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BUDGET MANTHAN 2022-23

IMPACT ANALYSIS

Mr. Avinash Gupta
Managing Director - India
Dun & Bradstreet

The Union Budget builds on India's growth story. It has been a balanced, consistent and growth oriented budget with a stable tax policy regime. The government has been consistent in its thrust on infrastructure. Allocation to capital expenditure, which stands at 19% of total expenditure, is up from 12% in FY20 and FY21, should act as an automatic stabilizer. Also, the focus on the digital economy would help to manage the supply chain bottlenecks and push for inclusive growth. Two major highlights in this budget would be taxation of Virtual Digital Assets and the introduction of Green Bonds. Taxation of virtual Digital Assets is an indirect approval for crypto currencies, although it comes with a caveat i.e. without setoff of loss with any other income, while Sovereign Green Bonds to finance green infrastructure through raising capital at low cost from global investors would also push for inclusion of India's sovereign bond into the global bond indices. Lastly, given that the pandemic has lingered for more than two years now, derailing the fiscal consolidation path was much needed and the government has thus effectually provided the required support for growth.

Dr. Arun Singh
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While India is expected to be the fastest growing major economy in the world, consumption expenditure and private investments remain timid. Latest data from the Reserve Bank of India (RBI) shows manufacturing capacity utilisation rate stands at 60%, much below the desired levels to kick start a private investment led growth cycle. In this context, increasing capital expenditure by 24.5% to ₹ 7.5 trillion or 2.9% of the GDP is a step in the right direction to crowd-in private investment. Higher tax receipt has created fiscal space to balance the twin objectives of sustaining growth and consolidating fiscal deficit. Revised tax revenues is projected to be higher by 14.2% than the budgeted figures for FY22 and is budgeted to further increase by 9.6% in FY23. Given the looming threat of inflation due to ongoing supply chain disruptions and increase in commodity prices, it is critical to achieve and sustain a higher economic growth rate. The budget has laid the foundation for that.

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BUDGET AT A GLANCE

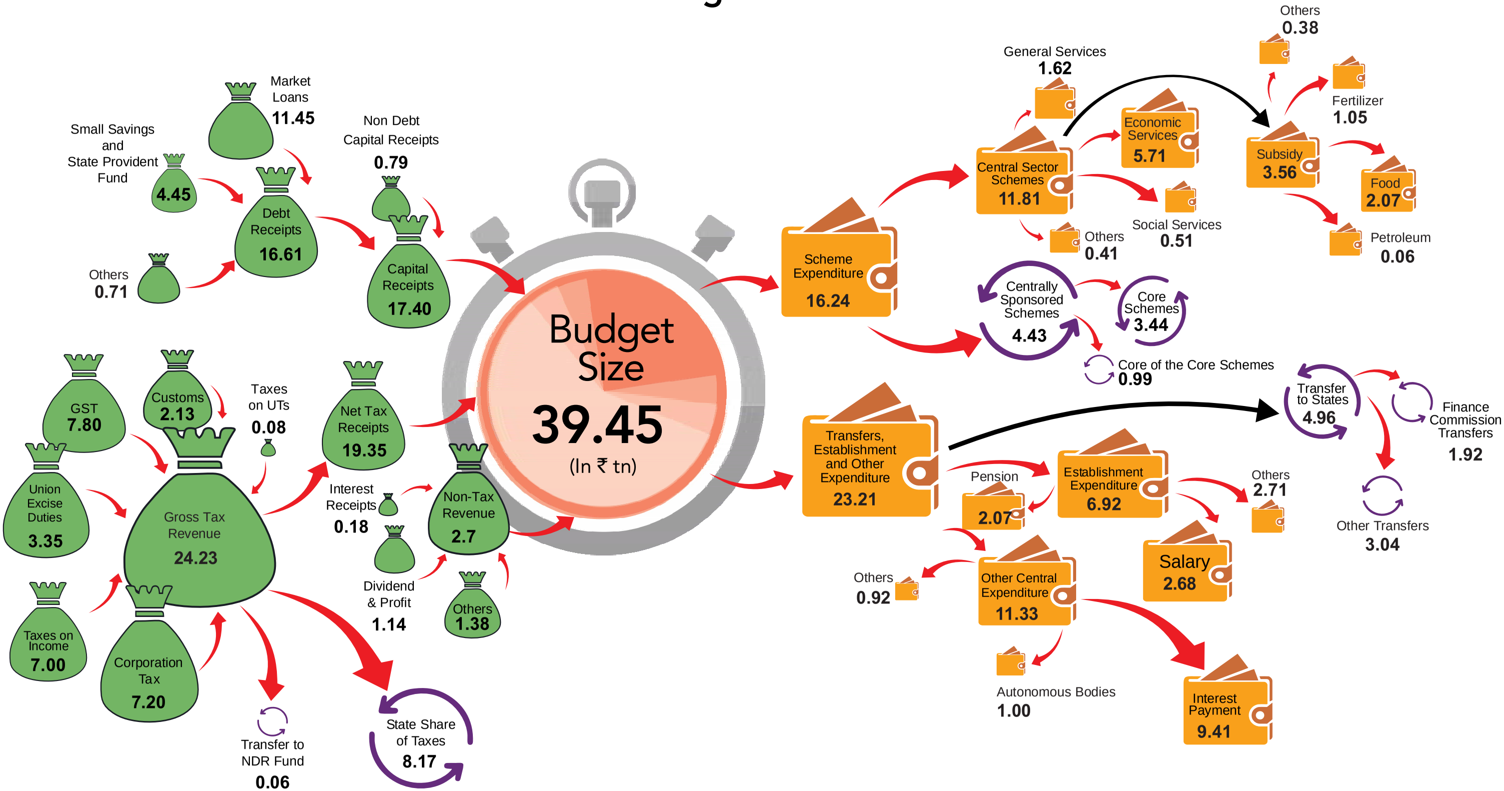
(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates
1) Revenue Receipts	**20,789**	**22,044**
1.1) Tax Revenue (net to centre)	17,651	19,348
1.2) Non-Tax Revenue	3,138	2,697
2) Capital Receipts (2.1+2.2+2.3)	**16,911**	**17,405**
2.1) Recoveries of loans	220	143
2.2) Other receipts	780	650
2.3) Borrowings and other liabilities*	15,911	16,612
3) Total Receipts (1+2)	**37,700**	**39,449**
4) Total Expenditure (4.1+4.4)	**37,700**	**39,449**
4.1) On Revenue Account	31,673	31,947
4.2) Of which, Interest Payments	8,138	9,407
4.3) Grants in Aid for creation of capital assets	2,377	3,176
4.4) On Capital Account	6,027	7,502
Capital expenditure - % share of total	16.0%	19.0%
5) Revenue Deficit (4.1-1)	**10,884**	**9,902**
% of GDP	4.7%	3.8%
6) Effective Revenue Deficit (5-4.3)	**8,507**	**6,726**
% of GDP	3.7%	2.6%
7) Fiscal Deficit {4-(1+2.1+2.2)}	**15,911**	**16,612**
% of GDP	6.9%	6.4%
8) Primary Deficit (7-4.2)	**7,773**	**7,205**
% of GDP	3.3%	2.8%
GDP	**232,147**	**258,000**

** Includes draw-down of Cash Balance*

(i) GDP for BE 2022-2023 has been projected at ₹25800000 crore assuming 11.1% growth over the estimated GDP of ₹23214703 crore for 2021-2022 (RE).; Individual items in this document may not sum up to the totals due to rounding off; Figures in parenthesis are as a percentage of GDP

Source: Union Budget FY23

Budget Profile



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A MACROECONOMIC PERSPECTIVE

The Union Budget for 2022-23 was framed on the backdrop of uncertainty posed by the third wave of COVID-19 threatening to push back the normalisation of the economic activity, which was gathering momentum from the increased consumer confidence, improvements in festival demand and easing of pandemic related restrictions. While there have been many positives in this budget, the highlight of the budget was the enhanced thrust on infrastructure, both physical and digital.

The focus on the digital economy would enable the country to surpass global pace of digitization. The digital drive encompasses education, health, land records compliance measures and inclusive growth with productivity gains. The government continued with its thrust on capital expenditure as in the last budget. This would act as an automatic stabilizer for the economy while generating jobs and boosting demand. The capital expenditure is budgeted to 19% of total expenditure vs 16% in FY22 and 12% in FY20 as well in FY21. In combination with Grants in Aid for creation of capital assets, the allocation for effective capital expenditure stands at around ₹ 10 tn, which is a whopping 4.14% of GDP in FY23 (BE), higher than 3.62% in FY22 (RE).

As states shoulder greater responsibility towards infrastructure investment, the allocation of ₹ one trillion to assist the states for investment projects through fifty-year interest free loans, over and above the normal borrowings ceiling is a laudable initiative. However, it must also be noted that the transfer to states under 'Demand for Grants' have been reduced by an equivalent amount. Nonetheless, financing huge infrastructure spending would be a challenge for the government and innovative financing approaches such as green bonds may be helpful.

Union Budget provision for ₹ 11.6 tn of net borrowing is a significant increase of 33% in FY23 (BE) as compared to FY22 (RE), whereas the nominal GDP is expected to increase by 11% only, indicating that there could be crowding out pressures on private investment.

On the revenue side, the government receipts are supported by the buoyancy in tax collection (as net tax to Centre is budgeted to increase by 9.6% in FY23). Around 43% of the revenue receipts is earmarked for interest payments compared to the pre-pandemic level of 36% (FY20 Actuals). Such an increase in government's debt servicing and re-allocation of resources is a drag on fiscal prudence. The government aims to address its other unproductive expenditure such as subsidies, by bringing it down from 4% in FY21 to 2% in FY22 (RE) and has budgeted further reduction to 1% in FY23 (BE). This fall in non-merit subsidy expenditure is in line with Dun & Bradstreet's budget expectation. In fact, allocation to both the merit and non-merit subsidies have been reduced by 27% in FY23 (BE) from FY22 (RE). The lower allocation towards fertiliser subsidy however looks optimistic, given high international energy (oil & gas) prices.

The budget also made important announcements, such as voluntary winding up of companies within 6 months from 2 years; online payment portal to address payment delays to MSMEs; and Unified Logistics Interface Platform for all-modal operators to reduce logistics cost and time. Another three initiatives stand out i.e. introduction of Central Bank Digital Currency (CBDC), taxation of Virtual Digital Assets and introduction of Green Bonds. CBDC shall boost digital payment economy and taxation of Virtual Digital Assets may be considered as an indirect approval for crypto assets. Introduction of green bonds will finance green infrastructure through raising capital at low cost especially, from global investors. Overall, the budget has been a balanced and long-term growth-oriented with focus on higher potential growth trajectory. Stability in the tax regime is a welcome approach towards establishing India as global investment destination.

