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RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

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SECTORIAL ANALYSIS OF BUDGET 2022-23 WITH SPECIAL REFERENCE TO EMPLOYMENT GENERATION

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ABSTRACT
The 2022-23 Budget came across as a simple, uncluttered Budget which did not get into any complex restructuring of the tax regime, and instead seemed to focus on increasing government expenditure to boost investment and economic growth. There have been allotments to various sector for their growth and advancement. Unemployment has become a severe issue during the last two years of COVID-19 pandemic. So, the present paper aims to analyse the sector wise distribution of Union Budget 2022-23 and its impact on employment generation.

KEYWORDS
budget, government expenditure, investment, economic growth, employment generation.

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E66, H60.

INTRODUCTION
Growth-oriented and pro-development, India's Union Budget 2022-23 seeks to lay down the foundation of the economy for the next 25 years. Despite repeated waves of the COVID-19 infection, supply-chain disruptions and inflation, the Indian economy is expected to register a growth rate of 9.27 per cent in the current financial year, implying that the overall economic activity has recovered from the pre-pandemic levels.

It is important to grasp the macroeconomic context in which the Budget was presented. Four points are particularly significant. First, economic activity seems to be back to its pre-pandemic level. But we have now lost two years of growth. This can prove very costly for an emerging economy like India, especially since it was not faring well before the pandemic. There are measurement problems in the official GDP (gross domestic product) data, but all reliable indicators show that the economy had been slowing down for decades preceding the pandemic. Investment by the private sector had been stagnant, consumption demand had been weakening, and export performance was poor. Apart from government consumption expenditure, all other engines of growth were languishing, and unemployment had gone up. Secondly, even during the current economic recovery, one of the main engines of growth – private investment demand – has continued to be sluggish, and capacity utilisation has not improved. While export performance has been impressive, much of this can be attributed to recovery of the developed economies from the pandemic and hence might prove to be a transient phenomenon once their growth slows to more sustainable levels. The increase in the value of Indian exports was also partly due to rising prices rather than increase in volumes.

OBJECTIVES
1. To analyse the sector-wise allotment of union budget 2022-23.
2. To evaluate the impact of budget on employment generation.

RESEARCH METHODOLOGY OF THE STUDY
The paper aims at analysis of Union Budget 2022-23, mostly secondary data is used. Various web sources have been used to study the impact of budget on various sector and its impact on employment. Sector wise analysis gives clear picture of available employment opportunities in that area so as to make it attractive and helpful for youths.

SECTOR-WISE DISTRIBUTION OF UNION BUDGET 2022-23 AND ITS IMPACT ON EMPLOYMENT
Amid lingering global headwinds and economic uncertainty, finance minister Nirmala Sitharaman continued to prioritize growth over fiscal consolidation for the second straight year, sharply expanding capital and infrastructure spending in the Union Budget for the year starting 1 April.

RURAL ECONOMY
PROPOSALS: To boost consumption and empower the rural economy, the finance minister has announced several measures such as support for millet production, reduced dependence on imported oilseeds, finance start-ups for agriculture and rural enterprise pertinent to the farm produce value chain. Customs exemptions on implements and tools for the farm sector have also been rationalized to boost domestic manufacturing.

IMPACT: The government's impetus on PM Gatishakti plan to build world class infrastructure and logistics is likely to give boost to the consumer sector supply chain over a longer term. Further, custom duty rates have been rationalised on parts of mobile phones (including camera modules), wearables/ hearables devices, loudspeakers, etc. to facilitate domestic electronics manufacturing. To incentivize exports, exemptions have been provided on items relevant to textiles sector.

BANKING
PROPOSALS: The government has proposed to introduce a digital rupee—using blockchain and other technologies—issued by the Reserve Bank of India (RBI) starting 2022-23 for more efficient and cheaper currency management system. Further, to help micro, small and medium enterprises (MSMEs) impacted by the pandemic, the credit guarantee fund trust for micro and small enterprises (CGTMSE) will be revamped with additional credit of ₹2 trillion and thereby expand employment opportunities. Post office accounts will be brought under the coverage of core banking.

IMPACT: The budget proposals are aimed at boosting credit growth of both banks and non-banking financial companies (NBFCs), with schemes announced across various sectors including affordable housing, transportation and logistics, and electric vehicles (EVs), etc. With 1.5 lakh post offices coming under core banking, more than 35 crore post office deposit accounts will come into the mainline banking and payments system. The proposal for 75 digital banking units in 75 districts is a small step but a definite push towards digital banking. 'Digital Rupee' is another step towards the government's adoption of digital as means of transaction banking. (KPMG)

ELECTRIC VEHICLES
PROPOSALS: The finance minister has announced a new battery swap policy to encourage electric vehicle (EV) adoption. The government also proposed to open up defence research and development (R&D) to private players for auto component development.

