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UNION BUDGET EXPECTATIONS- DRIVING BALANCED DEVELOPMENT IN TUMULTUOUS TIMES

27 January 2023

PERSPECTIVE

Historically Kautilya's Arhthashastra first mentioned the basic tenets of a Budget. For the first time, he brought to the fore the terms of revenues, expenditures and the fiscal deficits.

Post-Independence, under Article 112 of the Constitution, a statement of estimated receipts and expenditure of the Government of India must be laid before Parliament in respect of every financial year from 1st April to 31st March. This statement titled "Annual Financial Statement" is the main Budget document. The Annual Financial Statement shows the receipts and payments of Government under the three parts in which Government accounts are kept: (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account. Hence, in this sense the budget is routine. But the budget provides an indication of the state of the economy, priorities of the Government and the use of instruments to realize identified objectives, influence direction and pace of the economy. Hence, the budget, which is a document of estimates based on assumptions and strategies to achieve those estimates, is much more than a public statement of expected government revenues and scheme expenditures over a period of one year.

These are VUCA (volatility, uncertainty, complexity, ambiguity) times. The present day VUCA world is characterized by extensive and rapid changes in all walks of life and activity, explosion of information fueled by the Internet, dramatic growth of technology and increasing globalization. Further, the COVID 19 pandemic was truly a game changer in so many diverse ways that it completely transformed the global development dialectics and discourse. In this overarching setting, disequilibrium became the new equilibrium and, therefore, this budget is expected to provide the roadmap ahead in the new normal.

The worst is clearly behind us post the COVID 19 pandemic & India is once again on a high growth trajectory. However, the heightened geopolitical dynamics in the wake of the Russia-Ukraine war, the high fuel prices, high logistics & interest cost, volatile capital flows & exchange rate volatility & the scramble for safe haven & the attendant correction in asset prices cause concern.

India has emerged as a "*bright spot*" in the global economy. India's growth is here to stay. India will still be the second-fastest growing economy in G20 in FY23 after Saudi Arabia (OECD). India is expected to remain a growth outperformer in the medium term with an average GDP growth of 6.6 per cent between fiscals 2024 and 2026, versus 3.1 per cent globally as estimated by IMF. India is expected to drive global growth with doubling of its GDP from $ 3.4 trillion now to $ 8.5 trillion over next decade, accent on investment, exports and employment, GST, corporate tax cuts, PLIs and larger formal economy. This is the way to go.

Tax collections are on a roll. India's total tax collections could surge to ₹ 31 lakh crore- well over budgeted ₹ 27.6 lakh crore in FY23 because of inflation, better corporate profitability and windfall profit taxes on oil companies. Expanded and broadened tax base is necessary.

The economy's growth of 6.3 per cent GDP growth in qtr. 2 of FY23 was expected but concerns about monetary tightening, global slowdown and decelerating manufacturing persisted. Manufacturing contracted by 4.3 per cent. In April-June quarter, the economy had grown 13.5 per cent, primarily owing to a low base in the previous pandemic-hit year. However, a 10.4 per cent rise in gross fixed capital formation, 14.7 per cent in trade, transport, hotels, 18 per cent in gross taxes augur well.

Growth in eight infrastructure industries, such as, crude oil, natural gas, refinery products and cement contracted, but the second quarter growth was in line with our expectations. But the 4.6 per cent growth in agriculture evoked some discussions. The kharif crop was affected adversely due first to drought conditions and then untimely rains. Possibly, this was offset by the enhanced contribution of livestock, fishing and forestry segments. Other redeeming features included growth in the services sector and considerably higher private consumption in qtr.2.

Indian is likely to achieve 6.8 per cent growth in FY23 because of largely domestically driven economy, 13.3 per cent share of exports in India as against 37.4 per cent in China and demographic dividend. But the steep decline in exports causes concern. After about 2 years, India' exports turned negative (-16.6 per cent to $ 29.8 billion in Oct.) mainly due to global demand slowdown. Imports rose 6 per cent to $ 56.7 billion because of crude oil, cotton, fertilizer and machinery; the trade deficit widened to $ 26.9 billion. Sustained exports growth needed. India would grow moderately briskly because of macroeconomic stability despite monetary tightening, which could reduce stock prices, weaker currencies and higher bond yields enhancing government's borrowing costs.

