga Mission was started in 2015 for a period of five years (2015-2020). As an effect of this, a total of 363 projects worth Rs. 30,841.53 crores have been sanctioned. Under the pillar 'Nirmal Ganga', a total of 160 sewage projects have been sanctioned in 2021. Under the pillar of Jal Ganga under the Namami Ganga Mission, the River City Alliance was established in November 2021. In addition to this, there has been an improvement in the compliance status of Grossly Polluted Industries (GPIs) to 81% in 2020.

In the Union Budget 2022-23, significant measures have been taken to combat the challenges of air pollution. The National

Clean Air Programme targets to achieve a 20-30% reduction in particulate matter (PM) concentrations by the end of 2024. For this purpose, phase 2 of faster adoption and manufacturing of hybrid and electric vehicles (FAME) has been allotted a budget outlay of 10000 crores for the period of 2019-2024 but a proper plan for this scheme has not been addressed yet. In order to monitor the air quality, Air Quality Early Warning System has been implemented in three cities: Delhi, Kanpur, and Lucknow.

### Government measures taken to prevent climate change

India is experiencing significant repercussions as a result of climate change and was rated fourth on the list of nations most impacted by climate change in 2015. Temperature changes on the Tibetan Plateau are forcing Himalayan glaciers to recede and causing jeopardy to the flow rates of the Ganges, Brahmaputra, Yamuna, and other important rivers. Climate change is increasing the frequency and intensity of heatwaves in India. Severe landslides and floods are expected to become more prevalent in the future. National Action Plan on climate change mainly focuses on identifying measures to promote development through addressing climate change effectively by the use of new technology. This plan has made significant progress through the years with the eight missions that are being implemented under this scheme, which range from installation of solar power plants, afforestation activities, sustainable agricultural techniques, energy conservation, and building a vibrant and dynamic knowledge system. Moreover, Climate Change Action Plan (CCAP) has been extended up to 2025-26 with a budget estimate of Rs. 30 crores this year. The wind-solar hybrid policy, by the Ministry of New and Renewable Energy, aims to promote renewable power generation and better grid stability. A capacity of 4.25 GW of the wind-solar hybrid has been installed as of 31st December 2021. In addition to this, the government is also planning to set up Solar Parks with a capacity of 40 GW by March 2024, in an effort to effectively channel the unused solar energy in India.

### International initiatives taken by India

The major initiative taken by the government is committing to the Nationally Distributed Contribution (NDC) under the Paris Agreement in which India has to -

1. Reduce emission intensity of GDP by 33-35%, by 2030.

2. Create an additional carbon sink of 2.5-3.0 million tonnes of $CO_2$ equivalent to additional forest and tree cover, by 2030.

3. Achieve about 40% cumulative elective

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power install capacity from non-fossil fuel energy resources by 2030.

To comply with climate change on a global scale, India became a part of numerous initiatives. Our honourable Prime Minister proposed Lifestyle for Environment (LIFE) at COP26 in November 2021, with the aim of a mindful utilization of resources that encourages sustainability and protects the environment. India is home to the world's largest solar plant (648 MW) and solar park (2 GW). Our honourable prime minister, Narendra Modi while addressing the nation had stated, "Humans have in the past 150-200 years relied on resources trapped under the Earth's surface for meeting energy needs but for a secure future, resources available above the earth like solar and wind energy needs to be harnessed." The International Solar Alliance (ISA) has been tasked with facilitating the mobilization of $1 trillion in solar investments by 2030 to massively scale up solar energy installations. The ISA's 2021-2026 Strategic Plan recognizes three major worldwide issues: energy access, energy security, and energy transition. Another significant international alliance was Infrastructure for the resilient Island States (IRIS) inaugurated in November 2021 as a part of the SIDS program with member countries: the United Kingdom, Australia, Fiji, Jamaica, and Mauritius to provide high quality technical and financial assistance to help withstand climate change and disasters.

**Challenges and future prospects**

Although it is clear that the need of adopting a sustainable way in one's lifestyle is imminent, certain bottlenecks are still faced by India. One of the major challenges faced by India in attaining sustainable goals and in steps of effective climate change measures is a financial backup. In this respect, the government is aiming for net-zero emissions by 2070, utilizing market-based tools such as sovereign green bonds to finance climate change. Another inevitable yet adverse challenge faced in attaining sustainable goals is the lack of completeness. Achieving a particular goal can result in an adverse effect on another goal. For example, The budget intends to encourage chemical-free natural farming as a means of promoting agricultural sustainability across the country. In effect to this, a 5-kilometer-long corridor along the Ganga's banks has been chosen on an experimental basis. This notably has an impact on the contamination of the Ganga. As a result, we may conclude that uplifting one

SDG 15 target harms another SDG 6. Another major challenge faced by India is the lack of proper infrastructure to facilitate the process of sustainable development. One illustration of this problem can be seen through the undersupply of proper charging points for electric vehicles.

Despite these challenges, the government is bringing new policy initiatives like Green Bonds which provide an issuer the access to investors who are financing 'green' projects. Reserve Bank of India has also joined the 'network for greening financing system' which will help to integrate climate and financial sector. Thus, it is evident that if policy interventions are made with proper planning and understanding, India can overcome the problem of climate change and fulfil the 2030 agenda of SDG.

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# Avatars of capital expenditure in the budget

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The Central budget has put forth PM *GatiShakti,* a "transformative approach for economic growth and sustainable development" that is to be powered by the 'seven engines' of roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. It hopes to trigger a virtuous investment-led output and employment growth by arguing in favour of the "crowding-in" effect of public investment on private investment. Budget seeks to boost public investment by 35.4% at current prices over last year to raise its share in GDP to 2.9% from 2.2% last year. With grant-in-aid for state investments, it hopes to increase public investment share to over 4% of GDP. The 50-year interest-free loan to the states for the fiscal-year 2022-23 will help in deploying capital in places with greater multiplier effect as states are in a position to better evaluate the needs of local community.

We argue that the budget rightly but lately recognises the 'crowding-in' power of public capital expenditure but is not cognisant of its mechanisms and thus of nature and composition of expenditure that is needed in current context. These projects have high gestation periods and thus can help boost the aggregate demand in the longer term. It is important and should be done but along with this there is need to sustain higher level of aggregate demand in the immediate terms via social expenditure. There is need for a good balance between capital and revenue expenditure which is missing in this budget.

**The question of employment generation**

One of major impact of pandemic in economy was the job loss among unskilled labours. The budget was expected to announce more initiatives and measures for increasing employment for this section of the society. The heightened demand for MGNREGS during last two years demonstrates such a trend. Actual or Revised Estimate (RE) or for MGNREGS has been way higher than budget estimate in 2020-21 and 2021-22. In 2020-21 actual expenditure stood at 111,169.53 lakh Crs against the BE of 61,500 Crs. Similarly for 2021-22 the BE is Rs 73,000 Cr against the revised estimate of Rs 98,000 Cr. Despite these overshooting in last years the 2022-23 budget reduced allocation for MGNREGS by 25 per cent from revised estimate of 2021-22 to Rs 73000 crore implying unnecessary delays if additional demand for funds arises under this head.

The mega capital investment projects can foster economic growth but will it foster employment in line with needs of the hour? Capital intensity of mega infrastructure projects such as roads and bridges have increased significantly due to increased level of mechanisation of such projects. They now employ much less unskilled labour than yesteryears. So, ticking the hope of raising employment generation via these projects is bound to cause embarrassment for government in future.

As per current consensus among economists the best way to regain economic growth path is to spend in ways that will trigger aggregate demand in the economy in immediate term which can be done through raising employment. The infrastructure projects, given their low employment elasticity and long gestation period, will not help boost employment and consumer demand in the economy. Government's assumption about multiplier and employment effect of these highly capital-intensive project are not well grounded in reality of the context which economy faces. In addition to focusing on highly capital-intensive projects government could have complemented it by creating opportunities for investment on wage good sector or MSMEs which will deliver direct employment opportunities for the millions those who are badly hit by the pandemic, thereby we can reduce inequality in the society.

Pandemic not only affected the production and employment in MSME sector but also caused obliteration of sector's fixed capital. Loss of income for a sustained period led to distress sale of fixed assets by many self-employed owners of MSME. This caused major disruption in value chain in various product lines. Perhaps this may have also contributed to recent build-up on inflation along with oil prices as cost of procurements may have gone up. Government is trying to build fixed capital in this year's budget but it has been oblivious to evaporation capital assets of MSME sector during the lockdown and second wave. Preserving value chains and fixed capital while it remains dormant is critical for faster recovery of the economy. This is exactly what most developed countries did through wage subsidies resulting in immediate recovery after vaccination targets were achieved.

**The question of equity and human capital**

Disappointing performance in social indicators and equity has been a major dampener to India's otherwise much celebrate story of economic growth. According to world inequality report India is now one of the most unequal countries for both income and wealth inequality. The income share of the bottom half of the Indian population was estimated to have fallen to only 13%, while the top 10% captured 57% of national income.

The budget's proposition to bolster investment in mega infrastructure projects without giving due attention to social sector and MSME sector implies that government still believes in debunked 'trickle down' theory while it conveniently ignores global and India's own experience that such a strategy led to 'vacuuming-up' of resources within the economy propelling inequality to unsustainable levels. In the 1970s Indira Gandhi had to resort to political slogan of *'Garaibi hatao'* after inequality had risen to very high levels by the mid-1960s as a result of disproportionate emphasis on 'capital goods' since second five year plan. R K Hazari in his book *The Structure of the Corporate Private Sector: A Study of Concentration, Ownership, and Control* carefully studied the process and dynamics that led to centration of wealth among a few business houses which became the precursor of MRTP act as well.

India's performance in Child undernutrition is considered as a matter of national shame by previous PM Manmohan Singh. India's child wasting or body mass faltering prevalence (17%) has been one among the highest in the world. There is no data but COVID19 induced lockdown may have further accentuated the nutritional deprivation among children as ICDS and MDM was disrupted during the pandemic. As per NFHS-5(National Family Health Survey) nearly 34% of children remain stunted i.e., faltered in height. Additionally, incidence of anaemia among children (6-56 months) rose from 58.6% (NFHS 2015-16) to 67.1% (NFHS 2019-21). Thus, by deciding not to tackle these deprivations head on, budget is willing to endorse a stunted growth of human capital formation. This will adversely affect the equity and productivity of the economy in the longer run. India's low labour productivity is well documented in economic literature.

At this juncture the budget was expected to announce measures to reduce inequality and malnutrition. However, the budget fails to make any statement in countering these challenges. Allocations on child nutrition such as mid-day meal (MDM) scheme and ICDS have reduced not only in real terms but also in nominal terms. Similar is the case for spending on mothers and women in general. The budget allocation for Nutrition in revenue account for 2022-23 reduced to 9.00 crore from 12.09 crore in 2020-21(actual) and allocation for PM *Poshan shakti Nirman* (includes MDM scheme in schools) has been reduced by almost 11%. The consequent reduction in allocations in social sector will delay the recovery of consumption demand from very bottom of the society having highest marginal propensity to consume.

The direct implication of such boost to infrastructure investment without much employment elasticity and reduced social sector spending is adverse impact on inequality and social indicators. And in India's case given its embarrassing performance in social sector particularly in the area of child nutrition, revenue expenditure in social sector can be as rewarding as capital expenditure via increased future productivity of labour and earnings.

**Expenditure on physical capital at the cost of human capital?**

The additional capital expenditure can either be financed by postponing fiscal consolidation process or by increasing revenue. The budget decided to do none of the above. Budget did not propose measures for taxing super rich to increase revenue receipt and reduce inequality. Neither it tries to postpone the fiscal consolidation. Instead, it has been decided to shrink the revenue expenditure on welfare and human development in immediate aftermath of COVID. The reduced allocation in food subsidies, current expenses in social and economic services will immediately affect the overall welfare of the society, level playing for the bottom half and human capital formation in the long run.

The allocations depict exclusive focus of the budget towards physical dimension of the capital. Even within this dimension budget seems to be very narrowly focused on outlays instead of outcomes. The budget is blissfully ignorant of historical experience of massive time and cost overruns of such projects as there was no discussion of tackling roadblocks for these projects. Instead, budget could have envisaged more balanced expenditure between physical and human capital for optimally tapping the demographic dividend for a sustained and equitable growth.

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# Energy transition and climate action-Budget 2022-23

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The year 2021 saw Prime Minister Shri Narendra Modi pledge at the COP26 summit for a low carbon development strategy. This is to be achieved through *Panchamrit,* a five-fold strategy (DTE, 2021) that insists on shifting to renewable resources and reduction of carbon emissions. To follow through on the promises of *Panchamrit,* Budget 2022 constituted Energy Transition and Climate Action as one of its main pillars and thus proposed several near-term and long-term actions. These actions aim to expedite growth in the green energy space by ensuring that investments in this space see an impetus and that execution is in place. While adopting the PM's *Panchamrit* narrative, the Budget 2022-23 emphasises energy transition as part of the *Amrit Kaal* vision and an instrument for *Atmanirbhar Bharat*. This study seeks to analyse whether the budget allocation, focus and incentives therein support this narrative.

## India's response to climate change

Over the years, India has committed herself to the fight against climate change and to the goal of a clean environment through various policies and actions promoting sustainable development. The National Environment Policy (NEP, 2006) is an improvement on India's climate change policy framework. NEP builds on the existing policies like the National Forest Policy (1988), National Conservation Strategy and Policy Statement on Environment and Development (1992), National Agriculture Policy (2000), National Population Policy (2000) and National Water Policy (2002). In 2008, the National Action Plan on Climate Change (NAPCC) was released to mitigate and adapt to climate change. This was the most comprehensive policy response to climate change from India. The same year, the then Prime Minister Dr Manmohan Singh appointed a Council on Climate

***Low carbon development strategy is to be achieved through Panchamrit, a five-fold strategy that insists on shifting to renewable resources and reduction of carbon emissions.***

***India may struggle to reach ambitious targets like achieving non-zero energy capacity of 500 GW with a much closer deadline of 2030.***

Change to coordinate and oversee the country's climate response. NAPCC directed the ministries to submit details regarding plans of implementation to the council. (Pandve, 2009). Emphasising on the importance of Climate Finance, the Ministry of Finance constituted the Climate Change Financing Unit (CCFU) under the Department of Economic Affairs in the year 2016, to serve as the nodal point for all climate change financing activities in the Ministry. (Department of Economic Affairs, 2016). India's participation in the global climate meet, the UN Climate Change Conference (COP26) held in Glasgow last year put forth a list to amplify the response to climate change. Achieving net-zero emissions by 2070, non-zero energy capacity of 500 GW by 2030, 50% of energy requirements to be met from renewable resources, and reducing projected carbon emissions by 1 billion tonnes and the intensity to less than 45%, was also announced.

## Economic survey 2021-22

A chapter in Economic Survey 2021-22 examines and reports India's contribution for a better environment and could be categorised into three main agendas of i) sustainable development and climate change, ii) nation's forest area and iii) reduction of pollution. A main highlight of the sustainable development and climate change agenda is the improvement in India's overall score on the NITI Aayog SDG India Index and Dashboard improved from 60 in 2019-20 to 66 in 2020-21. The next agenda discussed was that of the nation's forest area. In 2020, India ranked third globally in increasing its forest area during 2010 to 2020. Last, India's contribution towards reduction of pollution included the Plastic Waste Management Amendment Rules (2021) which aimed at phasing out single use plastics by 2022. An improvement in the compliance status of Grossly Polluting Industries (GPIs) was also reported. Another highlight of pollution reduction was the campaign called Lifestyle for Environment (LIFE) presented at COP26 in Glasgow, 2021. Prime Minister Narendra Modi at the conference emphasised moving away from mindless and destructive consumption and towards a mindful and deliberate utilisation (WION, 2022) Apart from the above, it must be noted that climate finance remains important for the success of climate action. Although it is known that the government is not bound by the recommendations mentioned in the Economic Survey, the document would prove to be useful in providing a detailed account of India's true position on climate change, future prospects and effective policy changes.

## Budget allocations

The Union Ministry of Environment, Forests and Climate Change (MOEFCC) received a total allocation of Rs 3,030 crore as compared with last year's Rs 2869.93 crore, resulting in a 5.6% increase. Out of this, Rs 460 crore are allotted towards control of pollution, which, however, is Rs 10 crore less than last year's Budget. The estimated expenditure for the Union Ministry of New and Renewable Energy has decreased marginally from Rs 7681.80 crore to Rs 6900.68 crore - the highest allocation is for grid-based solar power of around Rs 3300 crore. The Centre's electric vehicle policy 'Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India' has seen a big boost from Rs 800 crore last year to Rs 2908 crore. The allocation under the heading of Climate Change Action Plan under the MoEFCC remained the same as the previous year (2021-22), at Rs 30 crore having been reduced from Rs 40 crore in 2020-21. The budget has allocated Rs 60 crore towards National Adaptation Fund, with no increase from last year.

**Relevant climate related announcements**

Recently, the topic of Energy Transition and Climate Action has made its appearance in the news. Some of the major announcements are mentioned here. Energy efficiency and savings have been promoted for large commercial buildings through the energy service company model, via capacity-building and awareness about energy audits. Four pilot projects have been considered for coal gasification and conversion of coal into chemicals. Also initiated is a focus on agroforestry and private forestry supporting farmers belonging to Scheduled Castes/Scheduled Tribes who want to take up agroforestry. Sovereign green bonds are to be issued in public sector projects to reduce carbon intensity of the economy. Blended finance (with the government's share limited to 20 per cent) is proposed to be promoted for climate action, agriculture and other clean technology. This will be managed by private fund managers. Inclusion of energy storage in the harmonised list of infrastructure and promotion of transit-oriented development for cities will be taken up. A battery swapping policy will be brought out and interoperability standards will be formulated for the electric vehicles sector. Additionally, the Budget Session continues to discuss a new bill - The Energy Conservation (Amendment) Bill, 2022 - which aims to provide regulatory framework for carbon Trading in India, encouraging penetration of renewable in energy mix, and effective implementation and enforcement of the Energy Conservation Act, 2001.

These indicate that the country has been increasingly attempting to improve and innovate its response against climate change. Ultimately, it is proper budgetary

***While a budget document cannot specify the path of a green transformation, it should ideally allocate monies for its implementation and send signals about its importance and necessity.***

allocations that would provide the necessary push leading to the incorporation of these activities.

**Performance of the key schemes**

While achieving net-zero emissions by 2070 may be a long way off, India may struggle to reach the other four ambitious targets like achieving non-zero energy capacity of 500 GW with a much closer deadline of 2030. India just reached 156.83 GW of installed electricity capacity from non-fossil fuel sources, putting it on track to reach 500 GW by 2030. This represents 40.1 percent of the country's total installed energy capacity of 390.8 GW and 31 per cent of the 500 GW goal. Renewable energy (RE) sources currently account for 26.5 percent of total power generation capacity, compared to a target of 50 percent. Solar (12.4 percent) and wind (10.2 percent) account for the majority of India's renewable energy, and these capacities will need to be considerably expanded in the next eight years to meet the PM's pledge.

- **Solar energy schemes:**

Solar energy capacity in India increased from 2.63 GW in March 2014 to more than 42 GW in October 2021, according to the government. With programmes like the National Solar Mission, the government hopes to scale-up the capacity of grid-connected solar power projects from 20 GW to 100 GW by 2022, with 40 GW coming from rooftop solar projects (Table 1). Even though the government set a goal of building 4 GW of rooftop solar capacity in the residential sector by 2019-20, only roughly 1.07 GW (27%) of that capacity was installed by December 5, 2021. According to the Ministry of New and Renewable Energy (MNRE), central financial assistance was supposed to build about 2.09 GW capacity by 2019-20, but only 1.31 GW (63 per cent of the objective) was achieved till December 5, 2021.

By 2022, the PM-KUSUM Scheme (launched in 2019) aims to contribute 30.8 GW of solar power capacity to

**Table 1:** Targets and achievements under national solar mission

| (i) Rooftop Solar Capacity in the residential sector | |
|---|---|
| Capacity Target | 4 GW |
| Achieved | 1.07GW |
| Percentage | 27% |
| (ii) Solar capacity addition through central financial assistance | |
| Capacity Target | 2.09 GW |
| Achieved1. | 31 GW |
| Percentage | 63% |

*Source*: Ministry of New and Renewable Energy, Government of India agriculture by installing 2 million standalone off-grid solar water pumps and solarising 1.5 million current grid-connected agriculture pumps (Table 2). It is being implemented in three stages. Solar power plants with a total capacity of 4.91 GW have been sanctioned as part of the first component, but just 20 MW plants (0.4 percent) had been installed by November 30, 2021, as informed by the Ministry to the Lok Sabha on December 9. Only 75,098 pumps (21%) have been installed out of a total of 359,000 standalone solar pumps approved. Although solarization of 1.5 million existing grid-connected agriculture pumps was sanctioned, only 1,026 pumps were solarized.

The MNRE budget contains Rs 2,369 crore ($315 million) for grid interactive solar power development, with a capacity growth of 7.5 GW solar power in 2021-22. However, between 2019-20 and 2021-22, the Centre's allocation for off-grid solar power dropped by more than half, from Rs 525 crore to Rs 237 crore. Installing 300,000 solar street lights, distributing 2.5 million solar study lamps, and installing solar power packs are all part of the off-grid solar power initiative. Also, the PM-KUSUM scheme's budget was cut from Rs 300 crore in 2020-21 to Rs 221 crore in 2021-22. However, in 2021-22, the allocation for this scheme was increased from Rs 700 crore to Rs 776 crore under the off-grid electricity category.