SECTORAL IMPACT

Sector	Rating
Agriculture	Positive
Social Sector	Marginally Positive
Infrastructure	Positive Plus
Services	
Banking / Insurance / Financial Service and Market	Positive / Neutral / Marginally Positive / Positive
Hospitality	Marginally Positive
IT-ITeS	Positive
Retail	Neutral
Telecom	Positive
Manufacturing	
Automotive	Marginally Positive
Capital and Engineering Goods	Positive
Cement	Positive
Consumer Goods	Neutral
Gems and Jewellery	Positive
Metals & Mining	Marginally Positive
MSMEs	Positive
Oil & Gas and Petrochemicals	Neutral
Pharmaceuticals & Healthcare	Marginally Positive
Power	Marginally Positive
Real Estate and Construction	Marginally Positive
Textiles & Garments	Marginally Positive
Personal Budget	Neutral

Ratings:

Positive Plus	Predominantly positive proposals
Positive	Positive proposals
Marginally Positive	Positive proposals but not upto industry expectations
Neutral	Negative proposals offsetting positive proposals
Marginally Negative	Negative proposals having less severe impact on the sector
Negative	Negative proposals impacting the sector

Agriculture

- Allocation to agriculture and allied activities increased to ₹ 1.52 tn in FY23 (BE) from ₹ 1.48 tn in FY22 (RE).
- Allocation of ₹ 10.22 bn in FY23 (BE) as against ₹ 100 mn (RE) in FY22 for Production-Linked Incentive Scheme for food processing industry.
- Chemical-free natural farming to be promoted throughout the country, with a focus on farmers' land in 5-km wide corridors along river Ganga, in the first stage.
- With 2023 announced as the International Year of Millets, the government intends to provide support for post-harvest value addition, increasing domestic consumption, and for branding millet products in domestic and foreign markets.
- Implementation of a rationalised and comprehensive scheme to increase domestic production of oilseeds for reducing import dependency.
- The Union Budget proposed a comprehensive package with participation of state governments for farmers to adopt suitable varieties of fruits and vegetables, and to use appropriate production and harvesting techniques.
- For delivery of digital and hi-tech services to farmers with involvement of public sector research and extension institutions along with private agri-tech players and stakeholders of agri-value chain, a scheme in Public-Private Partnership (PPP) mode will be launched.
- Use of 'Kisan Drones' will be promoted for crop assessment, digitization of land records, spraying of insecticides and nutrients.
- A fund with blended capital, raised under the co-investment model, will be facilitated through National Bank for Agriculture and Rural Development (NABARD) to finance start-ups for agriculture & rural enterprise, relevant for farm produce value chain. The activities for

these start-ups will include, inter alia, support for Farmer Producer Organizations (FPOs), machinery for farmers on rental basis at farm level, and technology including IT-based support.

- For encouraging agri-tech sector, the government will promote thematic funds for blended finance with the government share being limited to 20% and the funds being managed by private fund managers.
- Railways to develop new products and efficient logistics services for small farmers.
- States will be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero-budget and organic farming, modern-day agriculture, value addition and management.
- Allocation of ₹ 14 bn FY23 (BE) is proposed for implementation of the Ken-Betwa Link Project. The project is aimed at providing irrigation benefits to 0.9 mn hectares of farmers' land.
- The Central Government will implement five river links, namely Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery once a consensus is reached among the beneficiary states.
- The policies and required legislative changes to promote agro forestry and private forestry will be brought in. In addition, financial support will be provided to farmers belonging to Scheduled Castes and Scheduled Tribes, who want to take up agro-forestry.
- The Budget proposed 5-7% of biomass pellets to be co-fired in thermal power plants.
- The Budget proposed to reduce Minimum Alternate Tax (MAT) on co-operative societies to 15% from 18.5%. The surcharge also reduced to 7% from 12% for those having total income of more than ₹ 10 mn and up to ₹ 100 mn.
- An allocation of ₹ 670 mn for NECTAR Livelihood Improvement Project and ₹ 450 mn for promoting scientific organic agriculture

under Prime Minister's Development Initiative for North East (PM-DevINE) through the North-Eastern Council.

- Customs duty is being reduced on certain inputs required for shrimp aquaculture.

Positive

The Union Budget has shown slightly unconventional approach towards the agriculture sector by focusing on agri-tech and modernization of farming practices. Budget proposals that promote the use of agri-tech across farm produce value chain will be a major technology disruption in the Indian agriculture sector. It will enable the farming community to leverage digital and hi-tech services to improve productivity, profitability and reduce costs. The Union Budget also puts an additional thrust on promoting sustainable agriculture by adopting chemical-free organic farming. Further, the implementation of river-links project will help expand the irrigated area substantially. This will help enhance productivity especially in the regions which receive unreliable or irregular rainfall and will also allow production of two or three crops every year. The poor logistics infrastructure has always hampered the growth of Indian agriculture. The various budget proposals for the development of logistics infrastructure will enable efficient agricultural marketing going forward. All these measures are expected to boost growth of the agriculture sector.

While the Union Budget has announced various forward-looking measures for the agriculture sector, the budgetary allocation for the sector has witnessed only a marginal increase of 2.7% to ₹ 1.52 tn in FY23 (BE). In the absence of substantial outlay for the sector, effective implementation of some of these proposals may get hampered.

Social Sector

Health & Sanitation

- Allocation to health sector increased to ₹ 862 bn in FY23 (BE) from ₹ 859 bn in FY22 (RE).
- Allocation of ₹ 600 bn for 'Har Ghar, Nal Se Jal' scheme with an aim to cover 38 mn households in FY23.
- An open platform, for the National Digital Health Ecosystem will be rolled out which will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.
- A 'National Tele Mental Health Programme' will be launched which will include a network of 23 tele-mental health centres of excellence, with National Institute of Mental Health and Neurosciences (NIMHANS) being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.
- Allocation of ₹ 1.29 bn for establishment of Dedicated Services for the Management of Paediatric and Adult Haemotolymphoid Cancers in North East India under Prime Minister's Development Initiative for North East (PM-DevINE) through the North-Eastern Council.

Education

- Allocation to education sector is increased to ₹ 1.04 tn in FY23 (BE) from ₹ 880 bn in FY22 (RE).
- 'One class-one TV channel' programme of PM eVIDYA will be expanded from 12 to 200 TV channels to enable all states to provide supplementary education in regional languages for classes 1-12.
- In vocational courses, 750 virtual labs in science and mathematics, and 75 skilling e-labs for simulated learning environment, will be set-up in FY23.

- High-quality e-content in all spoken languages will be developed for delivery via internet, mobile phones, TV and radio through Digital Teachers. A competitive mechanism for development of quality e-content by the teachers will also be set-up.
- A Digital University will be established and education will be made available in different Indian languages and ICT formats. The University will be built on a networked hub-spoke model, with the hub building cutting edge ICT expertise. The best public universities and institutions in the country will collaborate as a network of hub-spokes.
- Five existing academic institutions in different regions to be designated as centres of excellence for developing India specific knowledge in urban planning and design and will be provided endowment funds of ₹ 2.5 bn each. In addition, AICTE will take the lead to improve syllabi, quality and access of urban planning courses in other institutions.
- World-class foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by IFSCA to facilitate availability of high-end human resources for financial services and technology.

Social Security

- The Union Budget proposed to increase the tax deduction limit on the National Pension System (NPS) contribution from 10% to 14% for State Government employees at par with central government employees.

Social welfare, Job creation, & Women empowerment

- Allocation for social welfare increased to ₹ 517.8 bn in FY23 (BE) from ₹ 449.5 bn in FY22 (RE).

- The allocation for Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA) reduced to ₹ 730 bn in FY23 (BE) from ₹ 980 bn in FY22 (RE).
- Skilling programmes and partnership with the industry will be reoriented to promote continuous skilling avenues, sustainability, and employability. The National Skill Qualification Framework (NSQF) will be aligned with dynamic industry needs.
- Digital Ecosystem for Skilling and Livelihood – the DESH-Stack e-portal – will be launched to empower citizens to skill, reskill or upskill through online training. It will also provide API-based trusted skill credentials, payment and discovery layers to find relevant jobs and entrepreneurial opportunities.
- The required courses for skilling will be started in select ITIs in all states.
- An allocation of ₹ 202.63 bn for Saksham Anganwadi and POSHAN 2.0, ₹ 102.34 bn for PM Poshan, ₹ 14.72 bn for Mission Vatsalya and ₹ 31.84 bn for Mission Shakti to provide integrated benefits to women and children. The Union Budget also proposed to upgrade 0.2 mn anganwadis under Saksham Anganwadis scheme.
- An allocation of ₹ 480 bn for PM Awas Yojana to build 8 mn houses in FY23. The Central Government to work with the state governments for reduction of time required for all land and construction related approvals, for promoting affordable housing for middle class and Economically Weaker Sections in urban areas. It will also work with the financial sector regulators to expand access to capital along with reduction in cost of intermediation.
- In FY23, Aspirational Blocks Programme to focus on such blocks from 112 districts which lag on health, nutrition, financial inclusion and basic infrastructure parameters.

Marginally Positive

The government has augmented its approach towards new-age education by proposing various digital learning initiatives in the Union Budget. The development of virtual labs and high-quality e-content is expected to address the long-standing issue of insufficient teaching resources and will provide better learning experience to the students. Further, the setup of 'Digital University' will ensure access to quality universal education even to the students from remotest area of the country. In view of the adverse impact of the pandemic on students especially from government schools and economically weaker sections, the expansion of PM eVidya to 200 TV channels will meet the need of supplementary teaching resources in regional languages. All these measures are expected to help in bridging the digital education divide in India.

While the Union Budget has proposed measures for skilling and livelihood creation, it has reduced spending on MGNREGA scheme. This will limit scope of employment for rural unskilled labour force. Acknowledging that the COVID-19 pandemic has accentuated mental health problems in people, the Union Budget has put special emphasis on providing quality mental health counselling and care services. The Tele Mental Health programme will especially benefit the rural area as it witnesses shortage of mental health professionals. The rolling out of the Open Platform for the National Digital Health Ecosystem is a welcome step as it will facilitate to digitize data of healthcare providers and extend universal access to healthcare facilities on a digital platform. However, apart from this, no major announcement has been made for healthcare sector in the Union Budget. This is further reflected in the meagre increase in the allocation for health sector.

Infrastructure

Roads & Highways

- The government has proposed the formulation of the PM Gati Shakti Master Plan for Expressways which includes the expansion of the National Highways network by 25,000 km in FY23 (BE) with an allocation of ₹ 200 bn.
- The proposed new scheme, Prime Minister's Development Initiative for North East Region (PMDevINE), for strengthening the regional infrastructure will include -
  - Construction of Aizawl By-pass on western side with provision of ₹ 5 bn.
  - Pilot project for construction of Bamboo Link Road at different locations in various districts in Mizoram with provision of ₹ 1 bn.

Railways

- Allocation of ₹ 1.4 tn in FY23 (BE) is up by 16.6% from ₹ 1.2 tn in FY22 (RE).
- To strengthen the safety and convenience measures for the passengers, the government has proposed to bring 2,000 km of network in FY23 under Kavach, the indigenously developed Train Collision Avoidance System.
- Plans to develop and manufacture 400 new-generation Vande Bharat Trains with better energy efficiency and passenger riding experience during the next three years.

Urban Infrastructure

- The government has proposed setting up of a high-level committee of reputed urban planners, urban economists and institutions to make recommendations on urban sector policies, capacity building and sustainable living, planning, implementation and governance to explore the full potential of economic growth of the megacities as well as the tier 2 and 3 cities.

- The government plans to extend support to the states for urban capacity building through modernization of building byelaws, town planning schemes (TPS) and Transit Oriented Development (TOD). To achieve this, the Central Government plans to leverage the financial support for mass transit projects and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme for facilitating TOD and TPS by the states.
- Plans to designate five existing academic institutions in different regions across the country as Centres of Excellence for developing and strengthening India specific knowledge in urban planning and design and to deliver certified training in urban planning with endowment funds of ₹ 2.5 bn for each institute. Further, the All-India Council for Technical Education (AICTE) will take the lead to improve syllabi, quality and access of urban planning courses in other institutions.
- The government proposes a battery swapping policy and formulation of inter-operability standards to tackle the challenge of space constraint for setting up of charging stations at scale in urban areas. Further, to improve the overall electric vehicle ecosystem, the private sector will be expected to play a greater role and encouraged to develop sustainable and innovative business models for 'Battery or Energy as a Service'.

Ropeway Infrastructure

- The government announced the launch of Parvatmala: National Ropeways Development Programme to improve connectivity, convenience and promote tourism in hilly areas or congested urban areas where it is not feasible to implement conventional mass transit system. The initiative will be developed in the public-private partnership (PPP) model and contracts for eight ropeway projects for a length of 60 km are expected to be awarded in FY23.