IMPACT: A policy for battery swapping will aid in reducing the upfront ownership cost of EVs, thereby driving customer preference towards such vehicles. This policy is also expected to encourage private sector to develop sustainable and innovative business models for 'Battery or Energy as a Service'. Further, interoperability standards will build efficiency in operation of charging infrastructure for EVs. The government will facilitate special mobility zones for EVs as well as push for clean tech and electric vehicles in public transport. These changes, along with recently announced production linked incentives (PLI) for EVs, would give the necessary fillip to EV revolution in India.

DEFENCE

PROPOSALS: The budget has proposed the highest ever allocation for the defence sector at ₹ 5.25 trillion for FY 2022-23, with a significant increase of about 10% from last year vis a vis a nominal increase of 1.45% in 2021-22.

IMPACT: The proposals will go a long way in modernizing the Indian armed forces further, while ensuring the current government's commitment to reduce dependence on import of defence equipment. Another notable update in the area of defence is the opening up of defence research and development (R&D) for industry, startups and academia by earmarking 25% of defence R&D budget for them. This is a positive move which will help to leverage the capabilities of the private industry in defence research. Additionally, an independent nodal umbrella body will be set up for meeting wide-ranging testing and certification requirements. In order to avail the preferential 15% corporate tax rate, the deadline for commencement of manufacturing operations is proposed to be extended to 31 March 2024 (from 31 March 2023).

HEALTHCARE/PHARMA

PROPOSALS: The government has made a path breaking move with the introduction of Ayushman Bharat Digital Mission in Budget 2022 to ensure universal access to healthcare facilities to all Indian citizens in the longer run. However, there has been no policy amendments to facilitate private participation to provide an impetus in strengthening the overall healthcare infrastructure and accessibility to healthcare services.

IMPACT: The government has extended the benefit of concessional tax regime for manufacturing companies. The government has also considered pharmaceutical sector as one of the sunrise opportunity sectors that will benefit from future supportive policies, among other things. The government, however, did not consider the long-standing demand/expectation of industry to incentivise research and development needed to enable India to move from being an incremental innovator to becoming a global player in innovative drugs. (EY)

REAL ESTATE

PROPOSALS: Affordable housing was clearly in focus, with the finance minister announcing the allocation of ₹48,000 crore under the Pradhan Mantri Awas Yojana. Around 8 million houses are expected to be completed by 2023 across the country.

IMPACT: From a policy perspective, the allocation to the PM Awas Yojana and the intent to reduce time for obtaining construction approvals as well reduce the cost of capital for consumers, credit guarantee of ₹50,000 for the hospitality sector are all welcome measues. The proposal to replace the Special Economic Zone (SEZ) Act with a legislation that would permit states to partner in creating enterprise and service hubs and the push for digitization of land records are also laudable. The budget has also proposed the rationalization of tax withholding provisions relating to purchase or rental of properties and including units of Real Estate Investment Trusts (REITs) within the bonus stripping/ dividend provisions. (EY)

METAL & MINING

PROPOSALS: The budget has proposed an increase in outlay for capital expenditure. It also proposed the setting up of four pilot projects for coal gasification and conversion of coal into chemicals.

IMPACT: The increase in outlay for capital expenditure may provide the much-needed impetus to mining and metals (M&M) industry which forms the backbone around which blueprints for capital expenditure are drawn up. The pilot projects for coal gasification and conversion of coal into chemicals will boost the transition to a carbon neutral economy. A slew of measures has also been announced from indirect tax perspective such as extension of customs duty exemption on import of steel scrap by another year (up to 31 March 2023) and revocation of anti–dumping and countervailing duty on specified steel products. (EY)

RETAIL

PROPOSALS: Though there was no specific proposal for this sector, the thrust on employment, infrastructure and financial inclusion is expected to boost consumption over the medium term. The 1.5 lakh post offices into the core banking system is a positive particularly for rural India and a higher minimum support price (MSP) allocation will drive consumption of fast-moving consumer goods (FMCG) products in the hinterland.