- **Wind energy schemes:**

Wind power is a similar story: India has a gross potential of at least 302 GW, but has only been able to capture 40 GW so far. To boost the sector, the government has implemented policies such as reduced customs duties on some components used in the manufacture of wind electric generators, a generation-based incentive for wind power projects, and technical

**Table 2:** Targets and achievements under PM- KUSUM scheme

| | |
|---|---|
| (i) Solar power plants | |
| Capacity Target | 4.91 GW |
| Achieved | 0.027GW |
| Percentage | 0.4% |
| (ii) Standalone solar pumps | |
| Sanctioned | 3,59,000 |
| Installed | 75,098 |
| Percentage | 21% |
| (iii) Solarization of agricultural pumps | |
| Sanctioned | 10,00,000 |
| Installed | 1,026 |
| Percentage | 0.1% |

*Source*: Ministry of New and Renewable Energy, Government of India assistance, such as wind resource assessment and site identification, provided by the National Institute of Wind Energy in Chennai. Despite this, IndiaSpend stated in November 2021 that huge offshore wind energy potential remains untapped.[1]

According to the International Energy Agency's Coal 2021 report, although India strives to boost its share of non-fossil fuel sources for power, coal usage is likely to rise even more. Stronger economic growth and rising electrification are expected to fuel a 4% annual increase in coal demand in India, with the country adding 130 million tonnes of coal demand between 2021 and2024, according to the report.

### Missing budgetary support to tackle air pollution

The budgetary allocation for the Commission on Air Quality Management (CAQM), which works in the National Capital Region and surrounding areas, has been reduced marginally (Rs 3 crore), while the budgetary allocation for the National Clean Air Programme has remained unchanged. Surprisingly, the budget threatens to undercut one of India's recent successes in the fight against air pollution: the rapid expansion of LPG for cooking through the *Pradhan Mantri Ujjwala Yojana* (PMUY). The budget barely sets aside Rs 4000 crore for LPG subsidies, compared with Rs 12000 crore the previous year. Given the magnitude of the environmental crisis, nodal organisations such as the Central Pollution Control Board (CPCB) are underfunded and understaffed. Thus this budget may be said to have paid less attention to India's recurring air pollution crisis.

### Nature-based solutions to reduce emissions

The budget contains only a passing reference to green hydrogen, which was hotly debated in the run-up to the budget. In his Independence Day speech in August 2021, the Prime Minister announced a National Hydrogen Mission with the goal of scaling up green hydrogen production, which has the ability to decarbonize significant greenhouse gas emitting sectors. Furthermore, the budget's claimed climate gains are squandered due to environmentally destructive measures such as river connection and highway development. It should have been a top priority to protect our natural capital, which provides us with priceless ecological services. A missed opportunity in the aftermath of COVID-19 recovery is the failure to devote appropriate resources for biodiversity protection and pollution abatement.

### Un-greening through reduction in social security

Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGP) is not merely a social security programme, but one with significant climate resilience and carbon sequestration potential. Through greater forest and tree cover, the Scheme can also assist India in meeting its goal of creating an additional carbon sink of 2.5 to 3 billion tonnes equivalent of carbon dioxide (CO2) by 2030. A study undertaken by the Indian Institute of Science (IISc) in Bengaluru and Imperial College, London (Estimation of Carbon Sequestration under MGNREGA: Achievement and Potential in India, 2018) demonstrated this. According to this assessment, the scheme may have helped capture 102 million tonnes of carbon equivalent in 2017-18 through plants and soil quality enhancement projects. As per the calculation, annual carbon sequestration capacity could steadily climb to almost 249 million tonnes of carbon dioxide equivalent by 2030. However, surprisingly, the MGNREGP budget estimate has been lowered downwards to Rs 73,000 crore, down 34.52 percent from last year's revised estimate of Rs 111,500 crore. Given the pandemic period, when the majority of people are still jobless or without income, this demonstrates a clear lack of dedication. More significantly, it goes without saying that reducing the government's role jeopardises the scheme's enormous potential for climate resilience and carbon sequestration.

## Conclusion

While the budget has addressed certain critical issues of climate change, given India's previous attitude on climate funding, more was expected. Also, by putting climate action and a clean energy transition narrative into the Union budget 2022, it may strike a few right chords; but the devil is in the details. Finally, while a budget document cannot specify the path of a green transformation, it should ideally allocate monies for its implementation and send signals about its importance and necessity, even though the Union Budget 2022 has delivered an important signal to markets, financial institutions, and the workforce by referring to climate action as a sunrise sector and job creator.

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(The authors are Research Scholars, GIFT)

End note

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# Union budget 2022-23 and digital currency economy

Jerome Joseph

Digitalization refers to generation, storage and processing of data in electronic technology. The discourse on the role of digital initiatives is one of the lodestones of this year's Economic Survey and the Union Budget 2022-23. The discussion stretches from the use of digital technology for the introduction of a digital currency to the use of the same for monitoring the real time economic growth of the country using cartographic techniques and satellite imaging.

The union budget 2022-23 is thus unique in the sense that it proposes to give a digital thrust to the pandemic stricken Indian Economy through several measures such as Digital Currency, Digital Payments and Banking, Ayushman Bharat Digital Mission, Digital University, Digital Ecosystem for Skilling and Livelihood and so on. Since the area is really vast and demands in-depth discussions, the canvas of the present article is restricted to Digital Currency.

Honorable Finance Minister, Nirmala Sitaraman, in her Budget Speech 2022-23, stressed the importance of the digital currency (para 111). She said that "Introduction of Central Bank Digital Currency (CBDC) will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23"

CBDC is the legal tender issued by a central bank in digital form (RBI, 2021). It is the same as a fiat currency[1] and is exchangeable one-to-one with the fiat currency. Only its form is different. It is inspired by Bitcoin[2] and blockchain[3] based crypto currencies with Sovereign status. The Bahamas, Nigeria and Eastern Caribbean Currency Union have

***A 2021 BIS (Bank for International Settlement) survey of central banks found that 86% of central banks were actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects.***

***To an extent the preference for cash represents a discomfort for digital modes of payment, CBDC is unlikely to replace such cash usage. Even though COVID-19 has altered this scenario to an extent, still, in many rural as well as potential tax bypassing areas, the issue still prevails***

adopted digital currencies till date. Seven countries involved in Eastern Caribbean Currency Union are Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines.

The concept of digital currency is now being discussed worldwide by Central banks, economists and Governments. A 2021 BIS (Bank for International Settlement)[4] survey of central banks[5] found that 86% of central banks were actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects.

**Why do we need digital currency**?

The digital economy is the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. The backbone of the digital economy is hyper connectivity which means growing interconnectedness of people, organizations, and machines that results from the Internet, mobile technology and the internet of things (IoT)[6].

The commonly agreed advantages of CBDC includes (Sankar, 2021).

a) Digital currency facilitates negative interest rate monetary policy[7,8]. Negative interest rates can boost economic activity by encouraging banks and other entities to lend or invest excess funds rather than pay penalties on funds in bank accounts.

b) With the decreased usage of paper currency, central banks want to popularize a more acceptable electronic form of currency.

c) The increasing use of private currencies such as Bitcoin, Ethereum, Tether and Cardano is raising a threat for central banks. So, the central banks have to seek to meet the public's need for digital currencies.

d) CBDC reduces need for interbank settlement and its connected risk in the settlement system since it is transacted like cash.

e) Another important advantage of digital currency is that it enables a more real time and cost-effective globalization of payment systems. It is conceivable for an Indian importer to pay its American exporter on a real time basis in digital Dollars, without the need of an intermediary. This transaction would be final, as if cash dollars are handed over, and would not even require that the US Federal Reserve system is open for settlement.

Time zone difference would no longer matter in currency settlements.

f) Cost of printing, transporting, storing and distributing currency can be reduced.

As envisaged in the budget, digital currency can boost digital economy and lead to a cheaper and efficient currency management system compared to the traditional hub and spoke system.

As per the Survey on Retail Payment Habits of individuals (SRPHi) conducted by RBI[9], cash remained as the most preferred mode of payment for receiving money for regular expenses and was followed by digital mode. Participants also mentioned their preference for cash for small value transactions (with amount up to Rs.500) meanwhile digital modes of payments being preferred for transactions involving higher amounts.

India has a unique case of increasing proliferation of digital payments in the country coexisting with sustained interest in cash usage, especially for small value transactions. To an extent the preference for cash represents a discomfort for digital modes of payment, CBDC is unlikely to replace such cash usage. Even though COVID-19 has altered this scenario to an extent, still, in many rural as well as potential tax bypassing areas, the issue still prevails.

So, in a country like India, where most people prefer cash for small transactions, how much will be the incidence and the intensity of the use of digital currency is the blind spot the policy makers are yet to focus on. CBDC will take more time than envisaged to replace cash.

Apart from the difficulties in penetration into the common market, there are still some more challenges ahead for the digital currencies (Sankar, 2021).

**1. Advancement of technology**

Absorption of CBDCs in the economy is subject to technology preparedness. The creation of population scale digital currency system is contingent upon evolution of high speed internet and telecommunication networks and ensuring the wider reach of appropriate technology to the general public for storing and transacting in CBDCs. In developing countries, lower level of technology adoption may limit the reach of CBDCs and add to existing inequalities in terms of accessing financial products and services

**2. Risk of cyber security**

CBDC ecosystems may be at similar risk for cyber-attacks as the current payment systems are exposed to. Further, in countries with lower financial literacy levels, the increase in digital payment related frauds may also spread to CBDCs. Ensuring high standards of cyber security and parallel efforts on financial literacy is therefore essential for any country dealing with CBDC.

***How far these goals are attained purely depends not on the announcements, but on effective planning, proper implementation, rigorous follow ups, a vigilant error correction mechanism and a sound infrastructure system.***

### 3. Reduction in transaction demand for bank deposits

Introduction of CBDCs, can cause a reduction in the transaction demand for bank deposits. Since transactions in CBDCs reduce settlement risk as well, they reduce the liquidity needs for settlement of transactions (such as intra-day liquidity). In addition, by providing a genuinely risk-free alternative to bank deposits, they could cause a shift away from bank deposits. (Dyson and Hodgson, 2016).

If banks begin to lose deposits over time, their ability for credit creation gets constrained. Since central banks cannot provide credit to the private sector, the impact on the role of bank credit needs to be well understood.

### Conclusion

The effective use of digital technology can shift the horizon of scopes to a large extend. The technology-based initiatives as envisaged in the budget can promote growth of the country along with paving the paths to more inclusive development. But how far these goals are attained purely depends not on the announcements, but on effective planning, proper implementation, rigorous follow ups, a vigilant error correction mechanism and a sound infrastructure system.

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End notes

[1] Currency backed by the Government Guarantee

[2] Bitcoin is a decentralized digital currency, without a central bank or single administrator that can be sent from user to user on the peer-to-peer Bitcoin network without the need for intermediaries.

[3] A block chain is a distributed database that is shared among the nodes of a computer network. As a database, a block chain stores information electronically in digital format.

[4] The Bank for International Settlements (BIS) is an international organization that serves central banks and other financial authorities across the globe to support their pursuit of monetary and financial stability through international cooperation. It also acts as a bank for central banks.

[5] Sixty-five central banks participated in the survey

[6] The internet of things, or IoT, is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers (UIDs) and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

[7] A negative interest rate policy (NIRP) occurs when a central bank sets its target nominal interest rate at less than zero percent. This extraordinary monetary policy tool is used to strongly encourage borrowing, spending, and investment rather than hoarding cash, which will lose value to negative deposit rates. Officially set negative rates have been seen in practice following the 2008 financial crisis in several jurisdictions such as in parts of Europe and in Japan.

[8] Central banks typically charge commercial banks on their reserves as a form of non-

traditional expansionary monetary policy, rather than crediting them. This is a very unusual scenario that generally occurs during a deep economic recession when monetary efforts and market forces have already pushed interest rates to their nominal zero bound.

[9] RBI conducted a pilot survey on retail payment habits of individuals in six cities between December 2018 and January 2019 with a focus on the awareness and usage of digital payments. The six cities include Delhi, Mumbai Kolkata, Chennai, Bengaluru and Guwahati.

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# India's external sector: A strong revival after COVID-19

Athira Karunakaran and Kiran Kumar Kakarlapudi

## 1. The context

The closure of borders and other restrictions to contain the spread of COVID-19 had limits on cross-border movement of people and goods, significantly influencing the merchandise trade in 2020 (Kakarlapudi, 2021). As the countries eased their restrictions, the first half (H1) of 2021 witnessed accelerated global economic activity hovering the merchandise trade above its pre-pandemic level but the pick-up momentum was weakened due to the rapid spread of Delta variant and the threat of new variants. Adding to the havoc created by the pandemic, the persistent inflation in the United States and concerns about China's real estate sector had slowed down the revival of economic growth. The International Monetary Fund (IMF) lowered its global economic growth prediction for 2022 by 0.5 percentage points (from 4.9 to 4.4). Global trade trends are likely to reflect these macroeconomic trends. Major economies like the U.S., China, Brazil, and South Africa faced deceleration in Q3 despite advancements in Q1 and Q2. Despite these, the Indian external sector has exhibited immense resilience during the year, which points to the growing revival of the economy. In this context, the economic survey 2021-22 discusses the country's recovery path from the pandemic. Analysing the global trade patterns, the economic survey mainly deals with India's performance in merchandise trade, trade in services, the balance of payments, forex reserves and external debt position of the country. This article focuses on the performance of the external sector of India. In the sections to follow, we present major highlights in merchandise trade, balance of payments, forex position and external debt.

## 2. Merchandise trade

Owing to the recovery of global demand and the revival in domestic activity, the country's merchandise trade has surpassed the pre - COVID levels in 2021-

***Surpassing the pre-pandemic levels, India's merchandise exports and imports witnessed growth rates of 49.7 per cent and 69 per cent in 2021-22.***

***Despite the poor tourism revenues, the service trade had a notable performance in the world service trade due to increased demand for digital support, cloud services and infrastructure modernization***

22. Compared with the previous year, a growth rate of 49.7 per cent and 69 per cent was witnessed in the country's merchandise exports and imports respectively. The merchandise exports crossed US$ 100 billion in Q2 and Q3 of 2021-22 driven mainly by the strong growth in petroleum, oil, and lubricants (POL) exports, which accounts for around 15 per cent of the overall exports. Non-POL exports reached US$ 257.5 billion in 2021-22 (April-December), with a growth of 40.1 per cent from the previous year's same period and 24.9 percent over 2019-20 (April-December). Exports of pearls, precious and semi-precious stones, and gold and other precious metal jewellery increased by 88 per cent in April-November 2021 compared to the same quarter last year, as a result of various government initiatives such as lower import duties on precious metals, resolution of procedural issues to improve ease of doing business, and a revival in demand in major export markets. The agricultural exports continue to grow strongly in 2021-22, benefiting from increased demand for staples during the COVID-19 pandemic. Agriculture and allied products exports, which included marine and plantation products, increased by 23.2 per cent to US$ 31billion from April to November 2021, compared to the same period in 2020-21, surpassing pre-pandemic levels. This indicates prospects for agricultural export diversification and strengthening in the future years.

Diversification of export destinations and import sources has been a major agenda of the country for the past 25 years. Yet, over 40 per cent of the exports is accounted by only seven countries with USA alone accounting for 18 per cent of total exports

The crude petroleum continues to be the highest commodity to be imported followed by gold imports. As a result of significant rise in crude oil prices, POL imports rose by 119.2 percent to US$ 118.3 billion in April-December, 2021 over previous during the same quarter and surpassed the pre-pandemic levels. China remained the top import source of the country, and the Survey has stated India has diversified its import sources and reduced China's share in imports from 17.7 per cent to 15.5 per cent when compared with the previous year. However, in February 2022, the trade with China crossed US$ 125 billion, indicating a surge in trade with the same.

### 3. Trade in services

The service trade remained more resilient to the pandemic. Both exports and imports of services had a slowdown during the Q1 of 2021-22 due to the pandemic, but they regained their momentum from Q2 onwards. Even though the global restrictions due to the

***The increase in imports along with high commodity price in the post lockdown period amplified the trade deficit.***

pandemic have resulted in poor tourism revenues, India had a notable performance in the world service trade with a record growth of 18.4 per cent during 2021-22 (April-December) over the corresponding period of the previous year. This is mainly because computer, business and transportation services constitute top services exports. The increased demand for digital support, cloud services, infrastructure modernization and increased cross border trade activities contributed to the surge in the export of services.

### 4. Balance of payments

The significant deceleration in merchandise imports over exports resulted in a surplus in the current account in the Q1 of 2020-21. The lockdown imposed during the second wave of COVID-19 has also witnessed a surplus in the current account. But the surplus in the current account was not sustained as it moved to the deficit when the lockdown restrictions were relaxed. With a revival in domestic activity, and global demand recovery, merchandise exports and imports rebounded significantly. They surpassed pre-pandemic levels resulting in a rise in the merchandise trade imbalance. Thus, as the trade grows, so do the trade imbalances. The increase in imports post lockdown has further widened the trade deficit. The drastic rise in the value of exports and imports also reflects the high commodity price. Rising prices of commodities including crude oil and coal have played a significant role in adding to India's import bill and widening the trade deficit.

### 5. Foreign direct investments (FDI)

From April 2019 to October 2020, there was a remarkable rise in FDI, but by November 2021, net FDI recorded a lower inflow of US$ 24.7 billion. Even though India remained a favourable destination for FDI during the crisis period, it has not continued to be so. Global uncertainty about US monetary policy normalisation, rising global oil costs, fear of additional COVID-19 variants, and high inflationary pressures kept FPI flows volatile. The current account deficit of 0.2 per cent of GDP in the H1 of 2021-22 was adequately cushioned by robust capital flows and resulted in a balance of payments (BoP) surplus of US$ 63.1 billion in H1 of 2021-22, leading the country to perceive a massive increase in the forex reserves during 2021-22. The forex reserves of the country crossed the

***The external debt of India grew by 3.9 per cent, but continues to be below what is estimated to be optimal for an emerging market economy.***

***Advanced countries have resorted to more borrowings for aggravate covid relief measure, but even if India had an option for more borrowings, it has not been resorted for this.***

milestone of US$ 600 billion, touching US$ 635.4 billion in September 2021 and came to be the fourth largest forex reserve holder in the world after China, Japan and Switzerland.

### 6. External debt

Crossing the pre-crisis level, the external debt of India grew by 3.9 per cent to reach US$ 593.1 billion by September 2021. Increased reserves led to improvement in external sector vulnerability indicators like debt service (i.e., principal repayments and interest repayments) and the share of short-term debt in total external debt, forex reserves to total external debt, short term debt to forex reserves. The sizable accretion in reserves indicates the resilience of the external sector. India's external debt continues to be below what is estimated to be optimal for an emerging market economy. Globally, the debt of the countries has surged during the pandemic. Advanced countries have resorted to more borrowings and, on average, have spent 11.5 per cent on fiscal policies and 10 per cent on monetary policies. The U.S. has spent 25 per cent on fiscal policies and only 2.5 per cent on monetary policies. These countries have gotten back to their pre-pandemic levels in most sectors. India has expended only 4.3 per cent on fiscal policies but 6.1 per cent on monetary policies. In the wake of the pandemic, a country's external debts can also be viewed as how they have responded to the pandemic. Even if India had space to exploit the borrowing option for more aggravate covid relief measures, it has not been resorted for this.

The union budget has an important role in reviving the economy to the pre-pandemic levels. During her budget speech, Finance Minister Nirmala Sitharaman has quoted that "Several duty exemptions have been granted to various sectors like power, fertilizer, textiles, leather, footwear and food processing. These exemptions have hindered the growth of the domestic capital goods sector". Reasonable tariffs are conducive to the growth of the domestic industry. To promote the domestic industry, the import duties of finished goods for which the domestic manufacturing capacity exists has been increased. These align with the Atmanirbhar Bharat and 'Make in India' goals.

### 7. Conclusion

India's external sector is a crucial component in driving the country's economic growth. The resilience of the external sector is a signal indicating the revival of the economy from the effects of the pandemic. According to the Survey, India's external sector is well supported by exports, capital inflows, low current account deficits and external financing requirements, and high forex reserves, with various external vulnerability indicators well within manageable limits, and the country is far better prepared to face external shocks that may arise as a result of advanced economies tightening their monetary policy stance as inflation pressures rise. However, the high growth rate figures in the various indicators could also be a statistical fallacy as it was calculated from the previous year's value which has recorded a significant fall due to the pandemic. The budget should have adopted further schemes and initiatives to boost exports and promote growth and resilience of the external sector to reduce the adverse impact of COVID-19. Along with this it should have also brought out the strategies to attract the FDI but, the document is silent on such strategies.

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GULATI INSTITUTE OF FINANCE AND TAXATION

# The state of price and inflation in India

Shagishna K and Santosh Kumar Dash

Despite differing monetary policy goals and actions, inflation reached multi-decadal highs in various nations. As the economic activity improved in the second year of the pandemic, the global economy was confronted with a new challenge: growing worldwide inflation. Inflation rose in several advanced and emerging economies due to COVID-19-related stimulus spending in key economies combined with pent-up demand boosting consumer spending. The picture becomes hazier as financial market volatility and geopolitical tensions, such as the ongoing Russian invasion of Ukraine, mount in the recent period. Globally, in advanced economies, inflation has risen from 0.7 per cent in 2020 to 3.1 per cent in 2021. India is no exemption. According to RBI, despite a highly transmissible third wave caused by the COVID-19 Omicron variant, India is on a different path to recovery than the rest of the world.