Border Villages Infrastructure

- To integrate the villages on borders in mainstream economy, the government announced a new scheme, the 'Vibrant Villages Programme' meant for villages on the northern border. The initiative will focus on construction of improving village infrastructure, housing, tourist centres, road connectivity, provisioning of decentralized renewable energy, direct to home access for Doordarshan and educational channels and support for livelihood generation through additional funding.

Power

- To facilitate domestic manufacturing for meeting the goal of 280 GW of installed solar capacity by 2030, the government proposes to allocate an additional ₹ 195 bn for Production Linked Incentive (PLI) to manufacture high efficiency modules with special focus on fully integrated manufacturing units from polysilicon to solar PV modules.
- With the aim of transitioning to a carbon neutral economy, 5–7% biomass pellets will be co-fired in thermal power plants resulting in carbon dioxide savings of 38 MMT annually.
- Plans to set up four pilot projects for coal gasification and conversion of coal into chemicals required for the industry to evolve technical and financial viability.

Telecom

- Under the Bharatnet project, the government plans to award the contracts for laying optical fibre in all villages, including remote areas, through the public-private partnership (PPP) model in FY23, with expected completion in 2025.

River and Water Infrastructure

- Under the National Perspective Plan for interlinking of rivers, the government has announced the implementation of the Ken-Betwa Link Project at an estimated cost of ₹ 446.05 bn. The initiative will transfer surplus water from the Ken river in MP to Betwa in UP and is aimed at providing irrigation benefits to 0.908 mn hectare of farmers' lands, drinking water supply for 6.2 mn people, 103 MW of hydro and 27 MW of solar power. Allocations of ₹ 14 bn in FY23 (BE) and ₹ 43 bn in FY22 (RE) have been made for this project.

- Draft detailed project reports (DPRs) of five river links, namely Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery have been finalized. the central government will provide the required support for implementation once a consensus is reached among all the beneficiary states.
- Allocation of ₹ 600 bn for Har Ghar Nal Se Jal Yojana to cover additional 38 mn households in FY23 on current base of 87 mn households, of which 55 mn were provided tap water in the last two years.

Financial-Technology

- Reputed foreign universities and academic institutions will be allowed in the Gujarat International Finance Tec (GIFT) City to offer various courses in science, technology, engineering, mathematics, financial management, FinTech etc. free from domestic regulations, except those by International Financial Services Centres Authority (IFSCA).
- Plans to set up an International Arbitration Centre in the GIFT City for timely settlement of disputes under international jurisprudence.

Digital Infrastructure

- The government plans to bring the data exchange among all mode operators on Unified Logistics Interface Platform (ULIP), designed for Application Programming Interface (API).
- The government announced the expansion of 'one class-one TV channel' programme of PM eVIDYA from 12 to 200 TV channels which will enable all states to provide supplementary education in regional languages for classes 1-12.

- Setting up of 750 virtual labs in science and mathematics and 75 skilling e-labs for simulated learning environment in FY23.
- Establishment of a digital University, built on a networked hub-spoke model, and available in different Indian languages and ICT formats.
- Launch of an open platform for the National Digital Health Ecosystem consisting of digital registries of health providers and health facilities, unique health identity, consent framework and universal access to health facilities.
- Plans to set up a National Tele Mental Health Programme which will include a network of 23 tele-mental health centres of excellence. The National Institute of Mental Health and Neurosciences (NIMHANS) will act as the nodal centre and the International Institute of Information Technology-Bangalore (IIITB) will be providing the technology support.
- The government proposes to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks.
- To facilitate better land records management, the government will promote the adoption or linkage of National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software'.

Logistics Infrastructure

- As a part of the PM Gati Shakti National Master Plan:
  - The government proposes to award contracts for implementation of multimodal logistics parks at four locations through PPP model in FY23.
  - Plans to develop 100 PM Gati Shakti Cargo Terminals for multimodal logistics facilities during the next three years.

Affordable Housing

- The government expects to complete 8 mn houses (both rural and urban areas) in FY23 for the identified eligible beneficiaries of PM Awas Yojana. ₹ 480 bn have been allocated for this purpose.

Infrastructure Financing

- Commencement of activities by the National Bank for Financing Infrastructure and Development (NaBFID).
- Implementation of a new scheme, Prime Minister's Development Initiative for North-East, PM-DevINE, through the North-Eastern Council with an initial allocation of ₹ 15 bn for eight projects.
- Supplemental funding for priority segments of PM Gram Sadak Yojana, including support for the states' share.
- The Prime Minister's Development Initiative for North East Region (PMDevINE) plans gap funding for ropeways in Sikkim -
  - Passenger ropeway system from Pelling to Sanga-Choeling in West Sikkim at a provisional cost of ₹ 640 mn.
  - Eco-friendly Ropeway (Cable Car) from Dhapper to Bhaleydhunga in South Sikkim at a provisional cost of ₹ 580 mn.

Positive Plus

The government continues its thrust on the infrastructure sector as a key enabler of the country's economic growth. The effective capital expenditure is estimated at ₹ 10.68 tn compared to ₹ 8.4 tn in the previous year, recording 27% growth. The budget focuses on greater state participation through the Gati Shakti initiative and inclusive infrastructure development through initiatives for the North Eastern states and steps taken for greater participation of farmers and small businesses. The government's PM Gati Shakti initiative, largely comprising of seven pillars namely roads, railways, airports, ports, mass transport, waterways and logistics infrastructure, are expected to play a major role for building *world-class modern infrastructure and logistics synergy. The technical support of various stakeholders such as Capacity Building Commission, central ministries, state governments, and their infra-agencies is expected to improve the implementation of the various PM Gati Shakti infrastructure projects.*

The role of state governments is expected to be accentuated with the allocation of ₹ 1 tn in FY23 which will be used for PM Gati Shakti related and other productive capital investment of the states. With more than 100% growth in the North East Special Infrastructure Development Scheme (NESIDS) from ₹ 6.74 bn in FY22 (RE) to ₹ 14.19 bn in the FY23 (BE) indicates the government's commitment for regional inclusive infrastructure development. The central government also plans to work with the state governments for facilitating the reduction of time required for all land and construction related approvals and for promoting affordable housing for middle class and economically weaker sections in urban areas. Apart from real time reporting, its other benefits include efficient movement of goods through different modes, reducing logistics cost and time, assisting just-in-time inventory management, minimum documentation etc.

Initiatives such as the Railways developing new products and efficient logistics services for small farmers and small and medium enterprises and the 'One Station-One Product' concept will help them to be a part of the mainstream business ecosystem.

The inclusion of data centres and energy storage systems including dense charging infrastructure and grid-scale battery systems in the harmonized list of infrastructures will help in facilitating credit availability for digital infrastructure and clean energy storage. This is also an indication of how the traditional definition of infrastructure is gradually undergoing a change to keep up with the technological advancement.

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- The budgetary allocation towards Financial Services (Banking, Insurance, Financial Markets, Infrastructure Finance, etc.) has increased to ₹ 531.4 bn in FY23 (BE) from ₹ 350.7 bn in FY22 (RE).

Banking

- The Budget proposes to extend Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023. The Guarantee cover under the scheme will be expanded by ₹ 500 bn which will be for hospitality and related enterprises. The total cover under the scheme will be ₹ 5 tn now.
- Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme will be revamped with required infusion of funds. This will facilitate additional credit of ₹ 2 tn for Micro and Small Enterprises and expand employment opportunities.
- The Budget proposes to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks (SCBs).
- Proposal to carry out necessary amendments in the Insolvency and Bankruptcy Code (IBC) to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.
- The Budget proposes to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting FY23.

Positive

The Budget proposes a series of measures related to Banking sector. Additional credit being provided to hospitality and related enterprises under Emergency Credit Line Guarantee Scheme (ECLGS), will help banks to grant quality credit to borrowers in these sectors. Revamping of CGTMSE will help banks to extend credit to micro and small enterprises.

These two measures will boost credit growth in the economy. Opening of Digital Banking Units (DBUs) as proposed in the Budget will give boost to banking services at various locations. Introduction of digital currency will provide more efficient and cheaper currency system.

Insurance

- Proposal to introduce surety bonds as a substitute for bank guarantees as per the framework given by Insurance Regulatory and Development Authority of India (IRDAI). This will be acceptable for Government procurements.

Neutral

There are no immediate and short terms measures in the Union Budget for the insurance sector. The proposal to introduce surety bonds as a guarantee may increase its usage by businesses.

Financial Services

- The Budget proposes to cover 0.15 mn post offices under the core banking system enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts.
- The Budget proposes to continue the financial support for digital payment ecosystem announced in the previous Budget.
- To finance startups for agriculture and rural enterprise, the Budget proposes to introduce a fund with blended capital, raised under the co-investment model. This will be facilitated through National Bank for Agriculture and Rural Development (NABARD).

Marginally Positive

Integrating the branches of post office under core banking system will provide boost to financial inclusion in the economy. Post offices will be able to provide various financial services at remote locations which will *further help in formalization of Indian economy. Setting up of fund with blended capital will help growth of startups in agriculture sector.*

Markets

- As part of Budget proposal, Sovereign Green Bonds will be issued for mobilizing resources for green infrastructure which will be deployed for public sector projects.
- The Budget proposes to facilitate services for global capital for sustainable and climate finance in the GIFT City.
- The Budget proposes to set up an International Arbitration Centre in the GIFT City for timely settlement of disputes under international jurisprudence.
- Proposal to exempt tax on income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC, subject to specified conditions.
- The Government will promote thematic funds for blended finance for encouraging important sunrise sectors. The Government share will be limited to 20% and the funds will be managed by private fund managers.
- To scale up venture capital and private equity investment, the Budget proposes to set up an expert committee to examine regulatory and other frictions.
- The Budget proposes to cap the surcharge of Association of Persons (AOPs) at 15%. Further, it also proposes to cap the surcharge on long term capital gains arising on transfer of any type of assets at 15%.

Taxation of Virtual Digital Assets

- Virtual digital assets shall be taxed at the rate of 30%. No deduction in respect of any expenditure or allowance shall be allowed while computing such income except cost of acquisition.
- Proposal to tax gift of virtual digital asset in the hands of the recipient.

Positive

The proposal of issuing Sovereign Green Bonds will provide additional investment avenues for reducing the carbon intensity of the economy. The introduction of taxation on virtual digital assets will create a level playing field across asset classes. Considering significant increase in transactions in virtual digital assets, this will create scope to mobilize additional revenue for the Government. The Budget proposes to create a better regulatory framework for venture capital and private equity investments which will give boost to start-up eco-system in India. The rationalization of surcharge for AOPs and long-term capital gains arising on transfer of any type of assets will improve investment climate in India.

Hospitality

- Extension of the Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023. The Guarantee cover under the scheme will be expanded by ₹ 500 bn and earmarked exclusively for the hospitality and related enterprises.
- National Ropeways Development Programme (Parvatmala) in difficult hilly areas and congested urban areas where conventional mass transit system is not feasible. Contracts for 8 ropeway projects for a length of 60 km will be awarded in 2022-2023.
- The issuance of e-Passports using embedded chip and futuristic technology to be rolled out in 2022-23.
- The budget announced manufacturing of four hundred new-generation Vande Bharat trains over the next three years.
- Proposal to make necessary amendments to the Bankruptcy Code and establishment to expedite voluntary winding-up of companies from the currently required two years to less than six months

Marginally positive

While the extension of the ECLGS is expected to provide the necessary liquidity support to the sector, it alone is not sufficient to help revive the *sector. New variants of the virus only prolong the recovery and continue to pose a very real existential threat to businesses in the hospitality sector. There were no other significant measures to support these businesses in the short term. The thrust on infrastructure and connectivity will provide a fillip to tourism in the long term.*

<u>IT and IteS</u>

- Spectrum auctions will be carried out during 2022 to facilitate rollout of 5G mobile services within FY23 by private telecom providers.
- Contracts for laying of optical fibres will be carried out in the next fiscal through a public-private partnership (PPP) mode as part of the FY23.
- 5% of annual collections under the Universal Service Obligation Fund (USOF) will be allocated to enable affordable broadband and mobile service proliferation in rural and remote areas
- Contracts for laying optical fibre in all villages, including remote areas, to be awarded under the Bharatnet project through PPP in FY23 with the aim to be completed by 2025 along with the measures to enable better and more efficient application and adoption of the optical fibre.
- Startups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS). In select ITIs, in all states, the required courses for skilling, will be started.
- e-Passports will be issued and rolled out in FY23 by using embedded chip and futuristic technology to enhance convenience of the citizens in their overseas travel.
- Total budgetary allocation to the Department of Telecommunications increased to ₹ 845.87 bn in FY23 (BE) as compared to ₹ 355.50 bn in FY22 (RE).
- An allocation of ₹ 5.28 bn is made for a scheme for design-led manufacturing to be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive (PLI) Scheme.