IMPACT: With an estimated gross domestic product (GDP) growth of over 9%, and the initiatives in the budget, consumer goods companies could expect an increase in consumption over the short to medium term driven by the thrust on investment, employment, and financial inclusion. We could also see an uptick in rural consumption, driven by the budgetary allocations towards infrastructure building. Rationalization of import duties as part of "Make in India" initiative is likely to give a strong impetus to consumption bringing sustainable growth for consumer, e-commerce and retail sector. For the retail sector, reeling under the pandemic, the budget has very little direct support to offer. The direct and short-term benefits with respect to "putting more money in consumer wallets" or special subsidies or support to industry in general seem to have got lesser emphasis. (EY)

GREEN ENERGY

PROPOSALS: The government will launch sovereign bonds and increase the funding for solar equipment. It will also install 500 gigawatts (GW) of non-fossil capacity by 2030, reduction in emission intensity of GDP by 45% over 2005 levels, source 50% of the electricity from non-fossil by 2030 and reduction in carbon emission by 1 billion tonnes till 2030 and achieving net-zero by 2070.

IMPACT: The budget is inclusive and focused on sustainable development of a climate-adaptive and resilient Indian economy. It aims at digitally integrating participative economic planning with support from and efforts of all stakeholders. It builds the base for a technology- and innovation-led economy – driving design-led manufacturing, renewable growth, improving logistics efficiency, clean mobility, storage and battery solutions for the transition to electric vehicles, developing AgriTech solutions, transforming health and education sectors, and achieving financial inclusion. It supports the development of sunrise business areas and reduction of carbon intensity by supporting the emergence of technology and innovative financing ecosystems. It has a clear direction around stimulating a circular economy by developing a policy and regulatory framework, and facilitating innovation. (PwC)

TEXTILE

PROPOSALS: The custom duty exemptions announced on items such as embellishment, trimming, buttons, zipper, lining material, and packaging boxes would benefit apparel exporters. The extension of emergency credit guarantee scheme for micro, small and medium enterprises (MSMEs) for one more year and increasing the guarantee by ₹50,000 crore.

IMPACT: The abolishing of concessional duties on imported capital goods, especially for fabric manufacturing and processing will increase the capital cost of new projects / replacement of existing machineries till such machineries are manufactured in India. There are no major announcements specific to the textiles sector, after the big-ticket announcements on production linked incentives (PLI) for textiles focusing on man-made fibre and technical textiles and the Mega Textile Park (PM-MITRA) schemes last year. While phasing out of customs duty exemption on fabrics will support the growth of domestic textiles manufacturing in the long run, it is expected to adversely impact the competitiveness of apparel exporters in the short run. The extension of emergency credit guarantee scheme for MSMES for one more year and increasing the guarantee by ₹50,000 crore is also expected to benefit over 50 lakh MSME units in textile and apparel sector.

CHEMICAL

PROPOSALS: Reduction of customs duty on certain critical chemicals namely, methanol, acetic acid and heavy feed stocks for petroleum refining, while increasing the duty on sodium cyanide. To promote blending of fuel, the government proposes to charge an additional differential excise duty of ₹2 per litre from 1 October 2022 on unblended fuel.

IMPACT: The changes in the customs duty of petrochemical and petroleum feedstocks used by domestic manufacturers result in reduced cost of inputs and correction of the inverted duty structure. Setting up of pilot projects for coal gasification and conversion of coal into chemicals are important, primarily to reduce dependence on methanol and acetic acid, which top the list of imported chemicals in terms of volume. The lack of availability of cheap natural gas, guarded nature of technology and stiff competition from the Middle East and China are the major barriers to methanol and acetic acid production. Reduction in basic custom duties for these chemicals will help in the development of downstream value chain till the time some commercial capacities come online. The focus is to continue to remove anomalies and challenges in the indirect tax regime, especially the inverted duty structure, which impedes the Make in India policy. (PWC)

TELECOM

PROPOSALS: Spectrum auctions will be conducted to roll out 5G services and a scheme for design-led manufacturing in 5G will be launched. The national capital will also launch a scheme for design-led manufacturing to boost 5G. To enable affordable broadband and mobile service proliferation in rural and remote areas, 5% of annual collections under the universal service obligation (USO) fund will be allocated.

IMPACT: Auctions for 5G spectrum and roll-out will happen in the fiscal year 2022-23. The roll-out across the country will also happen much faster than other previous generation roll-outs with the completion of fibre network in all villages by 2025. Focus on digital education including digital universities will further push the need for high-speed broadband. While the details of the production linked incentive (PLI) for design-led manufacturing in the 5G space are awaited, it could be broadened beyond manufacturers to the telecommunication service providers (TSPs) and telecom infrastructure players. Also, the USO funds have historically been used for the rural infrastructure roll-out. A 5% allocation towards research and development and commercialization of the technology could help some of the indigenous niche players building up technologies around O-RAN and private networks. (Deloitte)

INFRASTRUCTURE

PROPOSALS: The PM Gati Shakti National Master Plan announced with an aim to making logistics connectivity seamless. The national highways network will be expanded by 25,000 km, with an outlay of ₹20,000 crores via financing. A scheme for expressways will be formulated to facilitate faster movement of people and goods. Railways will develop new products and logistics services for small farmers, and small and medium enterprises.