This article reviews the Economic Survey 2021-22, Chapter 5: Prices and Inflation. In particular, we discuss the recent trends in CPI and WPI inflation, the divergence between both inflation measures, factors contributing to CPI and WPI inflation, and perspectives for long-term inflation, where we touch upon various upside risks to inflation emanating from geopolitical tensions.

## The behavior of retail inflation

The Economic Survey 2021-22 highlighted that the CPI-combined inflation[1] (henceforth, CPI inflation) is at a moderate rate (5.2 per cent) in 2021-22 compared to previous years. The reduction in the CPI inflation is due to the downfall in food inflation. As measured by the Consumer Food Price Index (CFPI), food inflation was at an all-time low of 2.9 per cent in 2021-22 (April to December), compared to 9.1 per cent in 2020-21 (April to December). Food inflation remained in control during most months. It increased to 4 per cent in December 2021.

***The Economic Survey finds that the CPI inflation is at a moderate rate (5.2 per cent) in 2021-22 compared to previous years, primarily due to a reduction in food inflation.***

***The Survey distinguished between core inflation and 'refined' core inflation. It then showed that the refined core inflation is much lower than the conventional core inflation.***

However, retail core inflation in 2021-22 tells a different story. Since fuel and food prices are volatile and noisy, it does not help the central bank (i.e., RBI) in inflation management. Thus, conventionally, 'food and beverages', and 'fuel and light'[2] groups are excluded from the overall inflation (or the headline inflation) to arrive at the measure of core inflation. Retail core inflation has been on the rise this fiscal year. The average core inflation rate for April to December 2021 was 5.9 per cent, which was marginally higher than last year's corresponding period. It remained below 6 per cent during most months.

This measure of 'core inflation' has its drawbacks which the Survey highlighted in this year's report. The Survey mentioned that a measure anomaly in the current measure of core inflation is that it still continues to include volatile fuel items. As of result of this, the Economic Survey argued and demonstrated that the fuel price rise continues to impact core inflation. Thus, the Survey has proposed a new measure of core inflation which neatly calculates the underlying inflationary pressure on the economy. This will be very helpful to the central bank in its interest rate policy. They explained the following rationale for using such a new measure.

The 'fuel and light' group in CPI-C does not include major fuel items having relatively large weights, such as 'petrol for vehicle' and 'diesel for vehicle'. They are included in the transport and communication group, not in the fuel and light group. Therefore, the conventional computing retail core inflation includes volatile fuel items. To eliminate this, Economic Survey constructed refined core inflation which removes major fuel categories from headline retail inflation, such as 'petrol for vehicles', 'diesel for vehicles', and 'lubricants and other fuel vehicles', in addition to 'food and beverages', and 'fuel and light'. It showed that since June 2020, refined core inflation has been significantly lower than conventional core inflation, demonstrating that fuel inflation has dramatically impacted the conventional core inflation gauge.

## Major drivers of CPI inflation

The key drivers of retail inflation in 2021-22 (April-December) were found in 'miscellaneous' and 'fuel and light' categories. Miscellaneous group contributions climbed from 26.8 per cent in 2020-21 (April-December) to 35 per cent in 2021-22 (April-December), while "fuel and light" contributions increased from 2.3 to 14.9 per cent. During the same period, however, the contribution of 'food and beverages' fell from 59 per cent to 31.9 per cent. The most contributions came from the "miscellaneous group" sub-category 'transport and communication', followed by health.

In 2021-22, inflation in 'fuel and light' and 'transport and communication' was driven mainly by high international crude oil prices, petroleum product prices, and higher taxes. The increasing trend in crude oil prices was due to OPEC and other oil-producing countries cutting crude oil supplies to historic levels. In 2021, the declining trend continued as demand increased due to the lifting of COVID-19 restrictions in most parts of the world. Further, while OPEC+ countries eased production cuts, it has not kept up with the recovery in demand. In India in 2021, a drop in central excise duty on fuel and diesel, followed by a reduction in VAT by most state governments, resulted in a moderated retail selling price of petrol and diesel. However, restricted supply and fears about escalating geopolitical risks in Eastern Europe and the Middle East caused crude oil prices to rise again in January 2022.

Inflation in the 'transport and communication' group is a major contributor to the 'miscellaneous' group, since it includes 'petrol for vehicles', 'diesel for vehicles', the price of which has accelerated significantly. The "miscellaneous" group contributes to roughly 35 per cent of overall inflation in 2021-22 (April-December). Inflation in the "clothing and footwear" category increased during the current fiscal year, primarily due to increasing production and input costs (including imported materials) and a resurgence in consumer demand.

Retail food inflation remained above 8 per cent from November 2019 to November 2020 but then fell to 2.9 per cent in 2021-22 (April-December). According to the 2011 census under the National Food Security Act of 2013, cereal and product inflation remained negative from April to September 2021 and was low from October to December 2021. It indicated a sufficient supply of cereals, aided by an effective public distribution system that provides subsidised foodgrains to the bottom 67 per cent of the population. Inflation in vegetables remained negative at (-)11.3 per cent in 2021-22 (April to December), negatively affecting overall retail inflation. Though, by the end of September 2021, tomato prices soared due to crop damage and a delay in the arrival of fruit in mandi due to unseasonal heavy rains in the producing states, tomato prices, however, have moderated due to fresh supplies in December 2021. Onion and potato inflation remained negative throughout the year. The Survey nicely showed how seasonality and exogenous shocks can impact tomato and onion retail pricing.

Due to COVID-19-related supply disruptions, high poultry feed prices, and high soybean meal prices, inflation in protein-based commodities such as "meat and fish" remained significantly elevated from 2021 to 2022 (April to December).

***The key drivers of retail inflation in 2021-22 (April-December) were found in 'transport and communication' and 'fuel and light' categories.***

***The gap between inflation in CPI rural and CPI urban areas narrowed in 2020.***

While the average inflation rate for "meat and fish" was 8.0 per cent in 2021-22 (April to December), it was 15.4 per cent in 2020-21. Inflation in "meat and fish" has been falling since September 2021, reaching 4.6 per cent in December 2021, the lowest level in the current fiscal year. Since July 2021, egg inflation has steadily declined, remaining negative in October and November 2021. Inflation in "pulses and goods" remained high in the previous financial year but has been steadily declining since July 2021 due to the government's aggressive supply management initiatives.

Despite weighing only 7.8 per cent in the group, "oils and fats" contributed nearly 60 per cent of the inflation in "food and beverages." The sub-inflation groups have been on the increase since mid-2019, have persisted in double digits since April 2020, and are expected to continue to grow in prices and inflation in 2021-22. From 2021-22 (April to December), inflation was 30.9 per cent, while it was 24.3 per cent in December 2021. This is mainly because India is a major importer of edible oils (nearly 60 per cent). Thus, fluctuation in imports and international prices percolate to higher domestic prices of edible oil. The Survey mentioned that the current spike in prices of edible oils is mainly on account of high and increasing international prices of edible oils.

### Divergence between rural-urban inflation

The gap between inflation in CPI rural and CPI urban areas narrowed in 2020. CPI-Urban inflation tracked closely with CPI-Rural inflation in 2020. The two primary divergence points are November 2020 to March 2021 and September 2021. The Survey finds that 'food and beverages' group is a key factor in the divergence trend. This is primarily due to the high weights attributed to the 'food and drinks' group in rural and urban CPIs.

### Trend in the wholesale priceindex

In contrast to the trends found in CPI inflation, WPI inflation has increased and stayed high during the current fiscal year. WPI inflation was low in 2020-21 and 2019-20, mainly due to the pandemic-induced slowdown in economic activity and the record low global crude oil prices and poor demand. The recent surge in wholesale inflation as measured by the WPI could be attributed to a low base in the previous year.

While WPI inflation in the current fiscal year was more significant than the previous year in all three major groups, it was above 20 per cent in the 'fuel and light' group, indicating high worldwide petroleum costs. The impact of increased prices on the WPI manufacturing was evident, particularly in the manufacture of basic metals, which witnessed 27.3 per cent inflation in 2021-22 (April-December). A rising trend in high worldwide crude oil and petroleum product prices resulted from a series of unprecedented cuts in crude oil supply by OPEC in 2021 and other oil-producing countries, resulting in a jump in inflation in the 'fuel and light' and 'transport and communication' groups. As mentioned earlier, India's high import dependence on edible oils also contributes to high inflation since high international prices of these products are also reflected in the domestic prices.

## WPI and CPI inflation differential

Since June 2019, the year-on-year inflation rate based on the WPI and the CPI-C has diverged. Wholesale inflation was lower than retail inflation between June 2019 and February 2021, while wholesale inflation was higher than retail inflation between March 2021 and December 2021. WPI inflation was higher than CPI inflation this year, although the gap widened significantly. The WPI-based inflation rate was eight percentage points greater than retail inflation in December 2021. WPI accelerated, reaching 12.5 per cent in 2021-22 (April-December). The increase in economic activity, the steep rise in international crude oil and other imported input prices, and high freight costs were all factors. As a result of the COVID-19 pandemic's impact, production activity remained subdued in 2020-21, and global crude oil prices dropped to a historic low due to a lack of demand. As a result, the WPI-based inflation rate fell to 1.3 per cent in 2020-21. With economic activity increasing in 2021-22 and global crude oil prices rising, WPI inflation peaked at 14.2 per cent in November 2021 and 12.5 per cent in April-December 2021, thanks to the low base of 2020-21. Consequently, the high WPI-based inflation rate in 2021 is mainly due to the previous year's low base.

While the base effect may play a role in the divergence between the WPI and the CPI, the basic differences between the two indices' purpose and design and the price behaviour of the individual components of the two indices can also offer some clues to the current divergence. Consumer purchasing behaviour is reflected in the CPI, generated from household consumption patterns using the NSS Household Consumer Expenditure Survey, and reflects price changes at the retail level. The WPI-based inflation rate, on the other hand, is calculated using the percentage of the corresponding items in total wholesale transactions in the economy at the first point of sale. CPI-C and WPI inflation discrepancies remained a point of contention in 2022. The Survey pointed out that along with base effect differences in scope and coverage of the two indices, their price collections, items covered, and differences in commodity weights can be reasons for the divergence.

***The difference between WPI inflation and CPI inflation has widened in December 2021. The increase in economic activity, the steep rise in international crude oil and other imported input prices, and high freight costs were all factors.***

***There are many upside risks to inflation, such as geographical uncertainties stemming from the ongoing Russia - Ukraine conflict, high international oil prices, India's record borrowing, etc***

**Perspective for long-term**

The last portion of the Survey discusses the long-term supply-side policies to control inflation. It includes changes in production pattern, calibrated import policy, and transportation and storage facilities of perishable commodities. The production pattern change encourages farmers to switch from rice and wheat to pulses and oilseeds, which would enable the country to become pulses and oilseeds self-sufficient while reducing reliance on imports. By shifting output to pulses, the government will be able to keep realistic rice and wheat buffer stockpiles. The government has recently prioritized increased pulse and oilseed production, which it has accomplished through area expansion, productivity through HYVs, MSP support, and purchasing.

This year's Economic Survey suggested some measures to control inflation by managing supply-side factors. While seasonality is vital in the case of vegetables, unexpected events such as untimely rains impact their availability and prices. A strong network of cold storage chains supported by adequate transportation infrastructure is required to stabilize the prices of perishable commodities. During the year, effective supply-side management kept the prices of the essential goods under control. Further, the Survey suggested implementing specific proactive actions to contain price increases in pulses and edible oils, which had witnessed inflation due to imported inflation. Self-dependence on edible oils is much needed. The government should incentivise the production of these products by providing various subsidies.

Import duty and tariff modifications in response to price increases in vital commodities such as pulses and edible oils while offering immediate respite to consumers at lower prices send wrong signals to domestic producers and create an unstable environment. A consistent long-term strategy is required. For a stable domestic climate, the government negotiated a Memorandum of Understandings (MoU) with pulse-producing countries. The MoUs would ensure that the quantity of pulses produced and sold to India is predictable, which will benefit both India and the pulse-exporting country. Specific alternative measures to tackle the overdependence of these commodities on the part of the government are most appreciated, such as subsidizing the domestic alternatives for the inflationary products. After sixty-six years of planned economy, India still struggles to provide adequate storage and transport facilities to the agriculture sector.

## Concluding remarks

There are many upside risks to inflation. First, amid geographical uncertainties in Eastern Europe and Middle East countries, especially ongoing extended Russia's invasion of Ukraine, many economists and policy-makers are concerned about how it would affect retail inflation in India. To put it in the context, India imports over 80 per cent of its crude from other countries, and thus, the unpredictable market may have an overriding effect on consumer goods pricing. The effect of Russia's assault is already playing out in terms of higher inflation. The WPI inflation in March 2022 surged to 14.55%, while CPI inflation touched 6.95% in March 2022, much above RBI's upper tolerance level of 6 per cent.

A recent survey conducted by the IGM Forum at Chicago Booth, which regularly polls some of the world's top economic experts in Europe and the US for their views on topical issues of public policy, asked the panelists whether the Russian invasion of Ukraine would be stagflationary. Over three-quarters of the panel agree that the fallout from the invasion will both reduce global growth and raise global inflation over the next year. A higher average global inflation would feed to higher domestic inflation.

Second, the Union government is planning to borrow about Rs 11.6 lakh crore from the market in 2022-23 to meet financing a massive capital expenditure plan. This comes on the back of record market borrowing in the last year. This has sparked fears among bond dealers that inflation will accelerate. With global crude oil prices near seven-year highs, the government's plans may force the RBI to act sooner rather than later.

The consequence of sustained rising inflation is that it would hard-press the RBI to raise rates to combat rising inflation below the upper band of 6 per cent. This may hinder real economic recovery, which is making a gradual comeback. One way to ease off the pressure on retail inflation is that the Union government should roll back excise duties on fuel prices from petrol and diesel to CNG and LPG prices for the following reasons. First, the Union government raised various excise duties amid the pandemic-induced collapse in the fuel tax revenue. The recent data suggests that the Center's total gross tax revenue collection for 2021-22 touched Rs.27.07 lakh crores, almost Rs. 5 lakh crores above the budget estimate of Rs. 22.17 lakh crore. Further, month-wise GST collection is growing at a robust pace thanks to better compliance, use of data analytics and Artificial Intelligence, and enforcement action against tax evaders. Second, the prospects of economic recovery seem well and going by GST

***The Survey suggested implementing specific proactive actions to contain price increases in pulses and edible oils, which had witnessed high inflation due to imported inflation.***

***Further, the Union government should consider reducing various excise duties to bring inflation under control.***

collection data; it is projected to grow at a healthy pace assuming any further variant of the coronavirus does not pose a significant threat to the ongoing recovery process. Third, demand for oil consumption and oil prices have risen steadily. This implies that the Center's tax revenue from petroleum products is robust and will rise further. Considering all these factors, the Center can afford a cut in excise duties.

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End notes

[1]RBI releases three measures of inflation, each catering to different population group. They are CPI-R (for Rural area), CPI-U (for urban area), and CPI-C (combined inflation for all India).

[2]'Fuel and light' consist mainly of items of household's consumption such as electricity, LPG, Kerosene and other fuels used for cooking. On the other hand, petrol and diesel used for vehicles is included in the 'transport and communication' sub-group of the miscellaneous group.

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# Social infrastructure and employment

Dulhaqe S and Adheena S

The last two years of global environment, both social and economic, are heavily affected by Covid-19 pandemic. India along with all other countries were thrown to the onslaught of Covid-19 pandemic. The period was highlighted with a series of lockdowns which affected the ordinary way of life of common people across the world. Fall in output, subsequent massive unemployment, health crisis and financial uncertainty etc. write down those times. All sectors of day to day life, from education to health to employment were affected by the pandemic.

India encountered with three waves of pandemic, first in September 2020, second in May 2021 and the third one in January 2022. The vaccination campaign by the government was successful to a large extent, even though faced with some initial uncertainties and confusions. It is expected that as India has administered most of its population with vaccines, the threat of Covid-19 and its variants is over. Like all other national governments, Government of India was also engaged in providing a safety net for the vulnerable, ensuring food supply and enough social security measures. Government also involved itself in providing a coherent strategy for health sector to contain the pandemic and the subsequent consequences. Restrictions, partial and full lockdowns, building of health infrastructure, testing-tracing-treatment etc. were the modes of actions followed by the government.Vaccination drive undertaken by the government with both homemade and foreign made vaccines, with government undertaking 75% of vaccines while 25% is given to private players.

The expenditure for social infrastructure and employment in such a circumstance in Union budget didn't meet the expectations. The government of India allocated an amount of Rs.35000 crores to the vaccination drive in the Union budget of 2021-2022 which increased to Rs.39000 crores in revised budget. In budget of 2022-23, an amount of Rs.5000 crores was allocated which is nominal, in the sense that majority of population at the time was not administered with second dose as well as the question of booster dose is also on rise. This indirectly suggests that the Central government would give only a fraction of doses this year, scaling down free vaccination drive.

## Trends in social sector

In this light, it was expected as well as necessary to increase public expenditure in social sector in order to revive the economy as well as to provide people with social security. The union budget of 2022-23 gives greater impetus on digital education, opening a national digital university and vocationalisation of education. It is noteworthy that the budget gave importance to supply side, giving greater emphasis on digital education without addressing the demand side. The digital divide among Indian states and regions is noteworthy here. Also, the absence of data to track the trends of education post covid make things difficult to address the issue in educational sector. The expenditure on education as a percent of GDP is still creeping at around 3.1 percent which is the same as of previous revised estimate of union budget 2021-22. The moving back of parents from cities to villages during lockdown have made increased pressure on public education sector in rural areas (Economic survey 2022). This isn't addressed by the budget by increasing expenditure on public education and other national schemes.

The union budget gives more importance to skill development in the budget of 2022-23. The shift to virtual mode of education during lockdown has swamped skill development in India, especially in rural areas. This highlights the importance of ensuring skill development. To address this, government introduced DESH-STACK, an e-portal that aids in skill development, up-skilling and reskilling. Under *Pradhan Mantri Kaushal Vikas Yojana* (PMKVY), 130.4 million were trained, nearly 80% received certification with one-sixth of the trained been placed.

## Trends in employment

As mentioned earlier, the Covid-19 and subsequent lockdown have affected the livelihoods of the people adversely. It can be seen from the spike in unemployment rate. Unemployment rate for urban sector for the first quarter of 2020-21 was 20.8% (Periodic Labor Force Survey). Also, the net addition to EPFO subscriptions declined and turned negative in April-May 2020, which means there was a net exit from the scheme (Economic Survey). Contextually, the Trend in MGNREG scheme shows a peak in demand for job during pandemic, which stabilized after the second wave. Yet, the demand for jobs is still higher than the pre-pandemic level which sheds lights on the labor market (Economic Survey 2022). Unfortunately, there is no hike in allocation for MGNREG in the budegt'22. The budget estimate for MGNREGS for 2022-23 is Rs.93000 crores. This is despite the fact that more people are enrolled as part of MGNREG during pandemic, and still continues to remain so. It is not expected to fall soon, given the destruction of supply chains and linkages during lockdown. Since the scheme is demand driven, it will necessarily lead to increased expenditure on the same.

Government hopes to address the issue of unemployment of the unskilled through the *Pradhan Mantri Gathi Shakti Scheme*, the massive infrastructural development scheme of Rs.100 lakh crores. This is of course evident during a depression, but yet cannot be solely believed as it depends upon the nature of development projects, whether capital intensive or labor intensive. Also it cannot replace the role of MGNREGS, which is demand driven and concentrated in rural areas. The budget kept silent on urban employment guarantee scheme, which is necessary given the rate of unemployment and labor market situation in urban areas.

## Health

Health sector was one prime sector which was extensively tested during the pandemic. The spike in cases, the consecutive waves of infection, increase in number of cases which needs hospital support etc. have thrown our health sector, especially public health sector, to the furrow of crisis. Given the circumstances, it was expected that there will be an increase in allocation for health sector. Yet, the budget outlay for the Union Ministry of Health and Family Welfare stands at Rs.86200 crores. Even though there is a nominal increase of 16.5% from previous budget, it is still short in demand given the crisis pandemic has risen. Also, the allocated amount itself is mere 0.1% when compare to the revised estimate of Rs.82920 crores of budget 2021-22. There is a marginal increase in allocation for National Health Mission, compared to last year. At a time when the health sector of the country is put into test, marginal increase in allocation to health sector should be enough to meet the need, which is not conceived here.

Allocations for the National Program of Mid-Day meal in schools, declined by 11 percent from Rs.11500 crores in 2021-22 to $10233.75 crores in 2022-23. This has to be read along with the rise in enrollment of students in rural areas due to moving back of parents from cities and the need for ensuring nutritious food supply during pandemic.

## Rural development

Rural development has been given some emphasis in this budget. Assistance were given for constructing 1.95 crores of houses between 2019-20 to 2021-22 under *Pradhan Mantri Aawas Yojana* (PMAY). An amount of Rs.48000 crores has been allocated to a total of 80 lakh houses under PMAY in rural and urban areas. But this amounts to just Rs.60000 per house, which questions the ability of project to meet the declared target. There is a good chance that the program will fall behind due to fall in resources. The amount for rural road construction scheme, *Pradhan Mantri Gram Sadak Yojana* (PMGSY), has been raised by 36 percent from Rs.14000 crores from revised estimate of budget 2021-22 to Rs.19000 crores.Fortunately, there is a spike in outlay for Jal Jeevan Mission (JJM), project for drinking water and sanitation, has increased from Rs.11500 crores in 2020-21 to Rs.50000 crores in 2022-23. Although this is a positive move in order to ensure better infrastructure facility in rural areas, the total allocation to all centrally sponsored schemes under the rural development ministry dipped around 11 percent in the budget. This adversely affects the aim of rural development in general, given more people are moving towards rural area looking for jobs and housing during lockdown. As per Economic survey, there is an increased movement of emigrant returnees to the home state, mainly village areas, during pandemic. Given the need for increased infrastructural spending on rural areas, a fall in government expenditure will adversely affect the aim of rural development.