- Data centers and energy storage systems including dense charging infrastructure and grid-scale battery systems will be given the infrastructure status

Positive

The Union Budget is forward looking for the IT sector with key focus on creating sustained growth and developments in India. The focus on digital innovation and the promotion of blockchain technology through digital currency, which will be led by the RBI, will lead to adoption of high-end technologies and need for upskilling amongst various job seekers. India is foreseen to enter the arena of digital currency and bring in transparency to transactions and enable accounting of all money with aim to reduce the use of cash-based transactions. The focus on enabling affordable broadband and mobile service proliferation in rural and remote areas will encourage the adoption of 5G, which is planned to be launched in 2022. It will also create immense business opportunities for tech Startups functioning in gaming, content deliver services, animations, cloud technology, etc.

The government of India has realized that the dream to become a digitally advanced nation can be fulfilled by making internet connectivity available across all villages at affordable price. Bringing internet in both fixed-line and wired form to rural parts was key focus of the budget which is believed to promote R&D and commercialization of technologies and solutions.

Retail

- Customs duty on cut and polished diamonds and gems will be lowered to 5% from current 7.5%. Custom Duty to be raised on imitation jewelry to discourage imports.
- A simplified regulatory framework to be implemented by June this year - To facilitate export of jewellery through e-commerce

- Customs duty of at least ₹ 400 per Kg to be paid on imitation jewellery import - To disincentivise import of undervalued imitation jewellery
- Allocation for Ministry of Textiles increased to ₹ 123.8 bn in FY23 (BE) from ₹ 114.5 bn in FY22 (RE).
- The outlay for procurement of cotton by Cotton Corporation of India (CCI) under price support scheme increased to ₹ 92.4 bn (RE) in FY23 (BE) from ₹ 84.39 bn in FY22 (RE).
- The outlay for textile research and capacity building increased substantially to ₹ 4.78 bn in FY23 (BE) from ₹ 2.76 bn in FY22 (RE).
- An allocation of ₹ 150 mn in FY23 (BE) as against ₹ 5 mn in FY22 (RE) for Production Linked Incentive Scheme for textiles.
- Allocation of ₹ 1.33 bn granted for Textile Cluster Development scheme for FY23 (BE).
- PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme received the allocation of ₹ 150 mn in FY23 (BE) as against ₹ 5 mn in FY22 (RE).
- Exemption of custom duty on buttons, zipper, embellishment, trimming, fasteners, lining material, specified leather, packaging boxes and furniture fittings.
- Custom duty rate and tariff structure to be simplified for textile industry.

Neutral

The government has proposed a series of indirect measures in this budget that can encourage the surge in the retail sector. The proposal to establish a Multimodal Logistics Park will assist local businesses simplify their logistics. The 'One Station-One Product' idea will be marketed to assist local businesses and supply chains. In accordance with Make in India and Atmanirbhar Bharat objectives, the government wants *to remove exemptions on items that are or may be made in India and provide concessional tariffs on raw materials used in the creation of intermediate products. This will promote self-sufficiency in production of goods and encourage domestic manufacturing.*

Telecom

- Total budgetary allocation to the Department of Telecommunications increased to ₹ 845.87 bn in FY23 (BE) as compared to ₹ 355.50 bn in FY22 (RE).
- The Government will conduct spectrum auctions to facilitate rollout of 5G services by private telecom providers during FY23.
- An allocation of ₹ 5.28 bn is made for a scheme for design-led manufacturing to be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive (PLI) Scheme.
- The contracts for optical fibre networks will be awarded through PPP model under the Bharatnet project during FY23.
- 5% of annual collections under the Universal Service Obligation Fund (USOF) will be allocated to enable affordable broadband and mobile service proliferation in rural and remote areas.
- The Government has for capital infusion of ₹ 447.20 bn in BSNL.
- Duty concessions are provided to parts of transformers in mobile phone chargers and mobile camera lens to boost domestic manufacturing.

Positive

The Government has more than doubled it budgetary allocation for the telecom sector as compared to FY22 (RE). Despite the Government's announcement of spectrum auctions in the year 2022 and roll out of 5G mobile services in FY23, the government is expecting 27% decline in revenue from telecom sector at ₹ 528.06 bn in FY23 (BE) as compared to the higher than anticipated revenue of ₹ 719.59 bn in FY22 (RE). The *higher revenue was largely due to advance payments by Reliance Jio and Bharti Airtel towards past spectrum auctions.*

The announcements regarding 5G spectrum auctions and optical fiber networks under the Bharatnet project will provide the much-needed boost to broadband connectivity across the nation. These measures will help to bridge the digital divide for an inclusive growth of the nation.

Further, the Union Budget announcement related to design-led manufacturing for 5G as part of the PLI scheme and 5% of USOF allocation will strengthen the Government's 'Make in India' initiative.

Further, the announcement on duty concessions can help domestic scaling up of manufacturing mobile components with improved investments in components such as transformers in mobile chargers and mobile camera lens.

The Government has announced several other measures such as introduction of Central Bank Digital Currency, Anytime- Anywhere Post Office Savings, launching of Digital Ecosystem for Skilling and Livelihood and an open platform for the National Digital Health Ecosystem which indicates that India will continue in its path to create robust digital infrastructure for its conducive and comprehensive development in line with the digital India initiative. The budget measures are expected to provide positive boost for the long-term growth of the telecom sector.

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Manufacturing

Automotive

- The Union Budget has proposed a focus scheme to reflect electronic mobility as a clean and sustainable solution.
- The Union Budget introduced a new battery swapping policy to encourage private sector to develop sustainable and innovative business models for 'Battery or energy-as-a-service'.
- In order to promote public transport, the Union Budget has proposed clean-tech and governance solutions, special mobility zones with zero fossil-fuel policy and EV vehicles.
- The government has also decided to open defense R&D to private companies to benefit electric commercial vehicle makers and auto-component players.
- Estimated capex for Faster Adoption and Manufacturing of Electric Vehicle in India - (FAME - India) has increased from ₹ 8 bn in FY22 (RE) to ₹ 29 bn in FY23 (BE).
- Total budgetary allocation for the Development Council for Automobile and Allied industries has been increased by 29% from ₹ 222 mn in FY22 (RE) to ₹ 286 mn in FY23 (BE).
- Estimated expenditure on the Production Linked Incentive (PLI) Scheme for Automobiles and Auto Components has been reduced to ₹ 30 mn in the Union Budget from ₹ 35 mn in FY22 (RE).
- Increase in the estimated capex allotted to PLI Scheme for National Programme on Advanced Chemistry Cell (ACC) Battery Storage by 500% to ₹ 30 mn for the FY23 (BE).
- The government has also announced an MSP payment of ₹ 2.73 tn along with other benefits to aid the agriculture sector in Budget for FY23 (BE), which may boost the demand for automobiles in rural markets.

Marginally Positive

Projected investment in infrastructure development with ₹ 200 bn allocation and 25,000 km planned expansion of National Highways are expected to create demand for new vehicles in the commercial vehicle space. While the focus of this budget was more on connecting rural areas to urban using state of the art infrastructure and e-mobility, the impact of this will be measured in the mid-term to long term. The introduction of battery swapping policy shall be welcomed as an important keystone in introducing batteries-as-a-service. The announcement regarding welcoming auto manufacturers in defense R&D can be seen as progressive in nature as it will allow companies to introduce a new business model.

Capital and Engineering Goods

- The Government has proposed a gradual phasing out of concessional import duty rates on capital goods and project imports, to be replaced by a moderate tariff rate of 7.5%.
- Import of advanced machinery, not manufactured domestically, will continue to enjoy concessional rates.
- Exemption on import of input materials like specialized casting, ball screws and linear motion guides, all of which are used in the manufacture of capital goods.
- Capital expenditure allocation for FY23 (BE) fixed at ₹ 7.50 tn, an increase of 24.5% over FY22 (RE).
- PM Gati Shakti Master Plan for Expressway will be formulated, for seamless movement of people and goods. The national highway network to be expanded by 25,000 kms in FY23 (BE).
- The Government allotted ₹ 200 bn towards PM Gati Shakti program, its first ever budgetary outlay.
- The government has increased the capital expenditure allocation to railways to ₹ 1.44 tn in FY23 (BE), an increase of 20.5% over FY22 (RE). Development of 400 new generation Vande Bharat trains

over the next three years and 100% electrification of broad guage network by 2023.

- Development of 100 PM Gati Shakti cargo terminals for multimodal logistics in the next three years. Contract for implementation of multimodal logistics park at four locations will be awarded in FY23 (BE).
- The Government has allocated ₹ 195 bn for Production Linked Incentive to strengthen the domestic capability across the entire solar photovoltaic cell manufacturing value chain.

Positive

The phasing out of concessional import duty on a wide range of capital goods and project imports is a boost for the domestic capital goods industry. This move would help in protecting the domestic industry from low-cost imports and in turn help in creating a level playing field for domestic manufacturers. Additionally, import concessions for select raw materials will make it easier for the domestic manufacturers to access input materials in a cost-effective manner.

Continued investment on infrastructure development, anchored by PM Gati Shakti Master Plan would create strong demand for a wide range of capital and engineering goods. PM Gati Shakti is a national infrastructure master plan that has the potential to bring a transformational change in the logistics sector. The program is designed to modernize the logistics infrastructure, thereby supporting the Government's push to position India as a global manufacturing hub. The focus, in this budget is on improving road infrastructure, through the implementation of PM Gati Shakti Master Plan for Expressway. This plan focuses on modernizing and expanding the road network, thereby enabling faster movement of both people and goods.

For capital and engineering goods industry, the implementation of the PM Gati Shakti Master Plan will create demand from a wide range of *sectors – from roads to ports and waterways. Initial demand would come from railways and road development sector, where capacity expansion programs announced would trigger a demand for construction equipment and heavy machinery.*

Electric mobility has the potential to become a leading demand driver for capital goods in the medium to long term. The proposed battery swapping policy could create demand for specialized capital goods, for which domestic manufacturing capability is nascent. Given the continuation of exemption on import of specialized machinery, the near-term demand from electric mobility ecosystem would be largely met through imports. However, given the long-term demand generating potential of the industry, the domestic capital goods industry will have to invest in expanding its technical capabilities.

Cement

- Allocation of ₹ 200 bn for expansion of the National Highways network by 25,000 km in FY23 as a part of the PM Gati Shakti Master Plan for Expressways.
- The outlay for Pradhan Mantri Gram Sadak Yojna increased by nearly 35.7% to ₹ 190 bn in FY23 (BE) from ₹ 140 bn in FY22 (RE).
- Provision of ₹ 5 bn for construction of Aizawl By-pass on western side and provision of ₹ 1 bn for pilot project for construction of Bamboo Link Road at different locations in Mizoram as a part of the proposed new scheme, PM's Development Initiative for North East Region.
- Announcement of a new scheme, the 'Vibrant Villages Programme' meant for villages on the northern border which will focus on construction of improving village infrastructure, housing, tourist centres and road connectivity among others.
- Implementation of the Ken-Betwa Link Project at an estimated cost of ₹ 446.05 bn under the National Perspective Plan for interlinking of rivers.