IMPACT: The Gati Shakti initiative highlights the importance of quality multi-modal transport in achieving overall cost competitiveness. With global studies pegging India's average logistics costs at around 14% of GDP as against 8-9% for advanced economies, this is clearly a factor which needs to be addressed for attracting quality anchor investors across sectors. Infrastructure financing has also been mainstreamed, with particular focus on environment and sustainability, as evident from the announcement around green bonds, focus of National Infrastructure and Investment Fund (NIIF) and National Small Industries Corporation (NSIC) Fund of funds on the renewables sector, etc. For the rural economy and social sector in particular, the budget refers to blended finance as an option. This would again be linked to the Social Stock Exchange, an initiative announced earlier. (Deloitte)

CAPITAL GOODS

PROPOSALS: The government is planning a gradual phase out of concessional tariff rates offered for capital goods and project imports. The Budget 2022-23 has proposed a 7.5% tariff on all such products and services. Exemptions are being introduced on inputs, like specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.

IMPACT: The production linked incentive (PLI) schemes and other government measures have augmented investments in various sectors like food, textile, electronics, chemicals, etc. However, the dependency on import of capital goods still continues. Increase in customs duty on capital goods in these sectors would mean that such investments would be dearer and thereby also affect cash flows and profitability. Thus, companies would have to look at options to reduce such an impact. The increase in duties would enable a twofold benefit. One, companies would now try to procure capital goods locally. Two, Indian companies and the MNCs would now look at greenfield and brownfield expansion in the capital goods sector as well.

IT

PROPOSALS: Blockchain-enabled digital currency will be issued by the Reserve Bank of India starting 2022-23. The government is promoting digital economy, digital health eco-system and e-passport, amongst others to drive India's growth.

IMPACT: Nearly every sector is expected to receive digital impetus driving further growth in technology and related sectors. The number of digital initiatives planned (digital currency, PM Gati Shakti, e-passport, Kisan drone, etc.) are not incremental but transformational and will require a build-up of a complete eco-system creating significant direct and indirect opportunities for the Technology and business process management sector. Many of these proposals will have significant downstream opportunities for software, hardware, and services companies. The government plans to make financial services available to everyone with planned connectivity of 1.5 lakh post offices to core banking systems. Digitalization of financial services will not only reduce the cost of services but will also make it available to a larger base. This, along with the digitalization opportunities available across different industries, will likely give rise to entrepreneurship and startup ecosystem. (KPMG)

AGRI & ALLIED SERVICES

PROPOSALS: The government will promote the use of 'Kisan Drones' for crop assessment along with chemical-free farming. National Bank for Agriculture and Rural Development (NABARD) will finance start-ups for agriculture and rural enterprises and these start-ups will include inter-area support for farmer-producer organisations, machineries for farmers on a rental basis at the farm level and technology including invitee base.

IMPACT: On agriculture, some new age reforms like delivery of digital and hi-tech services to farmers in public private partnership mode, use of Kisan drones to aid farmers have been announced. Also, to encourage start-ups in the business of leasing machinery for farmers, and providing technology including IT-based support, announcement of launch of new fund has been made. Similarly, proposal on steps for promotion of chemical-free natural farming, updating the syllabus of agricultural universities to meet the needs of natural, organic farming, modern-day agriculture has been made. To increase domestic production of oilseeds and reduce dependence on imports, proposal to implement a rationalized and comprehensive scheme has been made. From tax perspective, announcement on review of concessional customs duty rates on capital goods has also been made. (KPMG)

CONCLUSION

In a nutshell, given the domestic and global macroeconomic context, the capex push by the government in the Budget seems to be a step in the right direction. However, the rationale behind the Budget's continued focus on import substitution and associated protectionism is questionable. In view of this, the Budget appeared to lack a coherent growth strategy, which was the need of the hour – especially given the high levels of government debt.

In view of the massive borrowing programme announced in the Budget, relaxation of capital controls to encourage greater foreign investment in government bonds has become imperative. The RBI has made some announcement in this regard when it presented its monetary policy on 10 February 2022, but much more needs to be done given the quantum of borrowing requirement.

The government has taken a bet that the capex push would lead to jobs and growth. If it pays off, then it would be favourable for the economy. But if not, then the economy would be left with a high fiscal deficit, a large amount of debt, growing inflationary pressures, and potentially a rising current account deficit which would not be a good combination of macroeconomic indicators at a time when the US Federal Reserve is about to start tapering.

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