The last two years of India, like all other countries, were under the sway of the pandemic. The revival of the economy from the crisis is not yet visible, given the stats. In such a time, it is expected that the government should increase public expenditure, especially in rural area with special reference to India. But, unfortunately, what we are witnessing is the moving away of the government from the basic Keynesian principle, even avoiding its own Economic survey. Possibly, there should be a need to increase the amount in most of the aforementioned sectors in revised budget, which otherwise is against the interest of the people and the government. The increased expenditure in health and employment is the need of hour, without which the economy cannot be driven out of the shackles of current depression.

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# Data divide between state and citizen

Lekshmi Prasad and Md Zakaria Siddiqui

This year's Economic Survey of India focuses also on improving the quality and quantity of data for better and quicker assessment of the state of the economy. For example, The Chapter 11 of the Economic Survey 2022 impresses upon making use of modern technology of satellite imaging and cartographic techniques for tracking development in the country. The Economic Survey throughout emphasizes on the importance of technology-based data collection and its use for tracking development such as the use of high frequency data for the real time monitoring of economy. In fact, The Economist magazine speculated on the end of macroeconomics as internet enabled digital devices, sensors and electronic payments become common place. With the advent technology, there occurred a revolution in data science also. Advancements in the field has been constantly driving down the time lag and cost of data. Working with big data is more convenient nowadays. Economic Survey also gives stress to this fact. Promotion of many information technology based ideas such as digital currency and digital university are the examples of the same. But the Government at the same time overlooks the part of data dissemination to the public.

Being a part of the digital world, we are knowingly or unknowingly sharing our personal data with our service providers. From our biometric information to our mobility, tastes and preferences, everything is being recorded somewhere or other. We voluntarily keep our biometric information in Aadhaar while GPS tracks our mobility via smart devices. So data is everywhere about everything. But who uses the data and which of the data are accessible to whom and for what purposes they are being used are some of the questions we must think of.

The Indian state has been proactively strengthening the data architecture in the name of tackling corruption in the public delivery system, delivering direct benefits;

***The Economic Survey throughout emphasizes on the importance of technology-based data collection and its use for tracking development.***

***We are knowingly or unknowingly sharing our personal data with our service providers, but who uses the data and which of the data are accessible to whom and for what purposes they are being used are some of the questions we must think of.***

to its beneficiaries in swift manner and for removing targeting error. Current regime's aggressive stances in gathering on individual citizens are more than obvious now. Since very inception of the NDA-II regime, scope of UIDAI experienced a huge expansion. By insisting on integration of AADHAAR, PAN and bank account government made it impossible for anyone to protects his/ her privacy, a fundamental right under the constitution. This came to be known as JAM (Jan Dhan-Aadhaar-Mobile) which can now provide details of every activity of citizens. When citizens questioned such integration of databases in court of law, government resorted to artificial barriers and restrictions in accessing public services for those who are unwilling to share their details. The consolidated JAM architecture acts now as a 'system' which no one can elope. In other words, surveillance state has reached its peak. People who once fought tooth and nail for privacy rights, mutely accepted the status quo. To top it all, there are instances of the presence of spyware like Pegasus in mobile devices of high-profile targets. The spyware can read text messages, access camera and microphone, track calls, indicate locations and detect saved passwords of mobile users.

In summary, our Government is in a position to collect and use all information about its citizens touching all the spheres of their life; social, economic and political. The collection of data becomes less challenging and cheap. Earlier Census and the Sample Surveys and the registers kept by various departments served as the prime sources of information. Currently, that is not the case. Along with the traditional form of information, additional data is seamlessly produced using JAM architecture. In the process of information amassing regarding its citizen the government has done everything at its capacity to make individual citizens accountable to the state. In fact, state gone to the extent of making citizens vulnerable as their fundamental right to privacy can be breached by state on small excuses.

Is Government accountable to its citizen in the same way? Do citizens have access to necessary information to hold state accountable? The recent events of delayed release of many survey data on the part of the Government indicate gradual erosion of the accountability of the state to its people. Effectiveness of announced policies and targets by the government can be judged only through independent statistical wings of the government which are expected to act at arm's length from

***The Indian state has been proactively strengthening the data architecture in the name of tackling corruption in the public delivery system, delivering direct benefits to its beneficiaries in swift manner and for removing targeting error.***

the government. India's track record in producing such data in quality and quantity is well appreciated by global agencies. However, this is not the case in recent times. Such data were released in a routine manner by statistical agencies but now the Government is increasingly intervening in everyday functioning of statistical agencies to delay or stop their release for political convenience. For example, the Government so far did not release the data or results of Household Consumption Expenditure Survey conducted during 2017-18 by NSSO. The leaked summary results of the survey suggest some disturbing facts that may not be politically comforting for the current government. Owing to similar concerns data of first Periodic Labour Force Survey (PLFS) was released only after general elections were held between April-May 2019. However, major patterns from this data were leaked out in January 2019.

Another depiction of the absence of quality data for the evaluation of a policy initiative is the delay in release of 'Drinking Water, Sanitation, Hygiene and Housing Condition' survey data conducted during 2018. Prime minister declared India 'Open Defecation-Free' in October 2019 and the data was released in November 2019. It was entirely possible to use the independent survey to cross examine how many toilets are actually functional and how individuals actually have been using the toilets on a regular basis provided that data from survey was released on time. However, government on the basis of administrative data on expenditure on toilet constructions justified PM's declaration. Information gap for citizens is huge in the area of migration as well. While JAM architecture allows government to map the location of individuals at every moment, researchers and civil society in general cannot use that information ascertain the level and prevalence of migration across regions within the country. The latest NSS survey on migration is old as 2007-08. The urban rich woke up of sheer scale at which people migrate in this country at the onset of lockdown when mass of migrants workers were pushed out of the sweatshops. There has been no initiative, so far, the by the government to generate and share a data set to assess the differentiated impact of pandemic on lives and livelihoods of people belonging to different socio-economic and

***The recent events of delayed release of many survey data from the part of the Government indicate gradual erosion of the accountability of the state to its people.***

***The agencies of the Government such as NSS are actively engaged in data collection that is critical for assessing socio-economic and demographic changes in the country. It is ironic that latest data available on poverty level is a decade old, that is 2011-12.***

demographic groups. The indifference of state towards the bottom half of the population is not difficult to gauge when one sees no effort by the government asses the incidence poverty, deprivation and impact of devastating pandemic.

The divergent trends in accountability of citizens towards the state and vice versa is quite stark in India. Indian state marched fast towards a surveillance state which only collects data but not distributing them. In fact, the agencies of the Government such as NSS are actively engaged in data collection that is critical for assessing socio-economic and demographic changes in the country. It is ironic that latest data available on poverty level is a decade old, that is 2011-12.

Therefore, the government purposefully muting researchers and active citizens by restricting access to routine data sets that are expected to be made available by the statistical agencies. This data divide between the state and its citizen is a potential threat to smooth functioning of democracy. While Government has significantly expanded its scope as the custodian of data, it is increasingly limit the scope of access to it by the responsible citizens and stake holders. This results in an intentional data gap between the Government and its people. Without bridging this data gap the scope of modern technology for tracking development will remain futile.

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# Does the budgetary allocation for CSS meet the development priorities?

Aisha Ibrahim Mohammed and P S Renjith

## 1. Introduction

Since independence, state governments in India have been receiving financial assistance from the centre through various channels in order to facilitate their development priorities and welfare entitlements. Centrally Sponsored Schemes (CSSs) take a considerable proportion of this assistance. CSSs are those schemes that are designed and partially or fully funded by the Central Government but implemented by State Governments on subjects in the State and Concurrent Lists following the terms fixed by the Centre (Kumar, 2021)[1]. The constitution of India clearly defined this provision via Article 282. Accordingly, the centre can deliver discretionary grants, even beyond their respective legislative competencies (i.e., other than Centre list subjects), for any 'public purpose'[2].

Notably, CSSs have a huge part in India's policy landscape as they constitute the largest number of specific purpose grants extended by the union government to the states (Kumar, 2021, Dikshit et al., 2007; NITI Aayog, 2015). Although CSS was initially formulated on 'basic national importance' with a limited number of schemes, they have proliferated enormously in each five-year plan in terms of the number of such schemes as well as the share of CSS in total public expenditure in the country (Saxena, 2005; Das and Mitra, 2013). Realizing the growing concerns over CSS, the central government initiated the rationalization process as per the roadmap given by the Chattuvedi Committee in 2013. Accordingly, the budgetary provisions were made for 66 CSS in 2014-15, including 17 Flagship Programmes[3] to improve their impact and visibility.

Further, following the recommendations of the Sub-Committee of Chief Minister of the state in 2015, CSS has been re-oriented under "core of core scheme", "core scheme," and "optional scheme" brackets. Of the total schemes[4], those for social protection and social inclusion are framed under Core of the Core schemes and given the first charge on available funds for the National Development Agenda. While the centre bear 100% of the expenses for a limited number of "Core of Core" schemes, only 60% of the expenses for Core Schemes. Optional

Schemes funds are allocated as a lump sum (50%) to the states by the centre, and states would be free to choose which optional Schemes they wish to implement[5].

Through a series of recommendations in the last decade by various Committees that managed to recoat the CSS into the present form, some challenges remain unaddressed. Researchers have already raised concerns on a few issues, i.e., fitting CSS in the scheme of Centre-State relations, the degree of the centre's control over the use of finances by the States, inconsistency in the fund allocation for specific CSS schemes etc. (Kumar, 2021). The ongoing pandemic added fuel to this as it raised fresh concerns on resource needs in social protection, social inclusion, rural development etc. Notably, the rationalization exercise has been still progressing. The centre has recently altered the number by terminating the ones that had outlived their relevance while merging those with a low outlay with more impactful ones. On the other hand, few new schemes like PM-Atmanirbhar Bharat Health Infrastructure Mission, Digitalization of Primary Agriculture Cooperative Societies, Exemplar, Accelerating State Education Program to Improve Results etc. have been added to the recent budgets (Union Budget, 2022).

In such a backdrop, it is essential to see whether the sums allocated to each CSS varied significantly after the rationalization? Is the allocation sufficient to meet the primary objectives such as poverty elimination, rural development, primary sector growth, development spending, and urban transformation, which was earlier part of Mission 2022. Does the allocation for the core of core schemes consistent? Could the current CSS allocation be adequate to overcome the pandemic shocks? Keeping these questions in mind, we first focus on the trends in sums allocated to various schemes after initiating the rationalization process, particularly mapping the changes in the sums in the 2022-23 budget.

The remainder of the paper are as follows: section 2 analyzes the trends in budgetary allocation for various CSS schemes, Section 3 maps the changes in the 2022-23 budget. Finally, section 4 concludes the study.

## 2. Trends in budgetary allocation for CSS

Table 2.1 provides the budgetary allocation for the core of core CSS, core CSS, and total CSS from 2016-17 to 2022-23. The budgetary allocation for CSS has increased by almost 90% from Rs. 2,31,900 crores in 2016-17to Rs. 4,42,781 crores in 2022-22, with significant progress in allocating the revenue

***Compared to the budget estimate of 2021-2022, the budget estimate of 2022-23 witnessed an increase of 16.6%, wherein the core CSS registered a growth of about 21 percent, the core of core CSS registered only about 3 percent growth.***

account. Markedly, compared to the budget estimate for 2021-2022, the budget estimate for 2022-23 witnessed an increase of 16.1%. However, while Core CSS registered an average growth of about 21 percent, the core of core CSS registered only about 3 percent growth in the BE 2022-23 from BE 2021-22 . This implies that the centre prioritizes the fund allocation for core schemes with a 40 percent state share.

Subsequently, we focused on the trends in core of core schemes, which is essential to ensure social protection and social inclusion, but registered merely six percent average growth (see Table 2.2). It is observed that there is no significant progress in the fund allocation for most of the core of core schemes except Umbrella Scheme for Development of SCs and Minorities. Notably, the centre has allocated Rs. 73,000 crore for Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA), the rural jobs guarantee scheme, for 2022-23 financial year, the same as the past (2021-22), while the revised estimate of the same for 2021-22 was Rs. 98,000 crore.

## 3. Budget 2022-23 and CSS allocation

To check whether the 2022-23 budgetary allocation for CSS meets its development priorities and overcomes the pandemic shocks, we analyzed the schemes based on their relevance, year of inception, rural development priority, and socio-primary importance.

### 3.1. Budgetary allocation for major centrally sponsored schemes

Figure 3.1 depicts the budgetary allocation for major CSSs. We observed

**Table 2.1:** Budgetary Allocation for CSS (in crores)

| Year | Core of Core CSS (BE) | | | Core CSS (BE) | | | Total CSS (BE) | | |
|---|---|---|---|---|---|---|---|---|---|
| | R | C | T | R | C | T | R | C | T |
| 2016-17 | 60930 | 479 | 61409 | 170343 | 148 | 170491 | 231273 | 627 | 231900 |
| 2017-18 | 71268 | 488 | 71757 | 206329 | 347 | 206677 | 277598 | 836 | 278433 |
| 2018-19 | 77283 | 407 | 77691 | 227451 | 376 | 227826 | 304734 | 783 | 305517 |
| 2019-20 | 81183 | 0 | 81183 | 249443 | 66 | 249508 | 331544 | 66 | 331610 |
| 2020-21 | 85160 | 0 | 85160 | 254203 | 56 | 254259 | 339839 | 56 | 339895 |
| 2021-22 | 96773 | 0 | 96773 | 284463 | 69 | 284532 | 381235 | 69 | 381305 |
| 2022-23 | 99215 | 0 | 99215 | 343557 | 10 | 343566 | 442772 | 10 | 442781 |

*Source*: Union Budget, various year; R=CSS on revenue account, C= CSS on capital account and T= total CSS

***Notably, the centre has allocated Rs. 73,000 crores for the Mahatma Gandhi National Rural Employment Guarantee Program for 2022-23, the same as the 2021-22 budget figure, while the revised estimate of the scheme for 2021-22 was Rs. 98,000 crore.***

**Table 2.2** : CSS allocation for core-of core schemes (in crores)

| Year | National Social Assistance Program | Mahatma Gandhi National Rural Employment Guarantee Program | Umbrella Scheme for Development of SCs | Umbrella Programme for Development of STs | Umbrella Programme for Development of Minorities | Umbrella Programme for Development of other Vulnerable Groups |
|---|---|---|---|---|---|---|
| 2016-17 | 9500 | 38500 | 4868 | 3209 | 3794 | 1538 |
| 2017-18 | 9500 (0) | 48000 (25) | 5114 (5) | 3490 (0) | 4072 (7) | 1580 (3) |
| 2018-19 | 9975 (0) | 55000 (15) | 5183 (1) | 3806 (9) | 1440 (-65) | 2287 (45) |
| 2019-20 | 9200 (5) | 60000 (9) | 5395 (4) | 3810 (0) | 1551 (8) | 1227 (-46) |
| 2020-21 | 9197 (-8) | 61500 (2) | 6242 (15) | 4191 (10) | 1820 (17) | 2210 (80) |
| 2021-22 | 9200 (0) | 73000 (18) | 6566 (5) | 4303 (3) | 1564 (-14) | 2140 (-3) |
| 2022-23 | 9652 (5) | 73000 (0) | 8710 (33) | 4111 (-5) | 1810 (16) | 1931 (-10) |

*Source*: Union budget, various year; the percentage change in the fund allocation is in parenthesis ()

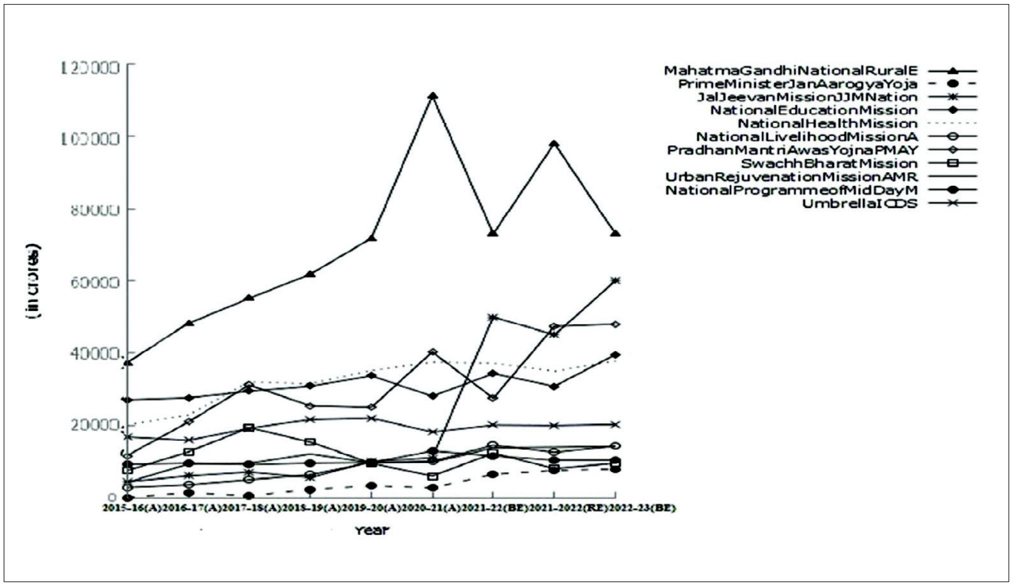
that all the major schemes registered a decline in their allocation in 2022-23 compared to the 2021-22, while a moderate to reasonable increase in their allocation in the revised estimates of 2021-22. However, there has been either a same or a decreasing trend in the allocation for the budget in 2022-23.

### 3.2. Budgetary allocation for old and new CSS

As mentioned in the previous section, since 2014, nationwide policy interventions in sectors such as health, sanitation, and antenatal nutrition were introduced through different CSS. Many older schemes have been revamped and rationalised under umbrella schemes. We attempt to classify them on the year of inception. Schemes introduced before 2014 are referred to as the old schemes, and those introduced in and after 2014 are new schemes. Table 3.1 depicts the picture of budgetary allocation for both old and new schemes.

Surprisingly, many old schemes viz. MGNREGA, National Rural Livelihood Mission, and National Programme of Mid-Day Meal in Schools shows the same or a decreasing trend in allocation, while the schemes like National Social Assistance Program(NSAP), Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission, Pradhan Mantri Gram Sadak Yojna, registers a trend with a reasonable increase. Among the new schemes, Pradhan Mantri Awas Yojana, Urban Rejuvenation Mission: AMRUT and Smart Cities Mission, Mission VATSALYA and Pradhan Mantri Krishi Sinchai Yojna show an increase in their allocation. This year's budgetary allocation has concentrated on new schemes rather than strengthening the old schemes that have the potential to

**Figure 3.1:** Budgetary allocation for major CSSs




*Source*: Union budget, various years

stabilize the economy.

### 3.3. Budgetary allocation for sector-specific CSS

Figure 3.2 exhibits the allocation for various sector CSSs i.e., schemes that are meant for rural development, social protection, and primary sector growth. With respect to the centrally sponsored schemes, in terms of their allocation to the rural and urban, the rural-specific schemes have shown a downward trend, with only 208752 crores allocated for the current year's budget estimate. A closer look at the sector-specific centrally sponsored schemes reveals Jal Jeevan Mission, Pradhan Mantri Gram Sadak Yojna, and Shyama Prasad Mukherjee Rurban Mission have received a considerable share in the budget allocation of Rs. 2022-23. However, the MGNREGA, NSAP, and Rashtriya Gram Swaraj Yojana (RGSY) have witnessed a substantially lower share. In addition, the long-term schemes (i.e, MGNREGA, National Programme of Mid-Day Meal in Schools(MDM)) have received a lesser allocation, which remains as a question of whether the allocation ensures employment, poverty alleviation, and economic development in the rural areas.