There is, however, a sectoral skew in India's growth. Earnings growth in qtr. 2 FY23 was led by BFSI (banking, financial services and insurance), automobiles and telecom. Banks are on a roll because of surging credit, rising interest rates and significantly reduced NPAs. Metals, oil and gas and select consumer durable firms

underperformed restricting the growth of Nifty50 companies. Overall steady growth is on, but growth needs to be more broad-based to propel India to a higher and more sustainable orbit.

In this overarching macro-economic and industrial landscape, it is important for Indian companies to focus on steady cash flows; not valuations. Chandrasekaran, Chairman, Tata Sons, stressed that entrepreneurs should focus on steady cash flows rather than valuations. Raising capital to enhance business capability is needed. Digital, supply chains, energy transitions and global geopolitics would drive Indian growth.

Government spending contracted in qtr. 2. The Centre's fiscal deficit at 45.6 per cent of the Budget target in the first seven months of the current financial year reflects a healthy concern for prudent Budget management despite rising expenditure to shore up the economy.

BSE Sensex reached a record 62,887, 23 per cent up from the low of 50,921 in mid-June. The significant inflow of foreign portfolio investment, entry of domestic money in the share markets through systematic investment plans and mutual funds and inculcation of investment habit among people, especially the youth in the wake of the low returns on post office and banking instruments is welcome.

Non-food credit growth, which more than doubled from 6.9 per cent a year ago to 18.3 per cent in Oct'22, is strongly suggestive of the macro-economy gaining traction and-what is more important- persisting high credit demand.

The persisting demographic dividend, services export opportunities, domestic demand potential, ascendant middle class and India's emergence as an attractive investment destination act as tailwinds for the Indian economy and facilitate a take-off into sustained growth. Strengthened physical sector in terms of the length of the highways, reduced peak energy deficit, improved logistics efficiency, a renewed thrust on exports and investments are likely to provide an impetus to macroeconomic growth and structural transformation with an accent on fiscal deficit, inflation, banking and financial scenario, regional imbalances and financial inclusion.

THRUST AREAS

Budget FY24 is going to be the last annual financial statement of the current Government before the General Elections. Hence, it is likely to present a politically acceptable budget, influencing the masses. The Indian economy has demonstrated resilience against the concerns of globally synchronized slowdown, unemployment, inflation, deferred shocks of the pandemic, etc., and this is first time in many years that all the engines of growth, viz., consumption, government expenditure, and investments are performing well.

Given the potential for a recession in key export markets including the United States and the European Union, exports are expected to see a significant setback this year. India's exports of US$ 34.48 billion rose by 7.75 per cent in Dec'22 but fell by 12.2 per cent from Dec'21 on incipient Western Recession. Imports fell by 13.5 per cent to US$ 58.2 billion in Dec'22 from US$ 60.33 billion in Dec'21, resulting in a trade deficit of US$ 23.76 billion in Dec'22.

India had the most FDI inflows and high GDP growth. Given the increasingly global interdependencies and interlinkages, India is not immune to global shocks – no country can be an island today. The hazards and uncertainties of international relations are substantial. By maintaining a high interest rate on a regular basis, the monetary policy stance is aiming to rein in inflation.

India's Consumer price index (CPI) inflation fell from 5.88 per cent in Nov'22 to 5.72 per cent in Dec'22 - lowest since Dec'21, i.e., second consecutive month for inflation to be within the Reserve Bank of India (RBI)'s band of 2-6 per cent. Though inflation is subsiding, the government needs to stay on the path of *Fiscal Consolidation*, need to deftly manage growth inflation tradeoff envisaging a deficit of 4.5 per cent of GDP by FY26.

Last year the priorities were four-fold, i.e., inclusive growth & welfare, energy transition & climate action, financing of investment, and lastly, productivity enhancement & more sunrise opportunities. Imperative as these challenges are, emphasis should also have been on infrastructure, bank reforms, streamlining of subsidies, tax reforms and employment generation.

The Covid-19 pandemic created a "catastrophic" impact on the entire global economy during 2020, and India was also not insulated from its adverse impact. But thankfully such ominous threats have now largely receded.