- Announcement to award contracts for implementation of multimodal logistics parks at four locations through PPP model in FY23.
- Proposal to develop 100 PM Gati Shakti Cargo Terminals for multimodal logistics facilities during the next three years.
- Announcement to complete 8 mn houses (both rural and urban areas) in FY23 for the identified eligible beneficiaries of PM Awas Yojana with a proposed allocation of ₹ 480 bn.

Positive

The cement industry is expected to benefit from the government's continued thrust on infrastructure. The government's PM Gati Shakti initiative, comprising the development of roads, railways, airports, ports, mass transport, waterways and logistics infrastructure augers well for the cement industry. Further, the collective technical support of Capacity Building Commission, central ministries, state governments, and their infra-agencies is expected to help in strengthening the infrastructure projects in terms of design, timeliness, innovation and implementation of these projects. Government's announcement to support state governments in terms for all land and construction related approvals and for promoting affordable housing will help in faster completion of construction activities.

Consumer Goods

- 15.3% decrease in percentage allocation of the Ministry of Consumer Affairs, Food and Public Distribution from ₹ 2.57 tn in FY22 (RE) to ₹ 2.18 tn in FY23 (BE).
- Customs duty rates are being calibrated to provide a graded rate structure to facilitate domestic electronics manufacturing of wearable devices, hearable devices, and 28 electronic smart meters.
- Duty concessions are also being given to parts of the transformer of mobile phone chargers and camera lens of mobile camera modules and certain other items.

- Custom duty on umbrellas in the Ministry of Micro, Small and Medium Enterprises (MSMEs) is being raised to 20%. Exemption to parts of umbrellas is being withdrawn.
- No increase in taxes on cigarettes and tobacco products.
- Productivity-linked incentive schemes in 14 sectors including large-scale electronics manufacturing, food products, etc. have received excellent response. Investment intentions worth ₹ 30,000 bn have already been revived.

Neutral

The Union Budget had no direct announcement for the consumer goods sector, however, there was a significant decline in the budget allocation to the Ministry of Consumer Affairs, Food and Public Distribution. There were few implementations in the customs duty on the consumer goods which had an indirect impact on the sector. Certain exemptions and limits were given on electronic items which would boost domestic manufacturing with high growth. The initiation of productivity-linked incentive schemes across the sector would boost electronic manufacturing and attract large investments to uplift the Make-in-India initiative.

Gems & Jewellery

- Custom duty on cut and polished diamonds and gemstones to be reduced to 5% from the current rate of 7.5%.
- Abolishment of custom duty on simply sawn diamond.
- Implementation of a simplified regulatory framework for ease of export of jewellery through e-commerce by June 2022.
- The Union Budget proposed the minimum amount of ₹ 400 per Kg for custom duty on the import of imitation jewellery.
- Replacement of existing Special Economic Zone (SEZ) Act with a new legislation with effect from September 30, 2022.

Positive

The reduction of the custom duty on cut and polished diamond, gemstone and complete abolition of custom duty on simply sawn will provide a relief to the jewellery traders, thereby enhancing the domestic manufacturing and boosting the 'Aatmanirbhar Bharat' initiative of the government. Besides, the digital mode of exporting jewellery would bring more transparency in operations and help the local manufacturers to compete globally.

The Gems & Jewellery SEZs play a crucial role in boosting gems & jewellery exports. The proposal to replace SEZ Act with a new legislation is a welcome step as it will enable the state governments to partner with the industry and allow them to optimally utilize the available infrastructure. It will also facilitate integration of these zones with customs administration, thereby reducing compliance burden. Thus, the introduction of a new legislation for SEZs will be a step towards enhancing competitiveness of gems & jewellery sector.

Metals & Mining

- NIL Basic Custom Duty (BCD) on scrap of iron or steel including stainless steel that is applicable up to March 31, 2022 is being extended up to March 31, 2023.
- Tariff rate of scrap of iron or steel is reduced to 2.5% from 5%. Therefore, once the exemption from duty on these scraps expire, the BCD rate shall operate through tariff.
- Rescinds anti-dumping or countervailing duty on following products of steel are revoked with effect from February 1, 2022:
  - Straight length Bars and Rod of alloy Steel from China PR
  - High Speed Steel of Non-Cobalt Grade from China PR, Brazil, Germany.
  - Flat rolled products of steel (Al or Zinc coated) from China PR, Vietnam, and Korea RP.

- Hot rolled and cold rolled stainless steel flat products (from China PR).

- 58% increase in capital expenditure for Roads and Bridges to ₹ 1. 80 tn in FY23 (BE).
- 17% increase in capital expenditure for Indian Railways – Commercial Lines to ₹ 1.37 tn in FY23 (BE).
- ₹ 480 bn is allocated for completing 8 mn houses for beneficiaries of PM Awas Yojana.
- National Ropeways Development Programme (Parvatmala) in difficult hilly areas and congested urban areas to improve connectivity and convenience where conventional mass transit system is not feasible. Contracts for 8 ropeway projects for a length of 60 km will be awarded in 2022-23.

Marginally Positive

Significantly higher capital expenditure planned towards sectors with higher metals consumption intensity such as Railway, Road and Bridges, Water infrastructure and Affordable Housing is positive as this will support demand for metal. Moreover, continuation of NIL BCD on scrap imports is positive for sector.

Removal of anti-dumping duty on certain imports from specific countries with effect from February 1, 2022 and higher commodity price cycles put a dent in otherwise positive announcements, nudging us to judge the impact on sector as marginally positive.

Micro Small and Medium Enterprise (MSME)

- Total budgetary allocation for the MSME sector increased to ₹ 214.2 bn in FY23 (BE) from around ₹ 157.0 bn in FY22 (RE).
- Railways to develop new products and efficient logistics services for MSMEs. Popularization of the 'One Station-One Product' concept to help local businesses.

- Proposal to interlink and expand the scope of portals such as Udyam, e-Shram, NCS and ASEEM to provide G2C, B2C and B2B services related to credit facilitation, skilling, and recruitment.
- Extension of the Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023.
- Infusion of required funds to revamp the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) Scheme.
- Roll out of the Raising and Accelerating MSME Performance (RAMP) programme with outlay of ₹ 60 bn over 5 years.
- Proposal to make necessary amendments to the Bankruptcy Code and establishment of the Centre for Processing Accelerated Corporate Exit (C-PACE) to facilitate and expedite voluntary winding-up of companies from the currently required 2 years to less than 6 months.
- Proposal to launch a completely paperless, end-to-end online e-Bill System for use by all central ministries for their procurements.
- Proposal to set up an expert committee to examine regulatory and other frictions regarding venture capital and private equity funding to startups.
- Reduction in Minimum Alternate Tax rate for cooperative societies to 15% from 18.5%. Reduction of surcharge on co-operative societies to 7% from 12% for those having total income of more than ₹ 10 mn and up to ₹ 100 mn.
- Extension of tax holiday for eligible start-ups by one more year, up to March 2023.
- Extension of the last date for commencement of manufacturing for newly incorporated manufacturing entities under concessional tax regime by one more year, up to March 2023.
- Increase in customs duty on umbrellas to 20%. Withdrawal of customs duty exemption given to parts of umbrellas.

- ➢ Rationalisation of exemption provided to implements and tools for agri-sector which are manufactured in India.
- ➢ Extension of customs duty exemption on steel scrap for another year. Revoking of certain anti-dumping and countervailing duty on stainless steel, coated steel flat products, bars of alloy steel, and high-speed steel.

Positive

MSMEs continue to face several headwinds such as low consumption expenditure in the economy, soaring commodity prices, elevated freight costs and supply chain disruptions, in addition to the operational disruptions caused by new variants of the virus. Given this difficult market condition and operating environment, extension of the ECLGS up to March 2023 comes as a relief measure to the sector. However, the increase in guarantee cover under this scheme by an additional ₹ 500 bn alone constitutes to more than 87% of the budgetary allocation to the sector. Other areas such as technology upgradation, quality certification, and market promotion have not received much thrust.

Proposal to make necessary amendments to the bankruptcy code and establishment of the C-PACE will uplift creditor confidence. Rationalisation of customs duty for products that are manufactured by MSMEs is expected to provide a level playing field for domestic firms and aligns with the government's thrust on Aatma Nirbhar Bharat. Parallelly, increased allocation towards capital expenditure will benefit the MSME sector through a multiplier effect.

Oil & Gas and Petrochemicals

- ➢ Total Budgetary allocation to the Ministry of Petroleum and Natural Gas reduced to ₹ 89.39 bn for FY23 (BE) from ₹ 88.46 bn for FY22 (RE).
- ➢ Total Budgetary allocation to the Department of Chemicals and Petrochemicals was ₹ 2.09 bn for FY23 (BE), with no change from the ₹ 2.09 bn revised allocation for FY22 (RE).

- The subsidy on petroleum allocated by the Government has been reduced from ₹ 65.16 bn in FY22 (RE) to ₹ 58.13 bn in FY23 (BE).
- Allocation towards the Direct Benefit Transfer of LPG also reduced tremendously from ₹ 124 bn in FY22 (RE) to ₹ 40 bn in FY23 (BE); About ₹ 8 bn has been allocated in FY23 (BE) for LPG connection to poor households.
- Allocation of ₹ 1 bn has been made to install 0.1 mn biogas plants to provide alternate cooking fuel solutions.
- Four pilot projects are planned to be set up for coal gasification and converting coal to chemicals for the technical and financial viability of the industry.
- The government has allocated ₹ 6.9 bn for the Scheme for Faster Adoption and Manufacturing of Hybrid and Electric Vehicle (FAME) in India; the amount reduced from the ₹ 7.57 bn allocation during FY22 (RE).
- A battery swapping policy will be brought out for considering the limited space available to set up charging stations in urban areas. Therefore, the private sector is encouraged to build sustainable business models for 'Battery or Energy as a Service' to improve efficiency in the EV ecosystem.
- Allocation towards Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM) has increased from ₹ 7.76 bn for FY22 (RE) to ₹ 17.16 bn for FY23 (BE).
- The government has allocated ₹ 6 bn to Indian Strategic Petroleum Reserve Limited (ISPRL), which is dedicated to creating strategic underground crude oil reserves, for the Phase II implementation to construct caverns and ₹ 2.1 bn for Strategic Crude Oil Reserve for operation and maintenance of these caverns for FY23 (BE).
- The government has imposed additional excise duty of ₹ 2 per litre on unblended fuel to encourage the blending of fuel from October 1, 2022, and the customs duty has been reduced on certain critical

chemicals like methanol, acetic acid, and heavy feed stocks for petroleum refining.

Neutral

There has been no recent announcement except for setting up of four pilot projects for coal gasificiation for the sector. Though, this year has seen a significant decline in allocation to this sector as the subsidies for petroleum declined by 55% and the allocation to the Ministry of Petroleum and Natural Gas has also been reduced by 43%. Although, the focus of the government has been to create a carbon-neutral economy by promoting clean and sustainable mobility by promoting the use of public transport in urban areas along with cleantech and governance solutions, special mobility zones with zero fossil-fuel policy and EV vehicles will be created. Further, an increase in budget allocation for the KUSUM scheme for promotion of solar sector by 121% and an additional allocation of ₹ 19.5 bn has been made to Production Linked Incentive to achieve the government's goal to install 280 GW of solar capacity by 2030. Therefore, with the government's primary focus to promote clean and sustainable energy resources seems to offset the decline of budget allocation in petroleum subsidy and Direct Benefit Transfer of LPG.

Pharmaceuticals & Healthcare

- Genomics & pharmaceuticals identified as one of the sunrise opportunities sectors, making it eligible for supportive policies, light-touch regulations, facilitative Government actions to build domestic capacities and promotion of Research & Development activities.
- The Government will launch a "National Tele Mental Health Programme", which will be comprised of a network of 23 tele-mental health centres of excellence. NIMHANS will be the nodal center while the technology support will be provided by IIIT-Bangalore.
- The Government will be rolling out an open platform National Digital Health Ecosystem. This will consist of digital registries of

health providers, health facilities, unique health identity, consent framework and universal access to health facilities.