The 2022-23 budgetary allocation was not in the line for an active developmental approach, especially when the country is battling the adversities created by the pandemic. Though some schemes have witnessed a positive trend, schemes that are basic source of sustenance for many have not shown positive allocation. Such a derailment from the national objectives is questionable, especially when the

***The budgetary allocation has concentrated on new schemes rather than strengthening the old schemes that have the potential to stabilize the economy***

**Table 3.1:** Budgetary allocation for Old and new CSS

| Scheme | 2020-21(A) | 2021-22(BE) | 2021-22(RE) | 2022-23(BE) |
|---|---|---|---|---|
| **Major old CSSs** | | | | |
| MNREGA | 111170 | 73000 | 98000 | 73000 |
| National Social Assistance Program | 42443 | 9200 | 8730 | 9652 |
| National Rural Drinking Water Mission* | 10998 | 50011 | 45011 | 60000 |
| National Health Mission | 37478 | 37130 | 34947 | 37800 |
| National Livelihood Mission - Ajeevika | 10025 | 14473 | 12505 | 14236 |
| Pradhan Mantri Gram Sadak Yojna | 13688 | 15000 | 14000 | 19000 |
| National River Conservation Plan -Other Basins | 100 | 100 | 233 | 251 |
| National Programme of Mid-Day Meal in Schools* | 12878 | 11500 | 10234 | 10234 |
| Old Schemes-Total | 238779 | 210414 | 223659 | 224173 |
| **Major new CSSs** | | | | |
| Pradhan Mantri Awas Yojna (PMAY) | 40260 | 27500 | 47390 | 48000 |
| Shyama Prasad Mukherjee Rurban Mission | 369 | 600 | 375 | 550 |
| Swachh Bharat Mission (Shahari) | 995 | 2300 | 2000 | 2300 |
| Swachh Bharat Mission (Gramin) | 4945 | 9994 | 6000 | 7192 |
| Urban Rejuvenation Mission: AMRUT & Smart Cities Mission | 9754 | 13750 | 13900 | 14100 |
| PM Formalisation of MicroFood Processing Enterprises Scheme (PMFME) | 395 | 500 | 399 | 900 |
| Strengthening Teaching-Learning and Results for States (STARS) | 92 | 485 | 340 | 550 |
| Mission VATSALYA (Child Protection Services and Child Welfare Services) | | 900 | 830 | 1472 |
| Rashtriya Gram Swaraj Abhiyan(RGSA) | 567 | 661 | 682 | 663 |
| Pradhan Mantri Krishi Sinchai Yojna | 7877 | 11589 | 12706 | 12954 |
| New Schemes-Total | 65254 | 68279 | 84621 | 88682 |

*Source*: Estimation is based on Union budget 2022-23; National Rural Drinking Water Mission has been renamed as Jal Jeeven Mission and National Programme of Mid-Day Meal in Schools as PM Poshan' scheme in the 2022-23 Budget

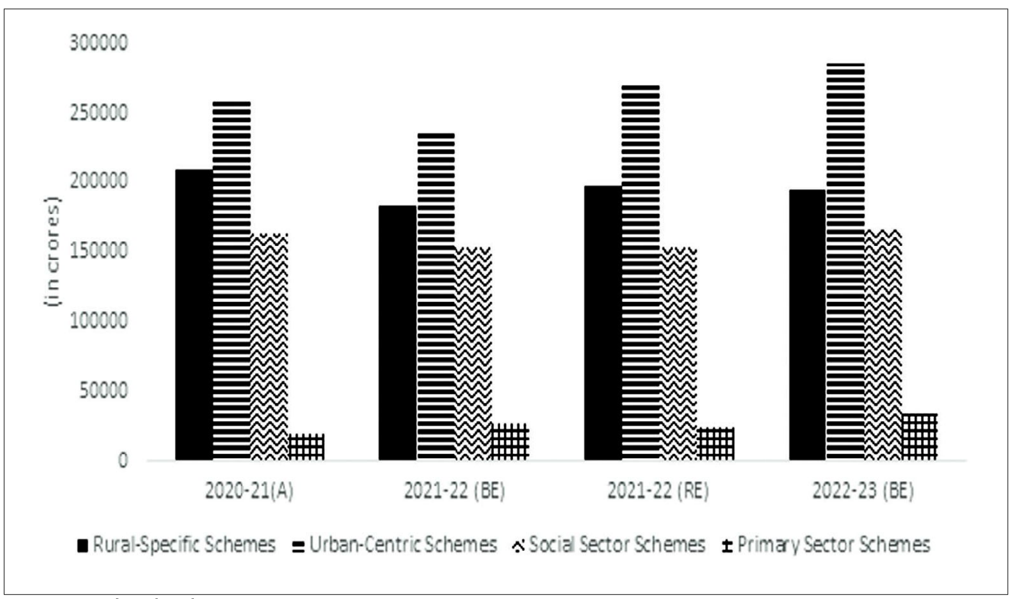
***Though primary sector-oriented schemes received the maximum allocation, rural specific received a poor share, while the social sector schemes registered a moderate growth.***

country is in demand to curb unemployment, job losses, etc

## Concluding remarks

This study analyzed whether budgetary allocation for CSS meets the primary objectives such as poverty elimination, rural development, primary sector growth, development spending, and urban transformation, which was earlier part of Mission 2022. Although the total budget allocation for CSSs has shown a significant increase, no considerable progress is observed for the core of core schemes except the Umbrella Scheme for Development of SCs and Minorities. Notably, schemes like MGNREGA, MDM, RGSA etc., received a poor share comparatively. The budgetary allocation has concentrated on new schemes rather than strengthening the old schemes that have the potential to stabilize the economy. While the allocation for developmental CSSs shows a rising trend, its major subset social sector remains the same. Compared to urban-centric schemes, the rural-specific schemes received a poor allocation. Notably, the primary sector CSSs registered a positive growth. Overall, the budgetary allocation for CSS is off the waymark at the disaggregate level.

**Figure 3.2:** Budgetary allocation for sector-specific CSS




*Source*: Union budgets

Hence, the study doubts whether the Centre is deviating from the primary objective of CSS allocation as defined in the Article 282.

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## End Note

[1] CSS may be viewed in contrast to Central Sector Schemes, which are designed and implemented directly by the Union. CSS operate as discretionary tied grants Since they have to be used in accordance with the Centre's guidelines.

[2] Directive Principles of State Policy (Article 36-51 of the Indian Constitution) are the main guiding force behind most of the Centrally Sponsored Scheme.

[3] Flagship schemes were defined as large schemes with central outlays of more than Rs.1000 crore.

[4] See Niti Ayog (2015)for the details of the core sector schemes.

[5] Notably, the rationalization process is still on.

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# What has been kept for agriculture in union budget 2022-23? An overview

George K John and Thomas Joseph Thoomkuzhy

## Introduction

Agriculture is important for a country like India having more than 58 percent of its population relying on agriculture as their main source of livelihood. According to estimates, agriculture, forestry, and fishing contributed Rs 19.48 lakh crore (US$ 276.37 billion) to gross value added during the financial year 2020-21 (Agricultural and Processed Food Products Export Development Authority - APEDA, Department of Commerce and Industry, Union Budget, 2021-22). The prime significance of our agricultural sector is none other than feeding the 1.38 billion population of the country. Agri exports contribute 14% of the country's total exports. Potential for new opportunities in Agri and food processing and other post harvesting value addition are also the peculiarities of our agriculture sector. The outbreak of COVID-19 and the subsequent slowdown in the economy will add further pressure on agriculture and allied activities as migrant workers are moving back to their native places (Kumar, 2022). The role of the agricultural sector in the V- shaped recovery and accommodating the migrated labour is incomparable. So, the sector needs to be prioritized in the planning and budget for ensuring the sustainable growth of our economy. It was widely criticised that the Union Governments' plan of doubling the farmers' income, which was worth mentioning, got missed from the budget speech especially in the deadline year, 2022[1] . Farmers' demand for statutory guarantee of Minimum Support Price (MSP) for agriculture produce was also not mentioned.[2]

Agriculture is one among the few sectors which achieved growth in the pandemic scenario in 2021-22; a growth of 3.9% was attained by the sector i.e., 0.35% over the

***Budget 2022 seeks to envision doubling the farmers income through a multi-pronged approach centred around access to finance, access to the marketplace and access to new age technology and better farming practices related to organic farming, drone technology etc., but fails to address the ground realties of agri./farm sector.***

***Out of th total budgeted expenditure of 39.45 lakh crores, only 1.32 lakh crores kept for the farming and farmer welfare measures which accounts for 3.3% of the budget outlay***

previous year (Economic Survey, 2021-22). Coming to the production of various Agri products, we are the largest producer of milk and second in wheat. We are always positioned in the top ten producing countries of various Agri products like dry fruits, egg & poultry, fisheries etc. Above all, our sugar production surpassed our consumption for the last 10 years.

**Agriculture sector demands**

According to the economic survey, following issues are to be addressed in the budget for the growth and sustainability of the agricultural sector. Need of public investment in the capital formation of the agricultural sector is currently only 2% of the total GVA contribution of the sector whereas the private players invest 13% of the agricultural GVA of the country in the capital formation in the agricultural sector. As our country imports two third of its edible oil needs, domestic production of oil seeds will definitely reduce the cost of edible oil and also preserve the foreign exchange of the country. Alarming level of the post harvesting loss of 40% which is highest among all the countries in the world needs to be addressed. Crop residue in the agrarian states is now becoming a major problem, pollution in NCT of Delhi and neighbouring states caused by burning of crop residue, proper management of crop residue needs to be addressed at the earliest. Apart from the above pre-existing issues of irrigation and water management, marketing, welfare schemes, fertilizer subsidies and minimum support price are also to be considered.

**Allocations in the budget**

Out of the total budgeted expenditure of Rs.39.45 lakh crores, only Rs.1.32 lakh crore is kept for the farming and farmer welfare measures which accounts for 3.3% of the budget outlay. Some of the new schemes/projects visualised in the Budget are: (i) Rs.2.37 lakh crores kept for the procurement of wheat and rice was the main highlight of the budget (ii) chemical-free farming corridor on the banks of river Ganga (iii) 2023 to be celebrated as the international year of millets (iv) Branding and use of millets to be promoted (v) PPP model, collaboration in digitizing the Agri. sector (vi) adoption of KISAN drones for crop assessment and fertilizer spraying etc. The other announcement/ allocations are: Ken-Betwa River linking projects and five upcoming river linking projects for ensuring irrigation facilities, allocations made to the PM-KISAN project to the extent of Rs 68,000 crores providing cash benefits directly to the accounts of farmers, Interest Subvention scheme for interest subsidies for the farm loan etc.

The crop insurance scheme, PM- Fasal Bima Yojana, had an outlay of Rs.15,500 crores which is 3.13% less than the previous budget. Apart from the Major projects, honey and beekeeping programme, "Sweet Revolution", Digital Agriculture Programme, oil palm and oilseed production to tackle the import of edible oil and Rashtriya Krishi Vikas Yojana (RKVY), programme for the traditional agricultural production, got 10433 crores.

Financial inclusion has been enabled through multiple levels including Rs 2.37 lakh crores direct payment of MSP value to farmers, a new NABARD fund to finance start-ups for agriculture and rural enterprises, linking of bank accounts and post office accounts, financial support to promote agro forestry, Rs 45,000 Cr allocation for promoting scientific organic farming in north-east states.

There was a slight hike of 4.8 percent for the Department of Agriculture, Cooperation and Farmers' welfare whereas no hike was given in allocations to the Department of Agriculture Research and Education (Lalvani and Karnik, 2022).

**Cut downs in the budget**

Many of the farmer-friendly schemes of the Government got squeezed in the budget, the allocation for the fertilizer subsidies reduced substantially without giving enough priority to organic farming. Creation of the Farmer Producer Organization for the marketing of Agri-products was one of the highlights of the previous budget but the allocation was reduced. Market intervention schemes and price support schemes were also under-allocated. Various farmer benevolent schemes like animal husbandry, diary development and livestock disease control were also squeezed in the budget.

There is no mention of the allocation towards natural farming under PKVY, which is an important component of the government's vision to move towards sustainable and safe farming. The allocation of Rs 60 crore towards Digital Agriculture to promote use of artificial intelligence, machine learning, block chain technology, among others in promoting agricultural information systems does not include any specific targeted allocation for boosting the start-up led agri.-tech ecosystem. To conclude the total allocation to the agricultural sector remained flat and the overall share to the sector fell to 3.84% from 4.26% of the previous year .Oil palm cultivation in the southern states failed due to inappropriate planning so despite the budget allocation, proper planning in this sector is also needed.

***Many of the farmer friendly schemes of the Government got squeezed in the budget, the allocation for the fertilizer subsidies reduced substantially without giving enough priority to organic farming. Various farmer benevolent schemes like Animal Husbandry, diary development and livestock disease control are also squeezed in the budget.***

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### The silence in budget

Flagships announced in the previous budgets are not supported with aid for the completion of those projects. The income support scheme for farmers, in real terms, remained more or less same at 68,000 crores (Mundle and Sahu, 2022). Doubling farmers income in six years as announced in 2017 and in the sixth year the projects completely ruled out from the budget that the situation assessment survey found that the income increased to Rs. 10,218 in 2021 from Rs. 8,061 in 2017 and the survey also found that one out of every two farming households is indebted and the budget kept silent on both. Another programme is of one lakh crore capital investment in the agriculture sector after two years. Projects for 6,600 crores was sanctioned and 2400 crores were disbursed and the budget did not pave the way to go through. The Budget has also remained silent on agricultural marketing-related reforms and has also given up on broader agricultural reforms[3]

### Forward-looking schemes in budget

The Budget clearly indicates the government's position in setting a forward-looking agenda for agriculture. Building on the start-up and innovation initiatives of the Central government, it is perhaps the first time that the agri. budget outlines how to leverage the agri.-tech ecosystem through the PPP mode to benefit agriculture and the farmers. The introduction of Kisan Drones has the potential to allow farmers to move towards resource conservation, safe farming practices, and increased productivity. It can also enable more targeted allocation of resources based on digitised land records, crop assessment, etc. The blended capital fund to be routed through NABARD to finance start-ups engaged in agriculture and rural enterprises and to include support for FPOs, provides farm equipment on rent, and technology support will boost the uptake of technology amongst farmers.

### A way forward

The Budget 2022 has made provisions for some important changes in agriculture that will have long-term positive impact towards making agriculture more sustainable and delivering higher income to the farmers. However, there is a need to go much further in detailing the approach, realistic targets, and measurable milestones, as well as assuring an enabling policy environment to attract the right investments and participants. Apart from PM-KISAN, PM-FBY and RKVY farmers did not get anything to smile from this budget. The Budget also failed to address many of the burning problems of the farmers like Minimum Support Price, Marketing of produce, Welfare Schemes and agricultural credit. Government also failed to ensure the fulfilment of various novel projects announced in the earlier budgets. Therefore, it is high time to introduce a 'Central Farmer's Portal' which collects and provides information from the farmers regarding the implementation of various schemes announced in the budget which in turn helps the Government to examine and evaluate the outcomes of the schemes and projects visualised in the Budget.

■

(George K John is Research Scholar and Thomas Joseph Thoomkuzhy is Associate Professor, GIFT)

End Notes

[1] Shagun, 2022; Down to Earth

[2] The Hindu, 2022

[3] Pathak and Kumar, 2022; Business Line

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# The education sector wants a higher allocation of funds and a reduction in taxation

Indhu T R and U P Anilkumar

The education sector is auspicious about Union Budget 2022. The education space has altered significantly since the outbreak of the COVID-19 pandemic in 2020. In two years, the sector witnessed escalation growth driven by education technology that discard the traditional education system in the country. The education budget for 2022 has been allotted Rs 1,04,278 crore -- a rise of Rs 11,054 crore from the previous year. The education budget allocation for 2021-22 was Rs. 93,223 crores, which was reduced by 6% as compared to the year before. The education budget-focused mainly on digital education, the creation of a digital university, job creation, agricultural universities, skill development of programmers, etc. With the prolonged effect of the pandemic necessitating renewed periods of e-learning, there is a pressing need to focus on nationwide accessibility. The government has been emphasizing the setting up of the National Digital Educational Architecture (NDEAR) and is focusing on the development of the country's digital infrastructure for the implementation of the National Education Policy 2020. Nirmala Sitharaman Said in her budget speech held on February 1st That "Due to the pandemic-induced closure of schools, our children, particularly in the rural areas, and those from scheduled castes and scheduled tribes, and other weaker sections, have lost almost two years of formal education," And the need to impart supplementary teaching and to build a resilient mechanism for education delivery is essential and the government's efforts through the Union Budget 2022 can play a significant role in this regard.

Highlights of the Union Budget for the Education are categorized under school education and Higher education

### School education

One class-one TV channel program of PM e-VIDYA will be expanded from 12 to 200 TV Channels. High-quality e-content in all spoken languages will be developed for delivery via the internet, mobile phones, TV, and radio through

***One class-one TV channel program of PM e-VIDYA will be expanded from 12 to 200 TV Channels.***

***Establish a digital university for providing access to students across the country to world-class quality universal education with a personalized learning experience.***

digital teachers. The expansion of the PM e-VIDYA Programme will help to ensure all children especially those from marginalized sections such as SC/ST and rural areas also have educational content to supplement and bridge the learning gaps induced by the pandemic and too in their regional languages. A big issue that many experts have highlighted is the learning gap accentuated by the pandemic. To address this, specific measures include long-term ones such as enhancing digital infrastructure, etc.

**Higher education**

The government is going to establish a digital university "to provide access to students across the country to world-class quality universal education, with the personalized learning experience, Agricultural Universities will revise syllabi to meet the needs of modern-day farming. Allocation for world-class institutions increased to INR 1700 crore for the year 22-23. The establishment of digital varsity, centres of excellence for urban planning and upgrade of syllabi of agriculture universities are all steps in the right direction. However, a big missing piece is the lack of an announcement on financing research.

**Taxation in education sector**

There is no deduction available for health &education cess forming part of tax liability and application of income is allowed only on actual payment, not on an accrual basis irrespective of the accounting method followed. Rationalization of compliances for educational institutions including accumulation, payments to specified persons, return filing, and taxes on accreted income. Educational institutions including schools, colleges and universities operating with various service level arrangements with related parties will be under heavier scrutiny due to the introduction of specific penalties on such related party transactions where the undue benefit is derived.

**Skill development**

Skilling programs and partnerships with the industry will be reoriented to promote continuous skilling avenues, sustainability and employability. Digital Ecosystem for Skilling and Livelihood - the DESH-Stack e-portal will be launched. DESH stands for Digital Ecosystem for Skilling and Livelihood. This portal will be launched for empowering citizens to skill, upskill or re-skill through online training. Start-up will be promoted to facilitate Drone Shakti through varied applications and for Drone As-A-Service. As part of the Union Budget, Finance Minister Nirmala Sitharaman had said that the government would encourage start-ups to facilitate drone-as-a-service. Drone-as-a-service enables enterprises to avail of various services from drone companies. This removes the need for them to invest their own money in drone hardware and software, pilots, and pilot training programmes. (DrAAS)National Apprenticeship Promotion Scheme (NAPS)has been allocated a sum of INR 170 crore in 2022-23.

Overall, there are some laudable initiatives especially the big push for digitalisation across the school, skill development and higher education, and an increased budget allocation across various initiatives. However, what is missing is the implementation plan for the NEP, adequate funding across the sectors to counter the impact of the pandemic, and thrust on research measures to bridge the learning gaps due to pandemics which are crucial for the development of the sector.

**Building education infrastructure**

The education budget for children seems to have missed an opportunity to reverse the negative impact of the pandemic on children. While the budget proposal assures scaling up the 'One Class, One Channel' initiative under the Pradhan Mantri e-VIDYA initiative, it is not clear whether there will be enough resource provisions to match the promise.

To realize the vision of PM e-VIDYA, the government should have ensured that every child has access to a television set or other electronic/digital device in the household. While the Bharat Net Scheme to bridge the digital infrastructure divide, especially in rural areas, is expected to get completed by 2025, children mustn't lose out on learning in the interim years.

NEP 2020 has proposed the integration of an online/hybrid model in higher education. Online and hybrid learning models have been widespread during and will continue to be so post-pandemic. However, slow network connections affect its effectiveness. Additionally, data charges are becoming costlier. The government must look at ways and means of providing access to a high-speed internet connection to everyone at a reasonable rate.

Last year's Budget allocation was Rs. 93,223 crores, a decline of 6 percent over the previous year's budget. With the pandemic situation improving, the hope is that the government increases its spending on the education sector. The last two years have severely impacted both institutions and students when teaching and learning went online and many of them lacked access to technology infrastructure, connectivity, and computers.

The blended form of education has become an integral part of pedagogy at higher education institutes and will continue to coexist with the traditional classroom in the future. The government can provide a kind of 'Technology Infrastructure Advancement' fund

***There is no deduction available for health &education cess forming part of tax liability and application of income is allowed only on actual payment, not on an accrual basis.***

***Digital Ecosystem for Skilling and Livelihood -the DESH-Stack e-portal will be launched.***

allocation to higher education institutions that will enable institutes to invest in the latest technology tools, software, and high-speed connectivity that will enable them to deliver a seamless high-quality learning experience to their students. In addition, they can support students with laptops at affordable costs.

The government can design a scheme for moderate and accessible student loans which will allow parents and students to fulfill their higher education aspirations. The most important aspect of this scheme would be the ease of accessibility, disbursement, and repayment terms which will support students from the lesser privileged strata and the remotest parts of the country to benefit from this scheme. This step will encourage parents who have been hit hard by the economic slowdown to support the educational choices of their children. The institutions will benefit by getting a talented and diverse student body into their classrooms.

The government can create a fund and mechanism to award research grants to higher education institutions to advance their research agenda. The NEP 2020 has a clear mandate for creating a culture of research at higher educational institutes in the country. Under the aegis of the National Research Foundation, the Government can work out a mechanism for the allocation of research grants to higher education institutions based on a rigorous, action-oriented, competitive process and requirements. This has the potential to become a game-changer and an accelerator of sorts for knowledge creation in India. More investment in India's education sector is critical to remain competitive globally.

■

(Indhu T R is Research Scholar and U P Anilkumar is Research Associate, GIFT)

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# Union budget 2022 and Indian healthcare sector

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Union Budget 2022 is the second budget after the spread of the Covid-19 pandemic. India has already faced two waves of Covid-19 in September 2020 and May 2021 and is currently facing the third wave with the Omicron variant. Chapter 10 of Economic Survey 2021-22, "Social Infrastructure and Employment", discusses the performance of the education, health, and employment sector and its struggle in the wake of the Covid-19 pandemic. The Survey praises the vaccination programme India conducted for its population as one of the world's largest vaccination programs. Being the second-largest populous country globally, India has ensured free vaccines to its population and supported the production of COVID vaccines domestically. Union Budget for 2021-22 - the first budget during the pandemic had allocated Rs. 35,000 crores for the procurement of vaccines. With these, 93 per cent of 18 year and above persons have been vaccinated with the first dose and about 70 per cent with the second dose (Economic Survey, 2021-22; p. 343.).