The past year's disinvestment expectation of ₹ 65,000 crores was not met entirely, as there were low receipts from the privatization and additional expenditure. The markets would be looking for transparent and credible fiscal consolidation, reduced progressive taxation, tariff-cuts on imports, and an emphasis on capital investment in the Budget. Most receipts were filled in by the sale of LIC contributing around ₹ 21,000 crores.

The RBI expects an average growth of 4.3 per cent in the last two quarters of FY23. Growth of over 6 per cent growth in FY24 could be achieved with constant policy support. As per the Ministry of Statistics and Programme Implementation (MoSPI) Data, Nominal GDP grew by 16.2 per cent in the second qtr. of FY23 with an implicit price deflator (IPD)-based inflation of 9.3 per cent. In the first half of FY23, nominal GDP growth remained high at 21.2 per cent due to the elevated level of IPD based inflation at 10.4 per cent. For FY24, in its last monetary policy committee (MPC) report, RBI projected the overall growth rate to be 7 per cent, i.e., 7.1 per cent for qtr. 1 and 5.9 per cent for qtr. 2, against estimated 6.2 per cent growth for FY23, but we expect it to be 6.8 per cent down from 8.7 per cent in FY22 because of the largely domestically driven economy.

FISCAL CALCULUS

Fiscal deficit is regarded as the best available summary indicator of the macro-economic impact of the budget. As Shankar Acharya stressed "such deficits tend to crowd out private investment, increase inflationary potential, weaken the balance of payments, render financial sector reforms more difficult and impose a serious burden on future generations".

The precarious state of public finances with debt to GDP above 75 per cent, unsustainably huge fiscal deficit and the impact of such deficit on India's urgent external and internal security needs as a rising power need not cause consternation. Hence while the need for fiscal rectitude is indisputable, there are important occasions, when we need to examine the larger macro-economic picture and the constricted policy choices in a time like perhaps no other in a century. The original Fiscal Policy Strategy Document published over 12 years ago maintained: "The fiscal consolidation process has to be put on hold temporarily. But there cannot be any fiscal profligacy. Most of the countries are actually looking at increasing stimulus for the current financial year in order to provide boost to aggregate demand. Without putting at risk the revival process, the Government will look at exit strategies as soon as there is improvement in economic conditions". Clearly, this school of thought has great resonance and acceptability today.

The objective of the Fiscal Responsibility and Budget Management (FRBM) Act was: "To provide for the responsibility of the central government to ensure inter-generational equity in fiscal management and long-term macroeconomic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal

impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the central government borrowings, debt and deficits, greater transparency in fiscal operation of the central government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto”. Evidently, in the light of crippling hit caused by the COVID 19 pandemic, this objective was given a go-by. But now that things are quickly recovering, we can no longer be impervious to the concerns of a prudent and judicious fiscal policy.

In terms of Revenue, for FY23, total receipts other than borrowings of the Government would exceed the budget estimate (BE) of ₹ 22.84 lakh crores by around ₹ 2.3 lakh crores, on account of higher direct tax receipts by ₹ 2.2 lakh crores, higher GST receipts, i.e., ₹ 95,000 crores and lower disinvestment receipts of around ₹ 20,000 crores. Total revenues of the Government were 64.6 per cent of the BE during Apr-Nov'22 leading to fiscal deficit of 58.9 per cent of the BE till Nov’22, compared to 46.2 per cent of BE till Nov’21.

In terms of Expenditure, higher subsidy, and increased government spending of ₹ 3.25 lakh crores in FY23 against the estimated total expenditure of ₹ 39.45 lakh crores. In FY22, the government's expenditure was ₹ 37.7 lakh crores. The additional expenditure comprised of ₹ 13,669 crores and ₹ 12,000 crores for fulfilling the spending needs of the Ministry of Telecom and Ministry of Railways, and roughly ₹ 10,000 crores transferred to the GST compensation fund for paying compensation to states and Union Territories.