- Total budgetary allocation to the Ministry of Health and Family Welfare remained stagnant at ₹ 830 bn in FY23 (BE), compared to FY22 (RE)
- The Government increased capital outlay towards National Health Mission to ₹ 378.00 bn in FY23 (BE), a growth of 8.2% over FY22 (RE).
- Government spending on developing healthcare infrastructure, under Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM), increased to ₹ 51.54 bn in FY23 (BE), an astounding increase of 472.2% over FY22 (RE). This also include the outlay transferred to state Government / Union Territories towards implementation of the program.
- Budgetary allocation towards Pradhan Mantri Swasthya Suraksha Yojana increased to ₹ 100.00 bn in FY23 (BE), an increase of 35.1% over FY22 (RE).

Marginally Positive

The focus of Union Budget this year is on the strengthening mental healthcare infrastructure as well as improving digital penetration. The introduction of an integrated national digital health ecosystem will go a long way in bringing transparency to the Country's healthcare infrastructure. The classification of genomics & pharmaceuticals is a definite positive and will go a long way in attracting investments into critical Research & Development activities. In addition to these, the budget builds on to the infrastructure development initiatives that were launched / strengthened in the last year. This is reflected in the sizable increase in allocation towards various programs that are specifically tailored to develop the healthcare infrastructure in the country.

Power

- Total Budgetary allocation to the Ministry of Power increased to ₹ 160.75 bn in FY23 (BE) as compared to ₹ 153.22 bn in FY22 (RE).
- To promote domestic manufacturing and reach ambitious goal of 280 GW of solar capacity by 2030, an additional PLI incentive of ₹ 195 bn is announced. The focus will be for manufacturing high efficiency modules with priority for fully integrated manufacturing units from polysilicon to solar PV modules.
- Sovereign green bonds will be issued for mobilizing resources for green infrastructure. The proceeds will be deployed in public sector projects which will help in reducing the carbon intensity
- The National Bank for Financing Infrastructure and Development and National Asset Reconstruction Company have commenced their activities which would provide more financing opportunities to power sector.
- 400 new-generation Vande Bharat Trains with better energy efficiency will be developed and manufactured during the next three years.
- Implementation of the Ken-Betwa Link Project, at an estimated cost of ₹ 446.05 bn will be taken up, apart from irrigation and drinking water benefits, it will provide 103 MW of hydro, and 27 MW of solar power.
- Promote public transport in urban areas with clean tech, special mobility zones with zero fossil-fuel policy and EV vehicles.
- Battery swapping policy will be brought out and inter-operability standards will be formulated. The private sector will be encouraged to develop sustainable and innovative business models for 'Battery or Energy as a Service'.
- 5% to 7% biomass pellets will be co-fired in thermal power plants resulting in CO_2 savings of 38 mn metric tons (MMT) annually.
- Energy efficiency and savings measures will be promoted in large commercial buildings through the Energy Service Company (ESCO)

business model. It will facilitate capacity building and awareness for energy audits, performance contracts, common measurement & verification protocol.

- Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems will be included in the harmonized list of infrastructure. This will facilitate credit availability for digital infrastructure and clean energy storage.
- Four pilot projects for coal gasification and conversion of coal into chemicals will be taken up.

Marginally Positive

The Union Budget focuses on improving health of distribution companies, provided impetus for green energy and encourage local manufacturing. It also emphasises on policy creation for battery swapping, energy efficiency and savings measure as well as providing infrastructure status to energy storage systems.

Majority of states DISCOMS have weak financials, outlay for smart metering, feeder separation and upgradation of distribution systems seems small as compared to investments required in infrastructure creation. Asset monetization of PGCIL is step in right direction, however the quantum is less as compared to investments required in power transmission sector

Additional PLI incentive for manufacturing high efficiency solar modules is expected to improve domestic competitiveness, investments from leading national and international companies would be a key monitorable

Sovereign green bonds will act as catalyst for mobilizing resources for green infrastructure, the details on how green bonds will be issued, size, interest rates needs to be monitored closely

Policy creation for battery swapping is expected to help private sector to develop innovative business models, creation of Energy Service Company

(ESCO) is expected to help in energy efficiency and conversation goals to reduce carbon footprint

Real Estate & Construction

- A high-level committee of reputed urban planners, urban economists and institutions will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance
- Budgetary allocation to Ministry of Housing and Urban Affairs increased to ₹ 1.78 bn in FY23 (BE) from ₹ 1.43 bn in FY22 (RE).
- Modernization of building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD) will be implemented.
- In FY23, 8 mn houses will be completed for the identified eligible beneficiaries of Pradhan Mantri Awas Yojana (PMAY); ₹ 480 bn (BE) is allocated for this purpose.
- Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity, and infrastructure on the northern border.
- ₹ 200 bn will be mobilized for National Highways Network expansion by 25,000 km in FY23 (BE).
- Contracts for implementation of Multimodal Logistics Parks at four locations through public private partnership (PPP) mode will be awarded in FY23.
- ₹ 14 bn FY23 (BE) outlay allocated for implementation of the Ken-Betwa link project.

Marginally Positive

Significant surge in the allocation towards capital expenditure, infrastructure investment and proposed implementation of Multimodal Logistics Parks are going to provide required impetus to construction *sector. For promoting affordable housing for middle class and economically weaker sections in urban areas, the Central government will work with the state governments for reduction of time required for all land and construction related approvals. Vibrant village programme which include activities such as construction of village infrastructure, housing, tourist centres, road connectivity, provisioning of decentralized renewable energy, direct to home access for Doordarshan and educational channels, and support for livelihood generation is likely to help sector going forward. Further, the Ken-Betwa River linking project will prove to be beneficial.*

Textiles & Garments

- Allocation for Ministry of Textiles increased to ₹ 123.8 bn in FY23 (BE) from ₹ 114.5 bn in FY22 (RE).
- The outlay for procurement of cotton by Cotton Corporation of India (CCI) under price support scheme increased by 9.5% to ₹ 92.4 bn in FY23 (BE).
- The outlay for Research and Capacity building increased substantially by 73% to ₹ 4.79 bn in FY23 (BE).
- A fresh allocation of ₹ 1.34 bn granted for Textile Cluster Development scheme for FY23 (BE).
- PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme received the allocation of ₹ 150 mn for FY23 (BE).
- Exemption of custom duty on buttons, zipper, embellishment, trimming, fasteners, lining material, specified leather, packaging boxes and furniture fittings.
- Custom duty rate and tariff structure to be simplified for textile industry.
- The Union Budget proposed removal of exemption on items which are or can be manufactured in India and providing concessional duties on raw material that go into manufacturing of intermediate products.

- The Union Budget proposes phasing out of custom exemptions on over 350 items.

Marginally Positive

Acknowledging that the textile and garment industry has a huge potential to contribute towards GDP, exports and employment creation, the Union Budget has proposed 8% increase in the capital outlay for the sector. The increased allocation for procurement of cotton by CCI under price support scheme will help safeguard the cotton farmers from any eventuality of distress sale. Further, the substantial increase in expenditure for textile research and capacity building will provide boost to the sector. Exemption of customs duty on intermediate products along with simplification of tariff structure will incentivize textile and garments exports.

Personal Budget Impact Analysis

- There is no change in Income Tax slabs proposed for individuals including no specific benefit extended to senior citizens.
- New Taxation on Virtual Digital Assets
  - The government has proposed introduction of new taxation for digital assets. The income from digital asset transfer will be taxed at 30% and only cost of acquisition will be allowed as an expense to determine taxable income.
  - In case of loss incurred from digital assets trading, the same cannot be set off from any other income.
  - So, if there is any income (gain) made by assesses on sale of digital assets then its taxable.
  - In order to track transactions of digital assets, TDS at 1% on sale considerations would be applicable above a threshold.
  - In addition, Gift of cryptocurrencies to be taxed at receiver's end as well.
- A step to increase voluntary compliance
  - In case there is a situation where income tax assesses needs to correct the error or omissions in estimating their income for taxation purpose, the assesses now have 2 years window to update return from the end of the relevant assessment year.
  - A new provision to file an updated return after payment of additional tax is now available for assesses to declare the unreported income while filing Original Income Tax Return (ITR) earlier. The proof of paid additional tax is to be attached with updated return.
  - While filing updated return, assesses cannot claim losses or decrease in the tax liability.
  - A new sub-section (8A) in Section 139 is proposed to be introduced under the Income-tax Act 1961.

- The additional tax at the rate of 25% or 50% is applicable on the tax and interest due on the additional income.

- Tax deduction limit on employer's contribution to NPS account for state government employee is matched to current limit available to central government employees. The new limit stands increased to 14% from the current 10%.
- The rate of surcharge on long term capital gain from any long-term capital assets has now been capped at 15% in line with long term capital gains tax from equity funds and listed stock. This will benefit the taxpayer whose taxable income is above ₹ 20 mne.
- Tax relief on annuity and lump sum which was earlier available only at the time of death of the subscriber (Parent/Guardian) to the dependent (person with disability) has now been made available to parents or guardians attaining the age of sixty. The payment of annuity and lump sum amount would be allowed as deduction under Section 80DD of the IT Act.
- As per earlier press release by Finance Minister dated 25-Jun-2021, amounts received for Covid medical treatment by individuals from its employer or any other person for treatment of Covid-19, income tax will not be charged. It is been proposed to regularize the income tax act by exemption entire amount received from the employer and capping amount from another person up to ₹ 1 mn.

Neutral

There is no change in the income tax slabs for individuals, but there is introduction of filing of updated return to ensure voluntary compliance an extended window of 2 years. The new tax on income from virtual digital assets at 30% could potentially lead towards creating a legal framework around crypto assets in India.

EXPENDITURE OF MINISTRIES AND DEPARTMENTS

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Department of Agriculture, Cooperation and Farmers' Welfare	1,182.9	1,240.0	4.8
Department of Agricultural Research and Education	85.1	85.1	0.0
Atomic Energy	227.1	227.2	0.1
Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)	26.6	30.5	14.5
Department of Chemicals and Petrochemicals	2.1	2.1	0.0
Department of Fertilisers	1,407.0	1,052.6	-25.2
Department of Pharmaceuticals	8.2	22.4	172.6
Ministry of Civil Aviation	726.5	106.7	-85.3
Ministry of Coal	6.4	3.9	-38.9
Department of Commerce	74.2	60.7	-18.2
Department for Promotion of Industry and Internal Trade	83.8	83.5	-0.4
Department of Posts	189.7	208.2	9.8
Department of Telecommunications	355.5	845.9	137.9
Department of Consumer Affairs	24.5	17.2	-29.7
Department of Food and Public Distribution	3,020.0	2,159.6	-28.5
Ministry of Cooperation	-	9.0	-
Ministry of Corporate Affairs	6.6	7.3	11.1
Ministry of Culture	26.7	30.1	12.9
Ministry of Defence (Civil)	175.9	201.0	14.3
Defence Services (Revenue)	2,295.7	2,330.0	1.5
Capital Outlay on Defence Services	1,388.5	1,523.7	9.7
Defence Pensions	1,168.8	1,197.0	2.4