The Covid-19 pandemic exposed the low levels of public spending on health and health infrastructure as well as some key challenges that hinder better progress in health outcomes. The State Finance Account, RBI, and the Fifteenth Finance Commission have highlighted the burden of out-of-pocket spending (60 per cent of total health expenditure) and suggested that the combined spending of both the Centre and state government on health should rise to 2.5 per cent of the GDP as envisaged in the National Health Policy, 2017. Thus, this budget is significant in this perspective and has a higher responsibility to map the public health expenditure of the country.

This article discusses how the Union Government, through its budget 2022-23, has approached the health system during the pandemic; whether the government identified the fault lines in the healthcare sector which was unmasked by the pandemic; and whether the budgetary allocations are sufficient to meet the healthcare expenditures.

## Provisions in the union budget 2022 and healthcare

The government announced the following major schemes for the healthcare sector.

1. The pandemic had accentuated the

mental health problems in people of all ages. Hence, the government announced a plan to set up a National Tele-Mental Health programme in India. The Minister announced that 23 tele-mental health centres would be launched with the National Institute of Mental Health and Neuro Sciences (NIMHANS) as the nodal centre, and IIT Bangalore will provide the technical support for the mental health programme.

2. The finance minister announced that '*Ayushman Bharat* Digital Mission' - an open platform for the national digital health ecosystem - would be rolled out with an allocation of Rs 200 crore. It would consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities. The objective is to develop a repository of verified hospitals, clinics, doctors, physicians, nurses, and pharmacies. This is expected to revolutionise India's health ecosystem.

3. 95 per cent of 112 aspirational districts had made significant progress in health and other parameters, and those efforts would now be made to work on districts that were lagging.

4. Integrated architecture: Mission *Shakti,* Mission *Vatsalya, Saksham Anganwadi,* and POSHAN 2.0 to be launched. These are the umbrella Schemes of the Ministry of Women and Child Development. Mission Shakti envisages unified citizen-centric lifecycle support for women through safety and security and empowerment of women. While the objective of Mission *Vatsalya* is for the development of children. Mission POSHAN 2.0 is an Integrated Nutrition Support Programme. It seeks to address the challenges of malnutrition in children, adolescent girls, pregnant women and lactating mothers through a strategic shift in nutrition content and delivery and by the creation of a convergent ecosystem to develop and promote practices that nurture health, wellness and immunity.

5. Two lakh *Anganwadis* to be upgraded to *Saksham Anganwadis.* These are new generation *Anganwadis* with better infrastructure, and audio-visual aids provide an improved environment for early childhood development. It comes under the umbrella scheme of *Saksham Anganwadi* and POSHAN 2.0. The scheme includes Umbrella ICDS - *Anganwadi* Services, *Poshan Abhiyaan,* Scheme for Adolescent Girls, and National Creche Scheme.

The total allocations to the healthcare sector are represented in Table 1. It reveals that total allocation to the health sector in 2022-23(BE) has declined 6.1% over 2021-22 (BE). This comes after a 137 per cent increase in the expenditure on health and wellbeing in the previous Union Budget. This decline is mainly due to the decline in vaccination allocation (85.7%). Apart from the Ministry of *AYUSH*, other ministries increased the budgetary allocation by more than 10% compared to 2021-22(BE). However, the relevant period to compare whether budgetary allocation in 2022-23 increased or not is 2021-22 (RE), not 2021-22(BE). This is because the revised expenditure shows how much expenditure is required to strengthen and modernise the healthcare sector. The RE figures for the 2021-22 budget show the demand for expenditure. Thus, the government was expected to spend more on top of the revised expenditure in 2021-22. The healthcare sector needs a continuous increase in allocation, not a one-off rise in budgetary provision. Thus, we compare the Union government's budgetary allocation in 2022-23(BE) over 2021-22(RE).

This comparison gives a depressing picture of the Union government's priorities. The total health expenditure in 2022-23(BE) is 9.6 per cent below the expenditure incurred in 2021-22(RE). This is primarily due to less budgetary provision for vaccination which declined by 87.2 per cent. The nominal allocation towards vaccination is a matter of concern since there was a risk of a third wave because different coronavirus variants emerged every other day. While Rs 5,000 crore was earmarked for Covid vaccination support to states in 2022-23, 2021-22's Revised Estimate shows a spend of Rs 39,000 crore on the vaccination drive that has covered over 75 per cent of the adult population since its launch. The argument behind this drop in allocation for vaccination is that the government feels that adequate jabs have been administered. On the eve of new covid variants, India opts for booster doses or doses against new variants. It is essential to have a well-thought-out policy to ensure vaccines are available free of cost and accessible through the public health

**Table 1.** Allocation for healthcare sector (in crore)

| Department | Actuals 2020-21 | 2021-22 (BE) | 2021-22 (RE) | 2022-23 (BE) | FY 23BE over FY22BE (%) | FY23BE over FY22RE (%) |
|---|---|---|---|---|---|---|
| Department of health and family welfare | 77569.33 | 71268.77 | 82920.65 | 83000 | 16.5 | 0.1 |
| Department of health research | 3124.59 | 2663 | 3080 | 3200.65 | 20.2 | 3.9 |
| Ministry of AYUSH | 2126.46 | 2970.3 | 2664.42 | 3050 | 2.7 | 14.5 |
| Vaccination | | 35000 | 39000 | 5000 | -85.7 | -87.2 |
| Department of drinking water and sanitation | 15967.3 | 60030.45 | 51036.9 | 67221.12 | 12.0 | 31.7 |
| Total | 98787.68 | 171932.52 | 178701.97 | 161471.77 | -6.1 | -9.6 |

*Source* : Union budget 2022 - 23

system. Thus, it was expected that the government should have made provisions for completing the second dose for all eligible citizens of the country and booster doses for everyone.

A ministry-wise analysis of budgetary allocations reveals that the allocation for health and family welfare and health research was up marginally by 0.1 and 3.9 per cent, respectively, over 2021-22 (RE). These budgetary provisions are less than 2021-22(BE) adjusting for inflation. Though this can be seen as an initiative from the government to boost the healthcare sector in nominal terms, it is not sufficient to recover the country's health challenges amid this pandemic.

Allocation towards the department of drinking water and sanitation rose by 31.7 per cent in 2022-23(BE) compared to 2021-22(RE) and 12 per cent compared to 2021-22(RE). The apparent massive increase of 31.7 per cent is because the actual spending was less than the budgeted expenditure of Rs 60030 crores. Irrespective of the quantum of increase, the budgetary allocations in 2022-23 show the government's commitment to improving the country's drinking water and sanitation infrastructure.

Decomposition of allocation towards health and family welfare departments reveals that three health items have significantly increased, namely National Health Mission, *Pardhan Mantri Swasthya Suraksha Yojana*, and health infrastructure. There has been an increase of over 7 per cent in the allocation towards the National Health Mission in 2022-23(BE) over 2021-22(RE). But the budgetary allocation saw an increase of 1 per cent from 2021-22(BE). *Pradhan Mantri Swasthya Suraksha Yojana* has also seen an allocation increase from Rs 7,400 crore to Rs 10,000 crore (35.15 per cent change over 2021-22(RE) and 43 per cent change when compared with the 2021-22(BE)). The health infrastructure mission, too, has seen its budget go up from Rs 315 crore to Rs 978 crore (210.5 per cent). However, this astronomical increase is for the setting up of AIIMS and upgradation of government medical colleges, not for other development expenditures. The capital expenditure is, of course, welcome, but not at the cost of development expenditure and the welfare of the people.

Moving on to the food and nutrition, the budget allocation for school midday meals, renamed as PM-POSHAN, has declined by 11 per cent. There has been a negligible increase in the newly renamed POSHAN 2.0 for pre-school children. In FY22BE, the corpus of *Prarambhik Shiksha Kosh* (PSK) is kept at Rs 10000 crores in the scheme of PM-POSHAN. With this additional allocation of 10000 crores towards POSHAN, it is also uncertain how two lakh Anganwadis will be upgraded with better infrastructure and audio-visual aids, powered by clean energy, but with the reduced midday meal. In the previous 2021-22 budget, 5 KG of free food grain was provided to 80 crore Indians under the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY). But the food subsidy budget has now been reduced by a third, which clearly indicates that despite 870 lakh tons of food grains overflowing in granaries, the government does not anticipate extending the PMGKAY or using the public distribution system as a weapon to alleviate hunger.

**Disappointing health budget**

Despite the lessons learned from the pandemic, the Union Budget 2022-23 did not significantly increase allocation toward the healthcare sector. The Budget has given importance to specific areas within health like tele-counselling and mental health. There is no doubt that these announcements are vital in the pandemic period. But it is equally important to spend a lot more on the health workforce and primary healthcare. The budget lacks investment in the workforce and in strengthening the district hospitals. Even in the tele-counselling, adding to the existing digital gap and confidentiality, the shortage of mental health professionals in rural areas is the biggest threat. The budget has given priority to mental health, but that too is only restricted to tele-counselling. The budget should have made investment in the prevention and treatment of diseases instead of creating the digital health register. The Fifteenth Finance Commission has also emphasized the absence of an inadequate workforce in urban healthcare and the importance of strengthening the primary health centre.

A reading of the budget announcements indicates that the emphasis was given to critical and tertiary care. This would have been supplemented by a concomitant increase in primary healthcare allocations, whose importance was brought out by Covid-19. The government's budgetary provisions do not reflect the priority for healthcare that it deserves considering the current economic and social desolation. Years of negligence in the health sector led to such devastation in the last two years when the pandemic hit the nation. Building a resilient health system that minimizes the damages in the event of virus outbreaks should have been the utmost priority. The government should have focused more on Primary Health Centre (PHCs) and looked the healthcare as a priority sector.

Investments in health are highly important in a country like India, where health expenditure is the number one reason for families to go into poverty. Performance-wise, the current budget is highly disappointing. Through this budget, the government is signalling that Covid is no longer a threat to the 'people's health. The low priority toward the health sector in the union budget shows that for a country like India, the universal healthcare and the government's target of public health expenditure of 2.5 per cent of GDP (as envisaged in the National Health Policy, 2017) seems a distant dream. The reality is that while the union government's target is ambitious, the allocations in the budgets over the years do not come close to the targets.

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# Amendments in CGST act 2017 by union finance act 2022

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Sections 100 to 114 of the Union Finance Act 2022 (*hereafter mentioned as FA22*) depict the amendments in the Central Goods and Services Tax Act 2017 (*hereafter mentioned as CGST*). These amendments though passed by the parliament and received the assent of the President of India shall come into force only on such date as the Central Government may by notification in the official Gazette appoint. All the amendments of CGST made in the FA22 were proposed, discussed and recommended by the constitutional body - GST council. As GST is dual in nature, simultaneous amendments are to be made in State Goods and Services Tax Act 2017(*hereafter mentioned as CGST*) in the respective state's legislature through the State Finance Act 2022.

The CGST amendments are made in the areas of input tax credit, registration, debit and credit notes, outward supplies and inward supply, leavy of late fee, interest, penalty and refund of Tax. This article focuses on the tax officials, officials of state governments and local self-government, tax and legal professionals, taxpayers and students by familiarising them with the **latest amendments in CGST with supporting notes.**

**1. Section 16 - Eligibility and conditions for taking input tax credit (Section 100 of the FA22)**

**Amendment**

In the Central Goods and Services Tax Act, 2017 in section 16,

**(a)** in sub-section (2)

**(i)** after clause (b), the following clause shall be inserted, namely:

**"(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;";**

**(ii)** in clause (c), the words, figures and letter "or section 43A" shall be omitted;

(b) in sub-section (4), for the words and figures **"due date of furnishing of the return under section 39 for the month of September",** the words **"thirtieth day of November"** shall be substituted.

**Note**

**(a) (i)** A new clause (ba) to sub-section

(2) of section 16 of the CGST Act is being inserted to provide that input tax credit with respect to a supply can be availed only if such credit has **not been restricted in the details communicated to the taxpayer** under section 38 *(Furnishing details of inward supply).*

**(ii)** Section 43A *(Procedure for furnishing return and availing input tax credit)* which was inserted as per section 8 of CGST (Amendment) Act 2018 but not yet notified is omitted by the amendment

**(b)** Sub-section (4) of section 16 of the CGST Act is being amended so as to provide for an extended time for availing input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year up to **thirtieth day of November** of the following financial year.

**2. Section 29 Cancellation or suspension of Registration (Section 101 of the FA22)**

**Amendment**

**In section 29** of the Central Goods and Services Tax Act, in sub-section (2), -

(a) in clause (b), for the words **"returns for three consecutive tax periods",** the words **"the return for a financial year beyond three months from the due date of furnishing the said return"** shall be substituted;

(b) in clause (c), for the words ***"a continuous period of six months", the words "such continuous tax period as may be prescribed"*** shall be substituted.

**Note**

Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where -

(i) a person paying tax under section 10 *(Composition dealer)* has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return;

(ii) a person, other than those paying tax under section 10, has not furnished returns for such continuous tax period as may be prescribed.

**3. Section 34 Credit and Debit Notes (Section 102 of the FA22)**

**Amendment**

**In section 34** of the Central Goods and Services Tax Act, in sub-section (2), for the word **"September",** the words **"the thirtieth day of November"** shall be substituted.

**Note**

Sub-section (2) of section 34 of the CGST Act is being amended so as to provide for an extended time for issuance of credit notes in respect of any supply made in a financial year up to thirtieth day of November of the following financial year

**4. Section 37 - Furnishing details of outward supplies**

**(Section 103 of the FA22)**

## Amendment

**In section 37** of the Central Goods and Services Tax Act,

**(a)** in sub-section (1),

(i) after the words **"shall furnish, electronically,"**, the words **"subject to such conditions and restrictions and"** shall be inserted;

(ii) for the words **"shall be communicated to the recipient of the said supplies within such time and in such manner as may be prescribed",** the words **"shall, subject to such conditions and restrictions, within such time and in such manner as may be prescribed, be communicated to the recipient of the said supplies"** shall be substituted;

(iii) the first proviso shall be omitted;

(iv) in the second proviso, for the words "Provided further that", the words "Provided that" shall be substituted;

(v) in the third proviso, for the words **"Provided also that",** the words **"Provided further that"** shall be substituted;

(b) sub-section (2) shall be omitted;

(c) in sub-section (3), --

(i) the words and figures "and which have remained unmatched under section 42 or section 43" shall be omitted;

(ii) in the first proviso, for the words and figures "furnishing of the return under section 39 for the month of September", the words "the thirtieth day of November" shall be substituted;

(d) after sub-section (3), the following sub-section shall be inserted, namely: -

**"(4) A registered person shall not be allowed to furnish the details of outward supplies under sub-section (1) for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him:**

**Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies under sub-section (1), even if he has not furnished the details of outward supplies for one or more previous tax periods".**

## Note

**Section 37** of the CGST Act is being amended so as to:

**(i)** provide for prescribing conditions and restrictions for furnishing the details of outward supply and for communication of the details of such outward supplies to concerned recipients;

**(ii)** do away with two-way communication process between supplier and recipient in return filing;

**(iii)** provide for an extended time unto thirtieth day of November of the following financial year for rectification of errors in respect of details of outward supplies;

**(iv)** provide for tax period-wise sequential filing of details of outward supplies.

**5. Section 38 - Furnishing details of inward supply (Section 104 of the FA22)**

**Amendment**

**For section 38** of the Central Goods and Services Tax Act, the following section shall be substituted, namely:

**"38. (1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.**

**(2) The auto-generated statement under sub-section (1) shall consist of--**

**(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and**

**(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37, --**

**(i) by any registered person within such period of taking registration as may be prescribed; or**

**(ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or**

**(iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or**

**(iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or**

**(v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or**

**(vi) by such other class of persons as may be prescribed."**

**Note**

Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement and to do away with two-way communication process in return filing.

**6. Section 39 - Furnishing of Returns**

**(Section 105 of the FA22)**

**Amendment**

**In section 39** of the Central Goods and Services Tax Act, -

(a) in sub-section (5), for the word **"twenty",** the word **"thirteen"** shall be substituted;

(b) in sub-section (7), for the first proviso, the following proviso shall be substituted, namely: --

**"Provided that every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, in such form and manner, and within such time, as may be prescribed, -**

**(a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month; or**

**(b) in lieu of the amount referred to in clause (a), an amount determined in such manner and subject to such conditions and restrictions as may be prescribed";**

(c) in sub-section (9), --

(i) for the words and figures **"Subject to the provisions of sections 37 and 38, if",** the word **"Where"** shall be substituted;

(ii) in the proviso, for the words **"the due date for furnishing of return for the month of September or second quarter",** the words **"the thirtieth day of November"** shall be substituted;

(d) in sub-section (10), for the words "**has not been furnished by him",** the following shall be substituted, namely: --

**"Or the details of outward supplies under sub-section (1) of section 37 for the said tax period has not been furnished by him:**

**Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies under sub-section (1) of section 37 for the said tax period.".**

**Note**

**Section 39 of the CGST Act** is being amended so as to:

**(i)** provide that the non-resident taxable person shall furnish the return for a month by thirteenth day of the following month;

**(ii)** provide an option to the persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed;

**(iii)** provide for an extended time up to thirtieth day of November of the following financial year, for rectification of errors in the return furnished under section 39;

**(iv)** provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.

**7. Section 41 - Claim of Input tax credit and provisional acceptance therefore**

**(Section 106 of the FA22)**

**Amendment**

**For section 41** of the Central Goods and Services Tax Act, the following section shall be substituted, namely: --

**"41. (1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.**

**(2) The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed:**

**Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.".**

**Note**

**Section 41** of the CGST Act is being substituted so as to do away with the concept of "claim" of eligible input tax credit on a "provisional" basis and to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed.

**8. Section 42 - Matching, reversal and reclaim of input tax credit; Section 43 - Matching, reversal and reclaim of reduction in output tax liability; Section 43A - Procedure for furnishing return and availing input tax credit**

**(Section 107 of the FA22)**

**Amendment**

Sections 42, 43 and 43A of the Central Goods and Services Tax Act shall be omitted.

**Note**

Sections 42, 43 and 43A of the CGST Act are being omitted so as to do away with two-way communication process in return filing.

**9. Section 47 Levy of late fee (Section 108 of the FA22)**

**Amendment**

In section 47 of the Central Goods and Services Tax Act, in sub-section (1), --

(a) the words "**or inward"** shall be omitted;

(b) the words and figures **"or section 38"** shall be omitted;

(c) after the words and figures **"section 39 or section 45",** the words and figures **"or section 52"** shall be inserted.

**Note**

Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of return under section 52 (Collection of Tax at Source). Further, reference to section 38 is being removed consequent to the amendment in section 38 of the CGST Act

**10. Section 48 - Goods and Services Tax Practitioners (Section 109 of the FA22)**

**Amendment**

In section 48 of the Central Goods and Services Tax Act, in sub-section (2), the words and figures **", the details of inward supplies under section 38"** shall be omitted.

**Note**

Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 48 of the CGST Act is being amended so as to remove reference to section 38 therefrom

**11. Section 49 – Payment of tax, interest. penalty and other amounts (Section 110 of the FA22)**

**Amendment**

**In section 49** of the Central Goods and Services Tax Act, --

**(a)** in sub-section (2), the words, figures and letter **"or section 43A"** shall be omitted;

**(b)** in sub-section (4), after the words **"subject to such conditions",** the words **"and restrictions"** shall be inserted;

**(c)** for sub-section (10), the following sub-section shall be substituted, namely: -

**"(10) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for, -**

**(a) integrated tax, central tax, State tax, Union territory tax or cess; or**

**(b) integrated tax or central tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25,**

**in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act:**

**Provided that no such transfer under clause (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register.";**

**(d) after sub-section (11), the following sub-section shall be inserted, namely: -**

**"(12) Notwithstanding anything contained in this Act, the Government may, on the recommendations of the Council, subject to such conditions and restrictions, specify such maximum proportion of output tax liability under**

**this Act or under the Integrated Goods and Services Tax Act, 2017 which may be discharged through the electronic credit ledger by a registered person or a class of registered persons, as may be prescribed.".**

**Note**

Section 49 of the CGST Act is being amended so as to:

**(i)** provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger;

**(ii)** allow transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person;

**(iii)** provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger

**12. Section 50 - Interest on delayed payment of tax (Section 111 of the FA22)**

**Amendment**

**In section 50** of the Central Goods and Services Tax Act, for sub-section (3), the following sub-section shall be substituted and shall be deemed to have been substituted with effect from the 1st day of July, 2017, namely: -

**"(3) Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding twenty-four per cent. as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.".**

**Note**

Sub-section (3) of section 50 of the CGST Act is being substituted retrospectively, with effect from the 1st July, 2017, so as to provide for levy of interest on input tax credit wrongly availed and utilized

**13. Section 52 - Collection of Tax at Source (Section 112 of the FA22)**

**Amendment**

**In section 52** of the Central Goods and Services Tax Act, in sub-section (6), in the proviso, for the words **"due date for furnishing of statement for the month of September",** the words **"thirtieth day of November"** shall be substituted.