The total Market Borrowings of the Government for FY23 were estimated to be ₹ 11,58,719 crores. Keeping in mind the crowding out nature of the government spending, for FY24, we expect net market borrowing to be around ₹ 12 lakh crore and with repayments of ₹ 4.4 lakh crore, gross borrowing will be around ₹ 16 lakh crore, overall gross borrowing by Centre and States is likely to be ₹ 24.3 lakh crore, i.e., ₹ 22.2 lakh crore in FY23 and net borrowings ₹ 17 lakh crore, i.e., ₹ 16.7 lakh crore in FY23. More tax buoyancy as a part of fiscal consolidation from the Centre has led the states to borrow around ₹ 8 lakh crore (anticipated) in FY23, less than BE.

The fiscal deficit of the Government for FY23 was estimated to be ₹ 16,61,196 crores in the last budget. For FY23, it is expected to come to ₹ 17.5 lakh crores and higher nominal GDP growth estimates will keep the fiscal deficit at 6.4 per cent of the GDP. For FY24, it is estimated to be around ₹ 17.95 lakh crores or 6 per cent of GDP, i.e., fiscal consolidation of 40-50 bps from the current fiscal. We expect a gradual fiscal consolidation. However, the deficit could be difficult to fund. This deficit must be covered by one of the three conventional methods by which governments finance their fiscal deficit: the utilization of small savings collections, market borrowings, or a drawdown of cash balance. Small savings collections, which were to finance nearly 26 per cent of the fiscal deficit of FY23, remain inadequate. In Apr-Nov, net inflows into small savings schemes, such as Public Provident Fund and Kisan Vikas Patra, shrunk 9.5 per cent and continue shrinking y-o-y every month since June. A drawdown of cash balance also does not look plausible, given that the government does not have enough cash balance to draw upon. Treasury bills are a more plausible option that remains, as the government's T-bill auction calendar for Jan-Mar does not yet indicate any plans for net short-term borrowings in the current year.[1]

[1]https://www.dea.gov.in/sites/default/files/Quarterly%20Report%20%20on%20Public%20Debt%20Management%20for%20the%20quarter%20April-%20June%202022_0.pdf;p-3

DISINVESTMENTS

Estimates of other capital receipts accruing from Disinvestment/sale of government's shares in public undertakings, repayment of government loans by various borrowers, etc., are prepared by the concerned ministries/departments as per guidelines given in the Budget Circular. (Karnam[2], 2018). In the past, disinvestments have been more of a failure than a success, whether due to conducive macroeconomic conditions for raising funds, procedural impediments, or price constraints. An ambitious plan for disinvestment would have an important bearing on the fiscal deficit.

Historically, in FY18, NTPC and GIC reaped maximum receipts through Offer-for-Sale (OFS) and Initial Public offering (IPO) route respectively. In FY19, Bharat 22 ETF and Coal India bagged major receipts. In FY22, sale of Axis Bank Strategic holding of SUUTI, NMDC and Air India have been the major ones. The government in FY23, as of January 4, has raised ₹ 3,058.78 crores through OFS in ONGC and ₹ 3,839 crores by sale of shares in Axis Bank held by specified undertaking of the Unit Trust of India or UTI (SUUTI). In FY23, the government has acquired ₹ 31,106.4 crores, out of which, ₹ 20,516.12 crores were raised only by selling its stake in Life Insurance Corporation of India (LIC) via an initial public offering (IPO). In FY23, no Big-Ticket disinvestment took place except LIC[3], of which, 3.5 per cent stake was bagged by the Government.

In FY24, we expect revenues from disinvestment to be more than 1 lakh crores on the assumption of fiscal deficit of 6 per cent. Other than IDBI Bank, those in the pipeline include, Shipping Corporation of India, Container Corporation of India (CONCOR), BEML, NMDC Steel, Hindustan Zinc Limited, Rashtriya Ispat Nagar Limited etc. As disinvestment targets fell short for the past years, we expect the Budget to downgrade the revenue targets via divestments for the next year.

MSMEs

The MSME sector contributes to 45 per cent of India's Industrial Employment, 50 per cent of India's Total Exports and 95 per cent of all industrial units of the country. As per the Union Budget 2021-22, India has ~6.8 million Udyog Aadhar registered MSMEs.[4] There are over 6 crore MSME units in India employing more than 11 crore individuals.[5] As of July 1, 2021, the Prime Minister's Employment Generation Program (PMEGP) was expected to produce 5.95 lakh and 1.21 lakh jobs in micro companies over the years 2020-21 and 2021-22, respectively.