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Ministry of Development of North Eastern Region	26.6	28.0	5.3
Ministry of Earth Sciences	23.7	26.5	12.0
Department of School Education and Literacy	519.7	634.5	22.1
Department of Higher Education	360.3	408.3	13.3
Ministry of Electronics and Information Technology	95.8	143.0	49.2
Ministry of Environment, Forests and Climate Change	25.2	30.3	20.2
Ministry of External Affairs	160.0	172.5	7.8
Department of Economic Affairs	156.2	145.4	-6.9
Department of Expenditure	4.6	4.8	3.8
Department of Financial Services	350.7	53.1	-84.8
Department of Public Enterprises	1.8	0.3	-83.1
Department of Investment and Public Asset Management (DIPAM)	1.0	2.9	199.8
Department of Revenue	1,119.1	1,212.3	8.3
Direct Taxes	85.1	93.1	9.4
Indirect Taxes	749.4	411.4	-45.1
Indian Audit and Accounts Department	51.0	56.2	10.1
Interest Payments	8,137.9	9,406.5	15.6
Repayment of Debt	-	-	-
Pensions	630.1	658.4	4.5
Transfers to States	2,853.9	3,343.4	17.2
Department of Fisheries	14.1	21.2	50.5

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Department of Animal Husbandry and Dairying	27.1	39.2	44.4
Ministry of Food Processing Industries	13.0	29.4	125.6
Department of Health and Family Welfare	829.2	830.0	0.1
Department of Health Research	30.8	32.0	3.9
Department of Heavy Industry	11.8	33.1	179.9
Ministry of Home Affairs	45.6	76.2	67.2
Cabinet	17.3	17.1	-0.8
Police	1,092.7	1,176.9	7.7
Andaman and Nicobar Islands	59.2	57.0	-3.7
Chandigarh	44.3	48.5	9.5
Dadra and Nagar Haveli and Daman and Diu	23.1	23.7	2.7
Ladakh	59.6	59.6	0.0
Lakshadweep	13.0	13.9	7.6
Transfers to Delhi	10.3	11.7	13.4
Transfers to Jammu and Kashmir	347.0	355.8	2.5
Transfers to Puducherry	18.8	17.3	-8.0
Ministry of Housing and Urban Affairs	738.5	765.5	3.7
Ministry of Information and Broadcasting	37.6	39.8	5.7
Department of Water Resources, River Development and Ganga Rejuvenation	180.1	189.7	5.3
Department of Drinking Water and Sanitation	510.4	672.2	31.7
Ministry of Labour and Employment	142.5	168.9	18.6
Law and Justice	42.1	33.9	-19.4
Election Commission	2.6	2.6	0.4
Supreme Court of India	3.5	4.0	14.4

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Ministry of Micro, Small and Medium Enterprises	157.0	214.2	36.4
Ministry of Mines	14.8	15.1	1.9
Ministry of Minority Affairs	43.5	50.2	15.5
Ministry of New and Renewable Energy	76.8	69.0	-10.2
Ministry of Panchayati Raj	8.7	8.7	0.0
Ministry of Parliamentary Affairs	0.7	0.7	2.2
Ministry of Personnel, Public Grievances and Pensions	19.5	23.4	19.9
Central Vigilance Commission	0.4	0.4	8.6
Ministry of Petroleum and Natural Gas	88.5	89.4	1.1
Ministry of Planning	10.7	3.2	-70.0
Ministry of Ports, Shipping and Waterways	15.9	17.1	7.8
Ministry of Power	153.2	160.7	4.9
Staff, Household and Allowances of the President	0.7	0.8	13.5
Lok Sabha	7.0	8.0	14.2
Rajya Sabha	4.1	4.3	6.3
Secretariat of the Vice-President	0.1	0.1	18.2
Union Public Service Commission	3.2	3.3	4.6
Ministry of Railways	1,200.6	1,403.7	16.9
Ministry of Road Transport and Highways	1,311.5	1,991.1	51.8
Department of Rural Development	1,535.6	1,359.4	-11.5
Department of Land Resources	14.8	22.6	52.2
Department of Science and Technology	52.4	60.0	14.5
Department of Biotechnology	29.6	25.8	-12.8

EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Department of Scientific and Industrial Research	53.0	56.4	6.4
Ministry of Skill Development and Entrepreneurship	27.9	30.0	7.7
Department of Social Justice and Empowerment	101.8	119.2	17.1
Department of Empowerment of Persons with Disabilities	10.4	12.1	16.1
Department of Space	126.4	137.0	8.4
Ministry of Statistics and Programme Implementation	37.4	54.0	44.4
Ministry of Steel	0.4	0.5	9.3
Ministry of Textiles	114.5	123.8	8.1
Ministry of Tourism	9.7	24.0	147.5
Ministry of Tribal Affairs	61.8	84.5	36.7
Ministry of Women and Child Development	232.0	251.7	8.5
Ministry of Youth Affairs and Sports	27.6	30.6	11.1
Grand Total	**37,700.0**	**39,449.1**	**4.6**

Central Sector Schemes/Projects	11,950.8	11,810.8	-1.2
Centrally Sponsored Schemes	4,153.5	4,427.8	6.6
Establishment Expenditure of the Centre	7,005.4	6,922.1	-1.2
Finance Commission Grants	2,110.7	1,921.1	-9.0
Other Central Sector Expenditure	10,216.3	11,328.1	10.9
Other Grants/Loans/Transfers	2,263.3	3,039.1	34.3

Source: Union Budget FY23

OUTLAY ON MAJOR SCHEMES

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Change
Core of the Core Schemes			
Mahatma Gandhi National Rural Employment Guarantee Program	980.0	730.0	-25.5
National Social Assistance Progam	87.3	96.5	10.6
Umbrella Programme for Development of Minorities	13.7	18.1	31.8
Umbrella Programme for Development of Other Vulnerable Groups	19.3	19.3	0.1
Umbrella Programme for Development of Scheduled Tribes	38.0	41.1	8.3
Umbrella Scheme for Development of Schedule Castes	73.2	87.1	19.0
Core Schemes			
Blue Revolution	12.1	18.9	56.3
Border Area Development Programme	2.2	5.7	155.0
Environment, Forestry and Wildlife	6.7	9.3	39.0
Infrastructure Facilities for Judiciary	7.8	8.6	10.3
Jobs and Skill Development	27.5	26.9	-2.4
Modernisation of Police Forces	33.5	27.5	-17.7
National Education Mission	308.0	395.5	28.4
National Health Mission	349.5	378.0	8.2
National Livelihood Mission - Ajeevika	125.1	142.4	13.8
Pradhan Mantri Awas Yojna (PMAY)	473.9	480.0	1.3
Pradhan Mantri Gram Sadak Yojna	140.0	190.0	35.7
Pradhan Mantri Krishi Sinchai Yojna	127.1	129.4	1.9
Rashtriya Gram Swaraj Abhiyan(RGSA)	6.6	6.8	3.2
Shyama Prasad Mukherjee Rurban Mission	3.8	5.6	48.0
Swachh Bharat Mission	20.0	23.0	15.0
Swachh Bharat Mission (Gramin)	60.0	71.9	19.9

Source: Union Budget FY23

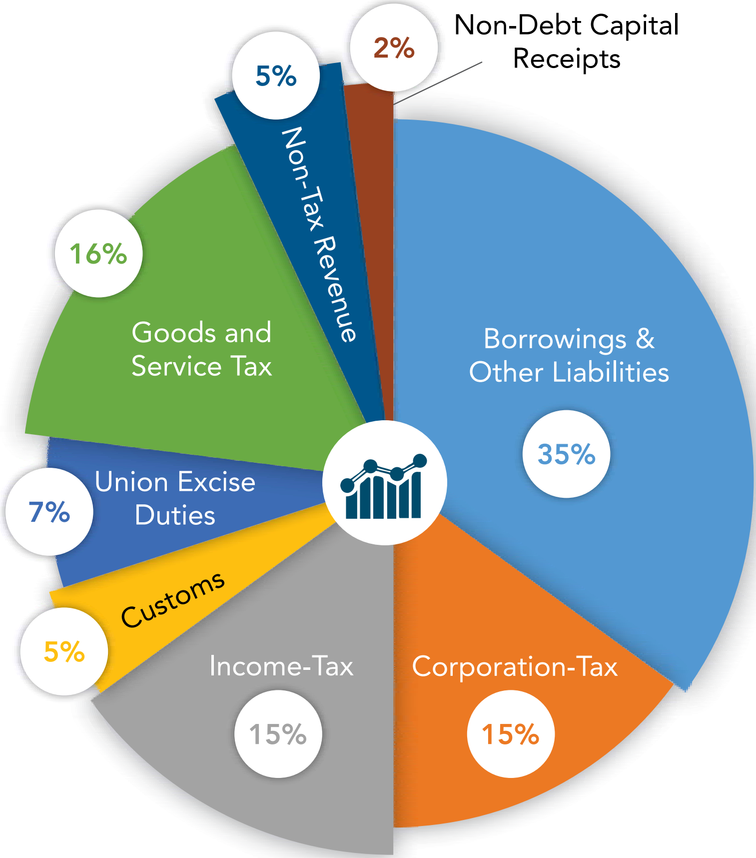
RECEIPTS

(₹ bn)	2021-22 Revised Estimates	2012-23 Budget Estimates
A. REVENUE RECEIPTS		
1. Tax Revenue		
Gross Tax Revenue	**25,161**	**27,578**
Corporation Tax	6,350	7,200
Taxes on Income	6,150	7,000
Wealth Tax	-	-
Customs	1,890	2,130
Union Excise Duties	3,940	3,350
Service Tax	10	20
Goods and Services Tax (GST)	6,750	7,800
Taxes on Union Territories	71	78
Less - NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund	61	64
Less - State's share	7,448	8,166
1.a Centre's Net Tax Revenue	17,651	19,348
2. Non-Tax Revenue	**3,138**	**2,697**
Interest receipts	209	180
Dividend and Profits	1,474	1,139
Other Non Tax Revenue	1,417	1,343
Receipts of Union Territories	25	28
Total Revenue Receipts (1.a + 2)	**20,789**	**22,044**
3. Capital Receipts	-	-
A. Non-debt Receipts	**1,000**	**793**
(i) Recoveries of loans and advances@	220	143
(ii) Disinvestment Receipts	780	650
B. Debt Receipts*	**14,169**	**16,604**
Total Capital Receipts (A+B)	**15,169**	**17,397**
Total Receipts (1.a+2+3)	**35,958**	**39,442**
4. Draw-Down of Cash Balance	**1,742**	**8**

Note: * The receipts are net of payment.

Source: Union Budget FY23

Major Items of Revenue - 2022-23 (% of total revenue)



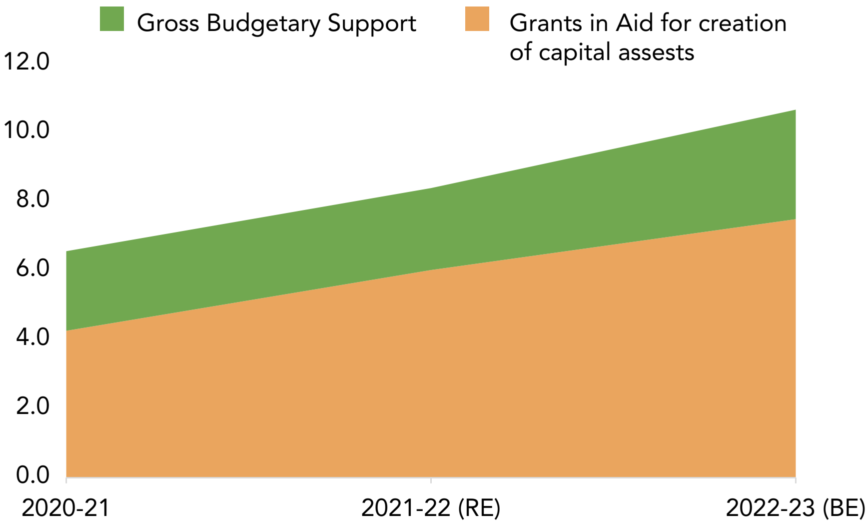
Source: Union Budget FY23

EXPENDITURE

(₹ bn)	2021-22 Revised Estimates	2022-23 Budget Estimates	% Growth
A. Centre's Expenditure			
I. Establishment Expenditure of Centre	7,005	6,922	-1.2
II. Central Sector Schemes/Projects	11,951	11,811	-1.2
III. Other Central Sector Expenditure	10,216	11,328	10.9
B. Transfers			
IV. Centrally Sponsored Schemes	4,154	4,428	6.6
V. Finance Commission Grants	2,111	1,921	-9.0
VI. Other Grants/Loans/Transfers	2,263	3,039	34.3
Grand Total	**37,700**	**39,449**	**4.6**