**Note**

Sub-section (6) of section 52 of the CGST Act is being amended so as to provide for an extended time up to thirtieth day of November of the following financial year for rectification of errors in the statement furnished under subsection (4)

**14. Section 54 - Refund of Tax (Section 113 of the FA22)**

**Amendment**

**In section 54** of the Central Goods and Services Tax Act, --

(a) in sub-section (1), in the proviso, for the words and figures **"the return furnished under section 39 in such",** the words **"such form and"** shall be substituted;

(b) in sub-section (2), for the words **"six months",** the words **"two years"** shall be substituted;

(c) in sub-section (10), the words, brackets and figure **"under sub-section (3)"** shall be omitted;

(d) in the Explanation, in clause (2), after sub-clause (b), the following sub-clause shall be inserted, namely:

**"(ba) in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, the due date for furnishing of return under section 39 in respect of such supplies;".**

**<u>Note</u>**

Section 54 of the CGST Act is being amended so as to:

(i) explicitly provide that refund claim of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed;

(ii) provide the time limit for claiming refund of tax paid on inward supplies of goods or services or both under section 55 as two years from the last day of the quarter in which the said supply was received;

(iii) extend the scope of withholding of or recovery from refunds in respect of all types of refund;

(iv) provide clarity regarding the relevant date for filing refund claim in respect of supplies made to a Special Economic Zone developer or a Special Economic Zone unit by way of insertion of a new sub-clause (ba) in clause (2) of Explanation thereto

**<u>15. 15.Section 168 - Power to issue instructions and directions (Section 114 of the FA22)</u>**

**<u>Amendment</u>**

**In section 168** of the Central Goods and Services Tax Act, in sub-section (2), the words, brackets and figures **"sub-section (2) of section 38,"** shall be omitted.

**<u>Note</u>**

Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 168 of the CGST Act is being amended so as to remove reference to section 38 therefrom.

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(The author is Associate Professor, GIFT)

References

1. Union Finance Act 2022
2. Central Goods & Service Tax Act 2017

**GST updates**

Relfi Paul

# GST collection hits all-time high in March, 2022, monthly average of the last quarter increased to Rs. 1.38 lakh crore

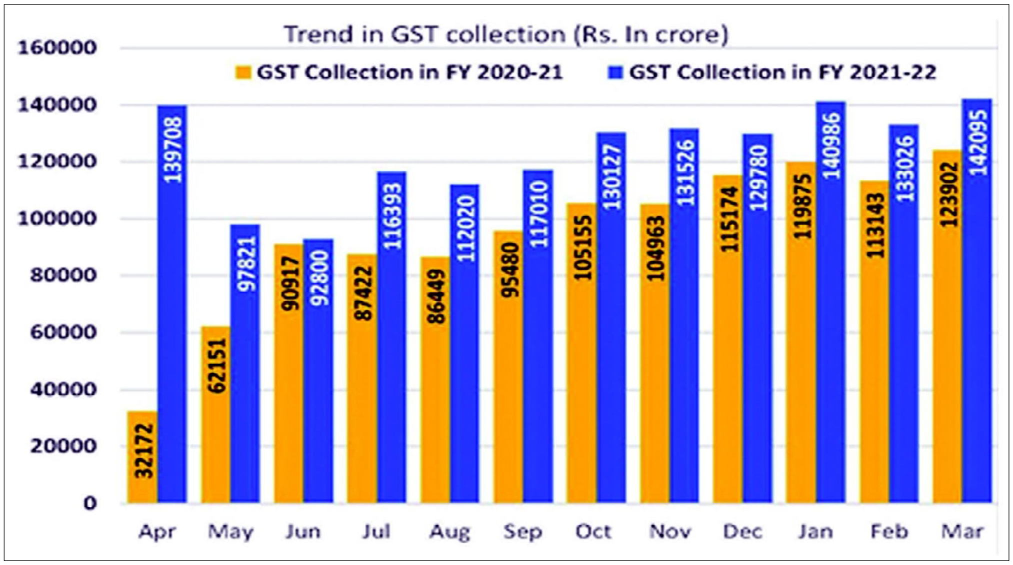
GST Revenue collection for the month of March 2022 is the highest ever at Rs 1.42 lakh crore, it was Rs.1.40 lakh crore in January 2022 and Rs. 1.33 lakh crore in February 2022.The average monthly gross GST collection for the quarter ending March 2022 has also increased to Rs.1.38 lakh crore against the average of Rs.1.10 lakh crore, Rs.1.15 lakh crore and Rs.1.30 lakh crore in the first, second and third quarters respectively.

The gross GST revenue collected in the month of March 2022 is Rs. 1,42,095 crore which is an all time high, breaching the earlier record of Rs. 1,40,986 crore collected in January 2022. The revenues for the month of March 2022 are 15% higher than the GST revenues in the same month last year and 46% higher than the GST revenues in March 2020. During the month of March 2022, revenues from import of goods were 25% higher and the revenues from domestic transactions (including import of services) were 11% higher than the revenues from these sources during the same month last year. Total number of e-way bills generated in the month of February 2022 is 6.91 crore as compared to e-way bills generated in the month of January 2022 (6.88 crore) despite being a shorter month, which indicates recovery of business activity at faster pace.

The chart below (Figure 1) shows trends in monthly gross GST revenues during the financial year 2020-21 and 2021-22.

In 2021-22, total GST collections reached Rs.14.76 lakh crores. Out of this, CGST & Cess accounted for Rs.3.68 lakh crores, SGST was Rs. 3.44 lakh crores, IGST was Rs. 3.85 lakh crores and IGST on imports at Rs.3.79 lakh crores. This is a clear indication of the ongoing economic recovery. Coupled with economic recovery, anti-evasion activities, especially action against fake billers also contributed to the enhanced GST collections. The improvement in revenue has also been due to various rate rationalization measures undertaken by the GST Council to correct inverted duty structure.

**Figure 1:** Trends in monthly gross GST revenues during the financial year 2020-21 and 2021-22:




*Source: PIB Press Release, dated 01.04.2022*

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# GST compensation released to states in 2021-22

As per the GST (Compensation to States) Act, 2017, the States are being compensated for any shortfall against their protected revenue till June 2022. But the Covid-19 pandemic has broken all expectations, significantly reduced the GST revenue collection, which leads to huge compensation requirements of States. It was estimated that Rs. 2.59 lakh crore will be required in 2021-22 to manage compensation requirements of States of which only Rs. 1 lakh crore can be expected from compensation cess fund. Thus, the compensation cess fund is inadequate to meet the compensation requirements and the Government needs to find funds from other sources. In this context, deliberate discussions were conducted in the 43rd GST Council meeting and the Government has finally agreed to borrow Rs. 1.59 lakh crore from the market for managing compensation requirements.

In the financial year 2021-22, the Government has released Rs. 2,55,576 crore to the States as GST Compensation. This amount includes Rs. 96,576 crore collected from Compensation cess fund and Rs.1.59 crore from loans.

The 45th GST Council decided to extend the Compensation cess till March 2026, exclusively to repay the back-to-back loans taken so far to manage the compensation requirements. It is also significant to note that there is no compensation to States beyond June 2022, even though most of the states have requested for extension. Kerala has relied more on GST compensation grants to achieve the guaranteed SGST revenue level. So far Kerala has received Rs. 20,808 crore as GST compensation grant. In 2020-21, the state has received Rs 12,487 crore from this account. As per the revised estimates, in 2021-22, Kerala is estimated to receive Rs 11,830 crore, which is about 20% of State's Own Tax Revenue (SOTR). Hence, if the Centre Government is not extending GST Compensation beyond June 2022, then Kerala will have a shortfall of Rs 9,000 crore for the remaining nine months.

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# GST in Kerala budget 2022 -23

The key focus areas of the first full budget speech of Shri K.N Balagopal appears to be on curbing tax evasion, thereby, increasing tax revenues to the State. It also focuses on improving the efficiency of the GST Department.

## Policy highlights

- State GST department to be restructured with separate wings for taxpayer services, audit, enforcement and intelligence.
- Taxpayers to pay an additional 1% court fee for GST appeals under the jurisdiction of the State GST authorities, rationalised by fixing a cap for such fee—note that taxpayers are not required to pay such additional court fee for GST appeals under the jurisdiction of the CGST authorities.
- E-offices will be implemented for tracking action taken on representations made by taxpayers. This would aid paperless offices and internet-based file movements.
- A GST Appellate Tribunal with headquarters at Thiruvananthapuram is expected to start functioning this year.

## Measures to curb tax evasion

- Increased scrutiny of returns: The allocation of more State tax officers to GST-related activities will lead to greater scrutiny of GST returns.
- Data analytics: The Government plans to utilise sectoral data and data from various sources generated from data analytics to investigate potential evasions of tax.
- Automatic number plate reading system: Installation of most modern surveillance cameras to detect tax evasion; enforcement vehicles and the inspecting officers to be equipped with cameras to ensure transparency and efficiency in surveillance.
- Mobile Apps: State GST officers are equipped with mobile applications to verify the authenticity of GST registrations and to collect data on taxpayers who have not obtained registrations.

- Vehicle checking: 24x7 vehicle checking strengthened by surveillance squads.
- Review mechanism: There would be strengthening of the review mechanism under GST to help in the assessment of correct taxes.

## Budget estimates

As per revised estimates for 2021-22, the State Goods and Services Tax (SGST) revenue is estimated to be Rs. 24351 crore which is 34% lower than the budget estimate. In 2022-23, the estimated SGST is Rs. 36818 crore which is the largest source of SOTR (50%). As per the revised estimates, the state is estimated to receive Rs 11,830 crore as GST compensation, out of which Rs 8,739 crore is a back-to-back loan in-lieu of GST compensation. In 2022-23, Rs 5,273 crore is the estimated GST compensation grants to be received by the state. The Finance Minister, K.N Balagopal explained that the revenue to be included in the budget estimates will factor in the GST compensation also. All States in the GST Council have demanded that the compensation should be continued. The Centre should find a way out, if it is not continuing with the compensation. All most all the States are standing firm on this demand. We will receive the compensation till June 2022. After that, if the Government is not extending, Kerala might see a decline in the level of revenue receipts.

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# Union budget 2022 -23: Proposed amendments in the GST law

Union Budget 2022 proposed certain amendments to the CGST Act. Most of the amendments have been made in the provisions regarding filing of GST returns, availing of input tax credit, GST refund, payment of tax, issue of credit notes, levy of interest, and GST registration. The deadline for amendment, correction, or uploading of missed sales invoices or notes or for claiming missed input tax credit is now 30th November 2022 of the following year, instead of 30th September 2022. The proposed major amendments are briefly discussed below:

Section 29 of the CGST Act was amended for the cancellation of a GSTIN by an officer. If a composition taxpayer fails to file an annual return for three months beyond the 30th April deadline of the following year, their registration can get cancelled. For other taxpayers, a six months consecutive default in return filing is now replaced with a consecutive tax period default as may be prescribed.

In Section 37, a new sub-section states that taxpayers will be disallowed from furnishing their details of outward supplies for a tax period if the same is pending for any previous tax period. In keeping with this logic, Section 39 too has been amended to disallow taxpayers from filing their return under Section 39 if their return under Section 37 remains pending. Section 38, governing the furnishing of inward supplies, stands amended to remove reference of the erstwhile GSTR-2, to be now replaced with GSTR-2A and 2B. The section is now named 'Communication of details of inward supplies and input tax credit'.

For non-resident taxpayers under GST, the due date to file GSTR-5 is revised from the 20th of the succeeding month to the 13th. Further, Sections 42, 43, and 43A pertaining to the matching and reversal of tax credits stand removed. The changes in the GST law will apply once notified by the CBIC.

The GST reforms in this budget are an indication of tighter laws to come, especially governing return filing and input tax credit. The year 2022 has already seen two major amendments to the GST law, effective 1st January 2022. Section 16(2)(aa) was introduced to allow taxpayers to claim input tax credit only if their vendors upload a particular invoice or debit note in their corresponding GSTR-1 or Invoice Furnishing Facility (IFF). This data has to then reflect in the recipient taxpayer GSTR-2B.

This amendment was further strengthened with Rule 36(4), which was also amended to completely remove the concept of provisional input tax credit limit. Now, taxpayers can only claim ITC on invoices that their suppliers upload. The government has also tightened the GST law surrounding outward supplies. It has now become vital that the outward supplies in the GSTR-1 and GSTR-3B match. The GST portal is already giving out error messages stating that the GST registration can be suspended in cases where there is over a 10% difference in the liability reported in the GSTR-1 versus the GSTR-3B. This warning also pops up in cases where the input tax credit claimed in the GSTR-3B has over a 10% variation with the values auto-populated from the GSTR-2B.

DISCLAIMER**:** The content does not represent the views of the Gulati Institute of Finance and Taxation (GIFT). For any statutory purpose, please refer to the original Notifications/Circular and Acts and Rules.

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# New studies on Kerala

Young Scholars' Forum, GIFT
Led by Indhu T R

## Economics

### Scopus indexed

1. Kallingal, F. R., & Mohammed Firoz, C. (2022). Regional disparities in social development: A case of selected districts in Kerala, India. GeoJournal, 87(1) 1-28. https://doi.org/10.1007/s10708-022-10592-w

This research attempts to address the question of whether a state which has been performing socially well has inequalities present among its regions. This is done by exploring the spatial inequalities in the social development of a selected region within and representing Kerala state, India.The results reveal that, in terms of reduced inequalities, the settlements performed well in social infrastructure development followed by road infrastructure. But the performance of the settlements in social characteristics was found to be poor with significant variations in employment and housing infrastructure development.

### Other journal

1. Sujith, A. S., & Aithal, P. S. (2022). Application of Organisational Justice Theory to Performance Appraisal-a Study Conducted in the Service Sector Enterprises in Kerala. International Journal of Management, Technology and Social Sciences (IJMTS), 7(1), 224-232. https://doi.org/10.47992/IJMTS.2581.6012.0187

The study aims to understand the application of Greenberg theory in service sector enterprises in Kerala to know the level of justice and fairness of Performance Appraisal (PAS). This study was conducted in five sub-sectors of the service sector in Kerala and primary data was collected from employees. Application Greenberg's theory of organisational justice to Performance Appraisal helps to ensure that the system of performance appraisal is fair and just.

2. Joseph, G., Wang, Q., Chellaraj, G., Ta?, E. O., Andres, L. A., Javaid, S. U., & Rajan, I. S. (2022). Beyond Money: Does Migration Experience Transfer Gender Norms? Empirical Evidence from Kerala, India. Policy Research Working Paper 9966. Washington, D.C:Social Sustainability and Inclusion Global Practice, World Bank

This paper examines the impact of return migration from Saudi Arabia and the Gulf on the transfer of gender norms to the Indian state of Kerala.The paper finds that returning migrants from Saudi Arabia tend to exhibit conservative values regarding gender-based violence and extreme attitudes pertaining to the perpetration of physical violence against women. The results show that migration experience can have a substantial impact on the gender attitudes of returning migrants, with potential implications for migration and gender

policies in Kerala and for countries that send a large share of temporary migrants overseas for work

3. Datta, P. K. (2022). Public Service Delivery in Turbulent Times Where Convergence Matters: Lessons from the Management of Covid-19 in Kerala. Indian Journal of Public Administration, 68(2), 233-244. https://doi.org/10.1177%2F00195561221083805

This article makes an attempt to analyse how the government of Kerala, which is regarded as one of the best performing states in India, fought the battle of the first wave of Covid-19 in rural areas. An attempt is made to capture and examine the role of the local government institutions and civil society groups, more particularly Kudumbashree groups and to explore how the state government coordinated and facilitated the work of the different state and non-state actors for the convergence of the services delivered by them and for the maintenance of conducive state - society relations.

4. Rajan, J. B. & Biju, S. K. (2022). Total Quality Management in Local Governments of Kerala, India: Some Insights for Replication.The International Journal of Community and Social Development, 4(1), 39-60. https://doi.org/10.1177%2F25166026221079159

This article discusses the initiation and implementation of a total quality management (TQM) approach in local governments (LGs) in Kerala, India, with a view to promote its replication in similar contexts. It suggests that the TQM approach in LGs enhances citizens' satisfaction and engagement. However, the physical infrastructure aspect of the TQM is relatively easier to achieve than the soft aspects of the TQM. Continuous capacity building, simultaneous focus on hard and soft elements, presence of change agent and peer learning are necessary in LGs to ensure quality service delivery and citizen satisfaction.

**Books**

1. Jose, C. A., & Mohammed, F. C. (2022). Transportation Sustainability Assessment using an Indicator-Based Method: A Case of Kochi, Kerala, India.In Uday, C., Arindam, B., Jenia, M., & Sushobhan, M. (Eds.), Advances in Urbanism, Smart Cities, and Sustainability(1st ed., pp. 205-225). Taylor & Francis Group. https://doi.org/10.1201/9781003126195

This study focuses on the estimation of transport sustainability based on an indicator framework, where indicators are selected based on relevance to the local context, data availability, and measurability. The sustainability of the transport domain was estimated using a composite score obtained from the aggregation of indicators. The aggregated score was 3.182, which means the study area has a medium discrete level of sustainability in the transport domain.

## Environment

**Scopus indexed journals**

1. Young, J. C., Arthur, R., Spruce, M., & Williams, H. T. (2022). Social sensing of flood impacts in India: A case study of Kerala 2018. International Journal of Disaster Risk Reduction, 74, https://doi.org/10.1016/j.ijdrr.2022.102908

Given that good information on flood impacts is difficult to source, this study explores "social sensing" - the systematic collection and analysis of social media data to observe real-world events - as a method to locate and characterise the impacts (social, economic and other) of the 2018 Kerala Floods. Data is collected from two social media platforms, Telegram and Twitter, as well as a citizen-produced relief coordination web application, Kerala Rescue, and a government flood damage database, Rebuild Kerala. Overall, the results suggest that social sensing can be an effective source of flood impact information that produces outputs in near real-time and in broad agreement with government sources. This suggests that social sensing may be a useful data source to guide decisions around flood relief and emergency response.

2. Kumar, K., & Bindu, C. A. (2022). Resilience master plan as the pathway to actualize sustainable development goals-A case of Kozhikode, Kerala, India. Progress in Disaster Science, 14, https://doi.org/10.1016/j.pdisas.2022.100226

As cities have progressed to be larger and more complex growth engines, they have become vulnerable and susceptible to disasters, with climate change. While sustainability is seen as the goal to achieve, resilience is the capability to strengthen the pathway to sustainability. A Resilience Master Plan affirms to improve the Resilience of the City while also ensuring the city meets the targets of sustainable development, in a systematic manner. The study delves into the concept of Resilience and Resilience Master Plan, attempts to appraise the existing Master Plan of Kozhikode, assimilate the Resilience of Kozhikode City, and suggest methods to help increase of the Resilience of the city, while achieving the goals of development in a sustainable manner.

3. Aswathy, T. R., & Fred, N. A.(2022). Emergence of Green Entrepreneurship in Kerala; A Solution for Sustainable Growth and Development. International Journal of Mechanical Engineering, 7(1), 6439-6443.

The study analyses the emergence of green entrepreneurs on the basis of variables like green innovation, green production and green marketing. The results reveal that all constructs like green innovation, green production and green marketing are the major contributing factors that determine the emergence of green entrepreneurs with green production being the dominant factor

**Books**

1. Abdurazak, F., & Joseph, S. (2022). Developing a Mobile Based User Interface for Reporting Disasters in the Kerala Coast. In Vincent, S.G.T., Arya, B.D., Panchami, S.S., & ArunKumar P.S (Eds.), Environmental Status of Estuarine and Coastal Ecosystems in India (pp, 40-41). Department of Environmental Studies, University of Kerala.

The coastal region is more vulnerable to natural disasters and climate-related changes, which along with economic pressure can disrupt the coastal ecosystem. Kerala is highly vulnerable to natural disasters and the changing climatic dynamics given its location along the sea coast. This rising problem provides a complex challenge for a developing country like India, which must manage the risk associated with extreme events in order to successfully reduce and adapt to the impending disaster scenario. Based on the foregoing, the goal of this research is to create a cloud-based real-time catastrophe database for authorities and the general public, with location-based incident visualisation, statistical analysis, and graphing capabilities

## Agriculture

**Other journals**

1. Narayana, D. (2022). Size of Government in Kerala: Bulging Department of Agriculture in a Decentralising Structure. Indian Public Policy Review, 3(2), 29-42.

The paper analyses the size of the state government in terms of employment, and in particular examines the efficiency of the Department of Agriculture by comparing the number of employees per unit area under cultivation in Kerala with that in Karnataka and Telangana. The findings are that Kerala reports 86 percent higher number of total employees per lakh population compared to Karnataka and about 25 percent higher than that in Telangana. Running revenue and fiscal deficits and facing fiscal stress year after year for the last twenty years, where salary accounts for over 30% of the total revenue receipts, the state can aim for rationalization of its administration in order to have more resources for capital spending.

2. Sumitha, P. S., & Shaharban, V. (2022). Economic Impact of Wild Animal Conflict on Agricultural Sector-A Study in Wayanad District, Kerala, India. Asian Journal of Research and Review in Agriculture, 4(1), 17-25. https://globalpresshub.com/index.php/AJRRA/article/view/1437

The study aims to identify the nature, level, and economic impact of man-animal conflict on the agricultural sector and to check the efficiency of government initiatives to prevent the problem in Thirunelli, the most vulnerable panchayath in Wayanad district. It finds that the economic loss due to wild animal attacks is very high in the area and loss is not adequately compensated by the Government due to administrative and technical issues in determining the loss. The prevention mechanisms adopted by the government agencies and farmers itself were found to be ineffective to mitigate the problem.