Union Budget FY23 formulated policy goals in terms of revamping Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with required infusion of funds and facilitate additional credit of ₹ 2 lakh crore and a 35 per cent increase in CAPEX extending the Emergency Credit Line Guarantee Scheme (ECLGS) up to March 2023 with additional cover of ₹ 5 lakh crores, which provided much-needed additional credit to more than 130 lakh MSMEs, helped many small businesses get back on the path to recovery, generated employment opportunities, etc.

We recommend removing the interest rate cap for the end borrowers, i.e., 18 per cent, which will encourage more lenders to come forward and offer loans to smaller MSMEs getting easy access to credit, improved loan terms, and

[2] Karnam, G. K. (Ed.). (2018). Public Budgeting in India: Principles and Practices. *India Studies in Business and Economics*. https://doi.org/10.1007/978-81-322-3917-8

[3] Department of Investment and Public Asset Management (DIPAM) data.

[4] https://www.ibef.org/download/1667887209_MSME-August_2022.pdf

[5] https://msme.gov.in/sites/default/files/MSMEENGLISHANNUALREPORT2021-22.pdf

increased access of financial institutions under the CGTMSE scheme and shall not restricts the implementation of the scheme to only larger small and medium enterprises. Simplification of GST regime for better reach of the tax regime among MSMEs is also required to reduce the compliance cost. While extending ECLGS scheme, operational issues have beset the system. Industry players have not benefited from the initiative like Trade Receivables Discounting System (TReDS) since the procedure is dilatory. We expect the Government to extend this scheme for better outreach to micro and small enterprises. To lessen the bad loan burden on the scheme's capital, policies and operational efficiencies must be altered.

As announced in the Budget FY23, Udyam, e-Shram, National Career Services (NCS) portal and Aatmanirbhar Skilled Employees Employer Mapping (ASEEM) portals were to be linked, so far, e-shram and UDYAM portal have been linked with NCS Portal. To promote trade in MSMEs, the Government may co-operate with financial institutions to provide MSMEs inexpensive financing or create a trade fund, give exemptions for MSMEs, reduce import and export tariffs, etc. This year's budget pronouncements are expected to encourage MSMEs via programmes like CGTMSE and ECLGS, invest in infrastructure and digitization, and build an MSMEs-friendly environment. There is a need to further reduce both corporate tax and income tax rates.

In FY23, the new regulatory framework for NBFCs, designed to level the playing field for underfinanced and underserved MSMEs and has been positive. NBFCs drive India's economy by enhancing MSME sector by lending to low-income and high-risk customers. Hence, by relaxing tax regulations and simultaneously filling the credit gap, the budget FY24 must assist the NBFC and MSME sectors to ensure their development and enabling them to get loans from regulated firms and focus on developing the credit lending environment for India's underbanked.

INFRASTRUCTURE

PM Gatishakti - On 15 August 2021, Shri Narendra Modi, The Prime Minister of India announced PM Gatishakti project to boost Indian economic growth. The plan was launched on 13 October 2021 to provide multimodal connectivity infrastructure to all economic zones of India and approved on 21 October 2021 by Cabinet Committee on Economic Affairs. In the budget FY23, National Master Plan was laid out for world class modern infrastructure and logistics synergy driven by seven engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure. The project planned at completing 25,000 kms national highways, awarding 4 Multi-modal Logistics parks through PPP, improving multi-modal connectivity between mass urban transport and railway stations, integrating Postal and Railways Network facilitating parcel movement, building capacity for infrastructure Projects, implementing One Station One Product, extending coverage under Kavach, and launching 400 new-generation Vande Bharat Trains. The National Ropeways Development Plan was introduced for sustainable alternatives to conventional roads.

As announced by the Commerce & Industry Minister, Shri Piyush Goyal on January 2, 2023[6], this year focus will be on the following aspects:

- Capacity building for Roadways and national highway network to touch the 2 lakh-km mark.
- 200 new airports, heliports and water aerodromes envisioned in the plan for Aviation.
- Capacity expansion of railways transport cargo by 1,600 tons till FY25.
- transmission network for electricity to be increased to 454,200 circuit kms.
- Capacity building for Renewable energy to 225 GW by FY25.
- 17,000 kms of gas pipelines will be laid underground for faster connectivity.