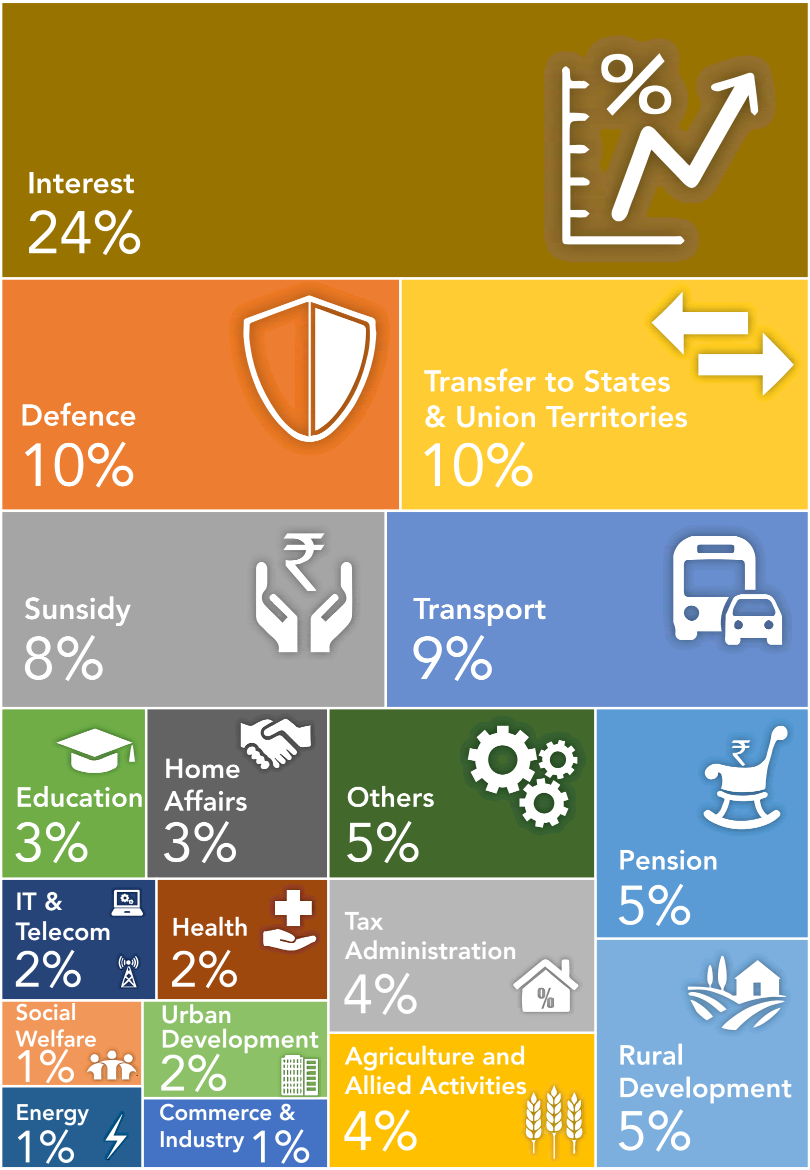
Source: Union Budget FY23

Capital Expenditure of the Government - 2022-23 (in ₹ tn)



Source: Union Budget FY23

Major Items of Expenditure (% of total expenditure)



Source: Union Budget FY23

KEY ECONOMIC INDICATORS
(Absolute Values)

	2019-20	2020-21	2021-22
Gross Domestic Product at factor cost			
Nominal GDP (%)	6.2	-1.4	17.2[a]
At 2011-12 prices (%)	3.7	-6.6	8.8[a]
Population growth (%)	1.06	1.07	1.07[f]
Per Capita Net National Income (₹) (Base: 2011-12)	94,270	85,110	93,973[a]
Sectoral Growth Rates at Constant (2011-12) prices			
Agriculture (%)	5.5	3.3	3.5[a]
Industry (%)	-1.4	-3.3	7.7[a]
Services (%)	6.3	-7.8	8.5[a]
Inflation (Year Average)			
Wholesale Price Index (%)	1.7	1.3	12.5[c]
Consumer Price Index (%)	4.8	6.2	5.2[c]
External Sector			
Export growth (%)	-5.2	-7.3	46.5[g]
Import growth (%)	-7.8	-17.3	62.7[g]
Trade balance (% of GDP)	-5.68	-3.82	-5.3[d]
Current acount balance (% of GDP)	-0.9	0.9	-0.17[d]
Foreign Direct Investment (net, US$ bn)	43	44	22[d]
Internal debt (absolute value) ₹ tn	97	106	132[a]
Internal debt (% of GDP)	48.4	53.7	56.7[a]
External debt (absolute value) ₹ tn	2.9	3.1	4.3[a]
External debt (% of GDP)	1.5	1.6	1.8[a]

Monetary and Finance			
Money Supply (M3)* (%)	8.9	12.2	11.4[b]
Exchange rate (₹/US$) (Average)	1.4	4.7	-0.3[g]
Foreign Exchange Reserves* (absolute value) (USD bn)	476	579	634[e]
Import Cover (in months)	13	17	11[c]
Reserves as % of Total External Debt	623	691	1103[a]

Note - a: 1st Advance Estimates; b: Upto Dec 31, 2021; c: Apr- Dec 2021; d: Apr-Sep 2021; e:As on January 14, 2022; f:Apr.-Nov. 2021; g:Apr 1 -Dec 31 2021; h: extrapolated at FY21 rate

Source: RBI, CSO, Ministry of Commerce, Ministry of Power, Ministry of Agriculture & Farmers Welfare

KEY ECONOMIC INDICATORS
(Percentage Change Over Previous Year)

Industry-wise Deployment of Bank Credit*	2019-20	2020-21	2021-22
Industries	0.9%	0.5%	3.8%
Mining & Quarrying (incl. Coal)	5.7%	4.9%	16.6%
Food Processing	-3.0%	7.8%	4.3%
Beverage & Tobacco	13.2%	-3.6%	8.9%
Textiles	-5.2%	4.7%	7.4%
Leather & Leather Products	-1.6%	1.8%	-3.1%
Wood & Wood Products	2.3%	8.6%	5.4%
Paper & Paper Products	2.3%	14.7%	8.3%
Petroleum, Coal Products & Nuclear Fuels	16.7%	-8.1%	15.1%
Chemicals & Chemical Products	7.2%	-6.5%	7.3%
Rubber, Plastic & their Products	10.8%	6.2%	21.9%
Glass & Glassware	-17.6%	-5.1%	-14.5%
Cement & Cement Products	5.5%	-10.1%	-25.0%
Basic Metal & Metal Product	-5.8%	-6.1%	-16.9%
All Engineering	-6.4%	-6.3%	8.0%
Vehicles, Vehicle Parts & Transport Equipment	3.4%	1.3%	-0.7%
Gems & Jewellery	-11.6%	-1.6%	3.8%
Construction	5.4%	-8.2%	-3.9%
Infrastructure	-0.1%	3.7%	8.5%
Other Industries	19.9%	4.5%	7.5%

Footnotes - *: end period data; #: Apr-Nov 2021

Source: RBI

GLOSSARY

Appropriation Bill: This Bill entails the Parliament's approval for withdrawal of money from the Consolidated Fund to pay off expenses. After the Demands for Grants are voted by the Lok Sabha, the Parliament approves this bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by the Parliament.

Capital Expenditure: It is the expenditure incurred on acquisition of assets like land, buildings, machinery, equipment etc and also loans and advances granted by the Central Government to State and Union territories, Public sector enterprises and other parties. This expenditure is also categorised as plan and non-plan capital expenditure.

Capital Receipts: Capital receipts include loans raised by the Government from public which are called Market Loans, borrowings by the Government from the Reserve Bank of India and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties.

Consolidated Fund: All revenues received by the Government, loans raised by it, and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of the Government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from the Parliament.

Contingency Fund: It is an imprest from the Consolidated Fund, and may be used by the Government without waiting for an appropriation bill to be passed by the Parliament. If it becomes necessary for the Government to incur expenditure not included in the budget, it can do so from the Contingency Fund.

Customs Duties: Customs duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India.

Effective Revenue Deficit: Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets.

Exceptional Grant: Through the Exceptional Grant the House of People can make provision for an exceptional grant that does not form part of the current service of any financial year.

Excise Duties: Central excise duty is an indirect tax levied on those goods which are manufactured in India and are meant for home consumption.

Extra Budgetary Resources: Extra-budgetary resources are the sum of domestic and foreign loans raised directly by CPSUs. The extra-budgetary resources consist of receipts from the issue of bonds, debentures, external commercial borrowing (ECB), suppliers' credit, deposit receipts and term loans from financial institutions.

Finance Bill: At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110(1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.

Fiscal Deficit: The difference between the total expenditure of the Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of the Government and capital receipts which are not in the nature of borrowing but which finally accrue to the Government on the other, constitutes fiscal deficit.

Non-Plan Expenditure: It includes expenses that do not form a part of the Government's five year plan. These expenses consist of revenue and capital expenditure on defense, subsidies, interest payments, postal deficit, pensions, police, loans to public sector enterprises, economic services and loans as well as grants to State Governments, Union Territories and foreign Governments.

Non-Tax Revenues: Revenues earned by the Government from sources other than taxes are termed as non-tax revenues. The sources of non-tax revenues may include; dividends and profits received from public sector companies, interest receipts, fines, penalties and fees for various services rendered by the Government.

Plan Expenditure: It consists of both revenue expenditure and capital expenditure of the Centre on the Central Plan and Central Assistance to States and Union Territories. Plan expenditure reflects the Government's investment in enhancing the economy's productive aptitude. It arises out of schemes freshly introduced in an ongoing Five Year Plan (FYP) period.

Plan Outlay: Plan Outlay refers to the amount sanctioned for expenditure on projects, schemes and programmes announced in the Plan. The provision for this amount is made through extra budgetary resources and from provisions in the Demands for Grants. The budgetary support is also reflected as plan expenditure in Government accounts.

Primary Deficit: The amount by which the Government's total expenditure exceeds its total revenue generated, excluding the interest payments on debt. It is primarily the difference between the gross fiscal deficit and gross interest payments.

Public Account: Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which the Government acts more as a banker. For example, transactions relating to provident funds, small savings collections, other deposits, etc. The money thus received is kept in the Public Account and the connected disbursements are also made therefrom.

Public Debt: It refers to the total debt of the central and the State Governments. Public debt can be classified into internal debt (comprising of money borrowed within the country) and external debt (comprising of funds borrowed from non- Indian sources). The net accretion to public debt is the difference in borrowing and repayments during a fiscal year.

Revenue Deficit: Revenue Deficit is the excess of Government's revenue expenditure over revenue receipts.

Revenue Expenditure: It is the expenditure incurred by the Government for running of Government departments and conducting various economic, social and general services, interest payments, subsidies, grants and assistance to State and Union territories etc. This expenditure is also categorised as plan and non-plan revenue expenditure.

Revenue Receipts: It includes revenues garnered by the Government through taxes and other non-tax sources. Other receipts of the Government mainly consist of interest and dividend on investments made by the Government, fees, and other receipts for services rendered by it.

Tax Revenues: It comprises of revenue receipts through taxes and other duties levied by the Government. Tax revenue includes revenue generated through both direct taxes (personal income tax, corporate tax, capital gain tax and wealth tax) and indirect taxes (central excise duty, customs duty, service tax and VAT).

Vote on Account: It means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act.

Vote of Credit: Through the Vote of Credit the House of People can approve grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in an annual financial statement.

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IMPACT ANALYSIS

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