3. Ajith, A., & Binoo, B. P. (2022). Awareness of Organisational Responsibility and Perceived Satisfaction Level of Farmer Producer Company Shareholders of Kerala, India. Asian Journal of Agricultural Extension, Economics & Sociology,40(3), 29-35.

The study aims to understand responsibility awareness and satisfaction levels of primary producers who were shareholders of different producer companies of the State of Kerala, India and analyse the relationship between socioeconomic variables with the same. The study reveals that 51% of the producers had awareness about the organizational laws while only 46 % of them took effort to read the by-laws and written rules of the organization. From this study, it is understood that improving the input supply services and arranging extension services to shareholders can improve their satisfaction level with the FPCs and improve their attitude.

## Banking and finance

### Scopus indexed

1. Vasanthagopal, R., & Raj, A. (2021). Financial inclusion and information availability on banking products and Services. Manthan: Journal of Commerce and Management, 8(2), 67-83. http://https//doi.org/10.17492/jpi.manthan.v8i2.822104

The study tries to analyse the information availability to rural people in Kerala, one of the most literate states in India, on various banking products and services. The study attempts to compare the opinion of 150 customers of public, private, and regional rural banks concerning information availability on banking products and services using Principal Component Analysis. It finds that the financial literacy rate and proper information availability on banking products and services to banking customers, particularly people at the bottom level, are poor.

## Education

### Scopus indexed

1. Suja, S., & Suresh, B. (2022). Awareness and Use of E-Resources among Students of Government Colleges of Teacher Education in Kerala During Covid-19 Pandemic. Journal of Positive School Psychology, 6(4), 261-268. https://www.journalppw.com/index.php/jpsp/article/view/2348

The novel coronavirus (covid-19) forced many academic libraries to close their doors which compelled library personnel to migrate their services to the digital platform whenever possible, as well as provide acceptable remote service to consumers. The goal of this work is to show how much information libraries can supply to faculty, researchers, and students, as well as the level of open-source information awareness. The present study highlights the significant initiatives taken by the libraries which can be followed by others to meet the post lockdown needs.

**Other journals**

1. Muhammed Riyaz, H., & Ashokan, N.(2022). Higher Education Status of Muslim Community People in the Coastal Area, Trivandrum District, Kerala. Shodh Samgam, 5(1), 214-219.

This paper focuses on the educational attainment of coastal people in Vizhinjam village, Trivandrum, Kerala, concentrating on the status of higher education of Muslim community in the region. Among all the religious communities, Muslims are in the least educated section of Indian Society. The backwardness among Muslims in comparison with non- Muslims in India has become a matter of concern at present.

## Health

**Scopus indexed**

1. Raj, K., Neelopant, S. A., Wadhwa, M., & Dabas, P. (2022). A Cross Sectional Study to Estimate Occupational Stress among Higher Secondary School Teachers in Thalassery, Kerala. National Journal of Community Medicine, 13(2), 74-78.(SI)

This study aims to assess the levels of occupational stress among higher secondary school teachers and demographic, academic characteristics and relevant factors influencing it, in Thalassery block of Kannur district, Kerala. It is found from the study that all higher secondary school teachers in Thalassery block felt occupational stress. Majority (55%) had mild stress, 35% had endured moderate stress and 9% suffered severe stress.

**Other journals**

1. Balamuraly, B., & Lawrence, A.(2022). Tourism Marketing Prospects: A Study on Kerala as a Tourist Destination. Shodh Samagam, 5(1), 239-244.

Kerala is the most popular tourist destination in India, thanks to its unique culture and natural beauty. The tourism marketing mix aspects aid in the creation of a tourist destination's image, as well as raising awareness of the location.This paper is an attempt to successfully advertise tourism by adapting the service marketing approach. The strengths and problems of tourism in Kerala are discussed in this article, as well as the services marketing mix concepts and their application in promoting tourism in Kerala.

2. Najeeb, S. S., & George, L. S. (2022). Experiences and challenges faced by the working population during COVID-19 Lockdown: A qualitative study. Journal of family medicine and primary care, 11(2), 660-666. https://doi.org/10.4103/jfmpc.jfmpc_1483_21(OJ)

The varied responses of the masses to the COVID -19 lockdown with a total shutdown of workplaces and transport sectors need to be captured in order to understand the difficulties and dilemmas faced by the working population. Hence, this qualitative analysis aims to capture the immediate challenges and experiences faced by the working population during the first-ever declared nationwide lockdown.

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# What is new(s) from GIFT

## A. Webinar

**1. Webinar on "The distributional impacts of fiscal policy: The case of the philippines , the lecture delivered by Dr Hyun H Son, Principal evaluation specialist at ADB, Manila on 14th January 2022 organised by GIFT**

**Abstract: T**he distributional impacts of fiscal policies are instrumental in reducing inequality in countries like the Philippines, where inequality has been persistently high. This paper assesses how equitable various taxes and transfers in the Philippines are by deriving the social welfare elasticity of Atkinson and Sen's social welfare functions and introducing a welfare reform index. Among various income sources, the paper finds that wage and salary income, and international remittances were regressive. In contrast, domestic transfers and family subsistence activities were found to be progressive. The paper assesses the Philippine tax system to be overall regressive. Although income tax was found to be progressive, it only generates little revenue, suggesting its limited impact on inequality reduction. The poor bear much of burden of indirect taxes on individual commodities such as food, alcohol and tobacco since they tend to allocate a greater portion of their incomes to such commodities relative to the nonpoor.

Prof K J Joseph chaired the session and also delivered welcome address . Dr Zakaria Siddiqui proposed the vote of thanks to the Programme. Smt Anitha Kumary L, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT coordinated the programme.

**2.As part of the Webinar on 10th Indian Health Economics and Policy Association (IHEPA) Annual Conference organised on 28 &29 January 2022 by IHEPA, a Plenary Session on Sectoral Impacts of Covid-19 Pandemic in India was done by GIFT faculty members.** The topics presented were COVID-19 Shock and the Kerala Economy: A Comparative Analysis the topics, The Employment Impact of COVID: Is there a V shaped recovery?, Income Dynamics during the Pandemic and COVID 19 and consumption. Prof Narayana, President IHEPA and Honourary Fellow, GIFT moderated the session. Resource persons include Prof K J Joseph, Director, GIFT, Dr Vijayamohanan Pillai, Honorary Fellow, GIFT, Dr Parma Chakravorty, Assistant Professor, Smt Anitha Kumary L, Associate Professor, Dr Renjith P S, Assistant Professor, GIFT,Dr Kiran Kumar Kakarlapudi, Assistant Professor, Dr Santhosh Kumar Dash, Assistant Professor, Dr Zakaria Siddique, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT .

**3. Webinar on "Economic Survey 2021-22 & Union Budget 2022-23 jointly organised by GIFT, Departments of Economics, Central University, Kasaragod and SB College, Changanassery at GIFT on 10th February**

**2022 . Research Scholars of GIFT , Post Graduate students of Central University and SB College along with Faculty were presented papers on different areas based on Economic Survey 2021-22 and Union Budget 2022-23. Faculty members and students were participated in the programme.Shri K N Balagopal, Honorable Finance Minister, Kerala inaugurated the programme.** Dr. K.J. Joseph, director , GIFT presided over the opening session of the webinar and R.K Singh, Additional secretary , Finance, Government of Kerala made the special address and Prof K C Baiju, HoD, Department of Economics, Central University of Kerala proposed vote of thanks in the opening session. Eminent Economists and Experts of various fields were responded to the Budget and Economic survey in the concluding session. Smt Anitha Kumary L, Associate Professor, GIFT, Dr Syam Prasad, Assistant Professor, Central University of Kerala and Shri Johnson K Joice, HoD Department of Economics, S B College Changanessery coordinated the programme.

**4. Book Release and Felicitating Prof M A Oommen on his 90th Birthday held on 24th February, 2022 jointly organised by Gulati Institute of Finance and Taxation (GIFT) and Kerala Institute of Local Administration ( KILA).**

Releasing a book titled 'Essays on fiscal decentralisation to local governments in India', by Prof. M.A Oommen, Dr. C. Rangarajan, renowned economist and former governor of Reserve Bank of India ( RBI ) said that fiscal federalism is the economic counter part of political federalism. A major chunk of the population of India is still inhabit in rural areas and they rely on agriculture and allied rural activities. So Panchayat Raj institutions are close to their their normal life.. Unfortunately, expenditure by the local governments is miniscule compared to the national expenditure. Even in relation with the expenditure of state governments this is very small, he said. This is against letter and spirit of the democratic decentralisation. In order to attain economic growth not only decentralisation of powers but distribution of resources is also essential. Fiscal federalism attains importance at this juncture. In today's economic and political structure of India, fiscal federalism has a crucial role as state's role is so important in social and welfare expenditure especially during issues like Covid pandemic, Dr Rangarajan added. Planning from bottom level is advantageous as Panchayat Raj institutions are so close to the people. But this also has some limitations, Rangarajan said.

Prof Thomas Isaac, former finance minister presided over the function. Prof Isaac said that Democratic decentralisation had made immense contributions to the socio- political-economic fabric of Kerala

As part of the 90th birth day celebration of Prof. M.A Oommen, renowned economist and writer, Gulati Institute of Finance and Taxation ( GIFT) and Kerala Institute of Local Administration ( KILA) have jointly organised the book releasing function. The book is the first one in a series of books on democratic decentralisation is released jointly by KILA and GIFT. State Planning Board vice chairman Prof. V.K. Ramachandran received the book. Professor Sally Wallace, Georgia State University, Prof. D.K. Srivasthava, member, 12th Finance Commission, Prof. N.V. Varghese, vice chancellor, National Institute of Educational Planning and Administration ( NIEPA), Prof. K. N Harilal, Centre for Development Studies ( CDS) and Dr. Joy Elamon, Director, KILA also spoke on the occasion. Prof. M.A. Oommen spoke on his more than 50 years of career as economist and academician, Dr. K.J. Joseph , director, GIFT delivered welcome speech. Smt Anitha Kumary L, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT coordinated the programme.

Prof Oommens's 90th Birthday function was inaugurated by Shri K N Balagopal , Honourable Minister for Finance, Kerala. In the felicitating function eminent academicians, renowned politicians like Shri AK Antony, NGO experts, students and family members of Prof Oommen were attended. Teachers and Students of Department of Economics, University of Kerala and Joh Mathai Centre were participated.

**5.Webinar on China beyond the Beijing consensus towards the double traps: The GVC challenge linking traps of the middle income and Thucydides by Prof Keun Lee on 4th March, 2022 .**

Abstract:This lecture is based on the recent book titled 'China's Technological Leapfrogging & Economic Catch-up' by Prof Keun Lee. After the miraculous economic growth known as the Beijing Consenus. China is now facing a slowdown. The attention has moved to the issue of the middle income trap, or the situation in which economic growth slows down as a country reaches the middle income stage. This book deals with this interesting issue in the context of China. It also discusses China's limitations and future prospects, especially after the rise of a new 'cold war' between China and the US, namely the question of whether China would fall into another trap called the Thucydides trap or conflict with the existing hegemon as a rising power. In sum, this book plays around three key terms, namely, the Beijing Consensus, the Middle Income Trap, and the Thucydides trap and applies a Schumpeterian approach to these concepts. This book also conducts comparative analysis that examines China from an 'economic catch-up' perspective. An economic carch-up starts from learning and imitating a forerunner, but finishing the race successfully requires taking a different path along the road. This act is also known as leapfrogging which implies a latecomer doing something different from, and often ahead of, a forerunner.

Prof T M Thomas Isaac, Distinguished Honorary Fellow. GIFT and Former Finance Minister of Kerala chaired the session. Prof K J Joseph, Director, GIFT delivered the welcome address. Dr Anoop S Kumar proposed vote of thanks.. . Smt Anitha Kumary L, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT coordinated the programme.

**6.Webinar on Economic Review 2021 & Kerala Budget 2022-23 organised jointly with Department of Economics, Kariyavattom, CII and Centre for Budget Studies on March 25th, 2022.**

Prof. V.K. Ramachandran, Vice chairman, State Planning Board inaugurated the day long discussion on state budget and Economic Review. Prof. Rajan Gurukkal, vice chairman, Higher Education Council, Prof, A.V Jose , former director , GIFT, Prof. S. Irudayarajan, Jiju P. Alex, member, State Planning Board, Prof. Mridul Eapen, Prof . Jayan Thomas, former members of planning board and Dr. K.J Joseph, driector, GIFT also spoke on the occasion. V. Gayathri Prem, Jettin Susan Thomas, Athul Joseph, Diya Deep Anand, Dr.Kirankumar Kakarlapudi, V.S. Arshad Mashur, D. Manu, Shri .S. Nagesh, Chief Agricultural Division and Shri Vivek Krishna Govind , Senior partner, Varma and Varma, Chartered Accountants spoke on various sessions of the seminar.

Shri K N Balagopal, Honorable Minister for Finance, Kerala inaugurated the panel discussion of eminent scholars in the evening. A galaxy of eminent economists, professionals and top bureaucrats participated in the panel discussion held in the evening. Shri Mohamed Y. Safarulla, OSD in the ministry of Finance, Prof Sabu Thomas, vice chancellor, MG University, Prof R .Ramakumar, members of state planning board, Shri G. Vijayaraghavan, Prof. Alwin Prakash, Dr. Mary George, Dr. Sonia George, National secretary, Self Employed Women's Association and Prof. M.K Sukumaran Nair and Prof K J Joseph, Director, GIFT spoke on the occasion . Prof. S Harikumar, Centre for Budget Studes, CUSAT, Shri. John Kuruvula, Confederation of Indian Industry, Prof. Anitha V, Dept. of Economic University of Kerala, Smt Anitha Kumary L, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT coordinated the programme

**7.Webinar on Macroeconomic policy and equitable growth in India: An attempt to clarify held on March 30th , 2022 by Prof Partha Sen, Centre for Development Economics, Delhi School of Economics and CESifo Munich.**

Abstract:India needs to shift labor to industry from agriculture, something that it has not been able to do. In addition, it needs to provide publicly funded (i) primary and secondary education, (ii) health; and (iii) a social safety net. What role does macroeconomic policy have in achieving (at least partially) these goals? I will argue that macroeconomic policy in India is based on a flawed theoretical framework that is incapable of asking the right questions.

Prof K J Joseph, Director . GIFT chaired the session and delivered the welcome address. Dr Md Zakaria Siddiqui proposed vote of thanks.. . Smt Anitha Kumary L, Associate Professor and Dr Anoop S Kumar, Assistant Professor, GIFT coordinated the programme

## B. Public lecture series: Kerala economy in transition

### Lecture No.17 -(GIFT and KEA) 'Sectoral Performance : Service sector and new economy

Prof (Dr) V Ramankutty, Research Director, Amala Cancer Research Centre, Trissur & Emeritus Professor, Axhutha Menon Centre for Health Science delivered the lecture 'On the Health of Kerala's Health Sector on 7 January 2022.

Abstract : Kerala has consistently reported the most favourable health statistics among major Indian states since independence, and it maintains its status despite many challenges. Though many of the bigger Indian states have performed well in the health sector in recent years, none have done better than Kerala in basic statistics like infant mortality rate, under-5 mortality, maternal mortality etc. The public health system in the state has contributed largely to this, and its performance during the recent challenges of infectious epidemics and disasters has been commented on by observers outside the country too.

However, a closer look reveals that the health sector faces many challenges. The rising cost of health care, which drives many families to poverty, and the all-pervading privatisation of health care lead the list of woes of the health system. Despite some commendable initiatives such as the decentralisation of governance, none of the governments have touched on the underlying structural issues in the health system, such as the incentives for privatisation, lack of investment in the public sector, and the neglect of public health functions in favour of a more and more curative care oriented, technology driven system. Some options to address these issues are discussed

Prof (Dr) B Ekbal, former Vice Chancellor, University of Kerala & Former Member, Kerala State Planning Board chaired the session.. Dr M Kabeer, Former HOD, Department of Economics, Government College for Women was the discussant of the programme., Professor K J. Joseph, Director, GIFT and President, KEA , delivered the welcome address. GIFT Faculty, KEA Executive members and many distinguished academicians and students in Kerala and from outside Kerala participated in the webinar. Smt Anitha Kumary L Associate

Professor proposed the vote of thanks to the programme. Smt Anitha Kumary L, Associate Professor , Prof Hari Kumar, KEA, Prof Sheeja S R and Dr Anoop S Kumar, Assistant Professor, GIFT were the coordinators of the programme.

## C. Teaching and training programmes

### 1. Post Graduate Diploma in GST (PGDGST)

The training program comprising 120 hours of teaching through online mode has completed in the month of March 2022 for the fourth batch of PGDGST . Dr Ramalingam Smt Jenny Thekkekara and Smt Anitha Kumary L , Associate Professors, GIFT handled the classes.

Course Co-ordinators: Dr. N Ramalingam and Smt. L Anitha Kumary

For more details: https://www.gift.res.in/index.php/course/detail/14/PGD-GST

### 2. PhD programme

The activities in PhD programme during January, February and March 2022 are as follows

1) Invited lecture by Professor Partha Sen on "Open economy Macroeconomics in Developing country context" dated March 28th, 2022
2) Invited lecture by Professor Partha Sen on "Macroeconomic Policy and Equitable growth in India: An Attempt to Clarify" dated March 30th, 2022

Course Coordinator: Dr. Zakaria Siddiqui

### 3. RCBP programme

RCBP 2021: Part B on Data Analytics using R, which commenced in October 2021, completed 20 lectures by December 2021. During the month of January, 10 lectures have been conducted on various topics, including tidyverse, ggplot, correlation and hypothesis testing by Dr Zakaria Siddiqui and Dr Anoop S Kumar. Dr Vijayamohan Pillai took the background lectures on statistics and econometrics and introduced different techniques and methods for research. During February, seven lectures were conducted of which, Dr Zakaria Siddiqui delivered three lectures on Regression Analysis, Dr Anoop S Kumar delivered four lectures on OLS prediction, post estimation diagnostics and forecast evaluation, and Dr Renjith P S took two sessions on one-way and two-way ANOVA. The remaining 3 lectures of part B were delivered by Dr Renjith on the topics, dummy variable regression, and logistic regression during the first week of March. The participants have carried out several statistical exercises using R at the end. A concluding session was conducted on the 3rd of March, where the participants clarified their doubts and registered their feedback in the presence of all the resource persons.

Course Coordinator: Dr. Renjith P S

## D. Publications

### 1. Kerala Tax Reporter (KTR)

December, January and February issues of KTR published Online and offline.

https://www.gift.res.in/ktr

### 2. Innovation and Development

A Routledge journal from GIFT, Volume 12, No. 1 published, Editor in Chief, K J Joseph.

For details, please visit https://www.tandfonline.com/toc/riad20/current

### 3. Weekly update on the Indian Economy

This is an attempt by the Young Scholar'

Forum in GIFT, led by Smt. Shency Mathew to update on important developments in the national economy. Latest issue: 25-31 March 2022.

For details, please visit https://www.gift.res.in/index.php/publish/publish_list/14/Weekly-Updates-on-Indian-Economy.

## E. Faculty publications

1. **Kumar, Anoop S,** P Steven Raj, (2022) Testing the safe-haven properties of Gold and Bitcoin in the backdrop of Covid-19: A wavelet quantile correlation approach, Finance Research Letters
2. Shekar, K. C., & **Joseph, K. J.** (2022). Determinants of innovation and interactive learning in informal manufacturing enterprises in India. Science and Public Policy.

### Media articles

1. Dash S. K. & Sidharth R (2022). Will global minimum corporate tax deliver? The Hindu BusinessLine, Feb 4, 2022.
2. Dash, S. K. & S. Panda (2022). Getting Railways on track, financially, The Hindu BusinessLine, March 31, 2022.
3. Dash, S. K. & K. K. Kakarlapudi (2022). Fiscal consolidation has begun too soon, The Hindu BusinessLine, March 15, 2022.
4. Padmakumari, L. & S. K. Dash (2022). Why 30% tax on cryptos isn't enough, The Hindu BusinessLine, Feb 22, 2022.
5. Siddiqui, M Z; Parsad, Lekshmi & Ahamad, Sabir (2022) "Data divide between state, citizens is bad for democracy" The Indian Express, April 15, 2022

### Book Chapters

1. Kumar, A. S & Ajaz, T (2022) Determinants of Bitcoin Price: Evidence from Asymmetrical Analysis, forthcoming in (eds) Studies in International Economics and Finance: Essays in Honour of Prof. Bandi Kamaiah

Gulati Institute of Finance and Taxation (GIFT), Thiruvananthapuram, Kerala, formerly Centre for Taxation Studies, has been conceived as a premier national institute to promote theoretically grounded and empirically based research in finance, taxation and related issues within an interdisciplinary perspective to aid policy making at the national and sub-national level. Affiliated to Cochin University of Science and Technology, GIFT is also mandated to facilitate research leading to PhD and undertake training programs for capacity building of different stakeholders, including government officials. It also offers a Post Graduate Diploma in Goods and Service Tax. Recently, GIFT joined hands with Kerala Financial Corporation (KFC) in training the new entrepreneurs being promoted under the Chief Minister's Entrepreneurship Development Programme (CMEDP).

The governance of the Institute is entrusted with a Governing Body and an Executive Committee, consisting of scholars of eminence and senior administrators representing both the Central and the State Governments. K. N. Balagopal, Minister of Finance, Government of Kerala, is the Chairperson of the Institute.

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