[6] https://housing.com/news/all-about-pradhan-mantri-gati-shakti-programme/

- 4G connectivity for the villages by FY22 to meet the basic need of internet.
- 20 new mega food and recreational parks.
- 11 industrial corridors and two new defense corridors in Tamil Nadu and Uttar Pradesh.
- 202 fishing clusters/harbors/landing centers.

Sovereign Green Bonds[7] **-** In the forthcoming Budget FY24 Environmental, social and governance (ESG) is one of the government's top priorities. Under this framework, Bonds were issued for mobilizing resources for green infrastructure in the name of Sovereign Green Bonds. The government has already taken impressive steps in the past to safeguard the businesses simultaneously protecting the environment with projects like National Clean Air Programme, National water mission, Namami Gange Mission, plastic waste management, etc. Due to this model, it will be easier to attract both domestic and foreign investors to put money and trust into environment conscious projects in India expecting a number of projects to be launched via these bonds. The government has already sold two sovereign green bonds worth ₹ 8,000 crores (₹ 4,000 crores each) in Jan'23[8].

AGRICULTURAL SECTOR

In sharp contrast to the position in other countries, who relied on imports for food grains, the Indian agricultural sector exhibited growth and resilience. The government had allocated ₹ 1,38,550 crores in the budget FY23. Schemes like Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), Pradhan Mantri Fasal Bima Yojana, Ken Betwa Link Project, Soil Health Card Scheme, Neem Coated Urea, Paramparagat Krishi Vikas Yojana (PKVY), Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), National Agriculture Market (e-NAM), Kisan Credit card (KCC), Pradhan Mantri Fasal Bima Yojana (PMFBY) and Interest Subvention Scheme, have also done their part.

Budget this year is expected to bring about new schemes for special crops like rubber and tea and help the government to keep their promise of doubling the income of the farmers. Last year ₹ 18.5 lakh crores were distributed as institutional credit, 60 per cent of these loans were through KCC. There is a need for an update in the method of repayments for marginal farmers. Minimum Support Price (MSP) should be regulated and bring in other food grains like pulses and oils too. Allied activities, such as, Animal husbandry and fisheries need a special focus. The agriculture sector is the largest provider of employment in India. This necessitates an emphasis on production, yield, diversification, agro-industry and food processing, and agro-climatic conditions.

BANKING

This year Budget's focus is on Introducing the Central Bank Digital Currency (CBDC), Establishing Digital Banking Units, Establishing National Asset Reconstruction Company ltd., tax exemptions up to ₹ 1 lakh in short-term capital gains (STCG) will improve overall participation in the market and encourage investment, etc. It would also be helpful if the legal system could be improved so that NPA cases could be resolved more quickly. Tax breaks will aid in encouraging co-lending, an innovative idea that is helping to improve the flow of credit. For higher frequency of resolutions, Insolvency Regime must be expanded further irrespective of company's size with hassle free resolutions of international bankruptcy issues.

[7] https://rbidocs.rbi.org.in/rdocs/content/pdfs/FSGB06012023.pdf
[8] https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=55077

TAXATION

The growth in tax revenues will continue to exceed the GDP growth, owing to better compliance. Net direct taxes, which are made up of personal income tax and the tax levied on corporate earnings, have seen a record growth in the current fiscal year, topping up the numbers projected in the Budget. Direct Tax collections up to 10th January 2023 show that gross collections are at ₹ 14.71 lakh crore, which is 24.58 per cent higher than the gross collections for the corresponding period of last year. Direct Tax collection, net of refunds, stands at ₹ 12.31 lakh crore which is 19.55 per cent higher than the net collections for the corresponding period of last year. This collection is 86.68 per cent of the total Budget Estimates of Direct Taxes for FY23. The growth rate for Corporate Income Tax (CIT) and Personal Income Tax (PIT) in terms of gross revenue collections is concerned, the growth rate for CIT is 19.72 per cent while that for PIT (including STT) is 30.46 per cent. Refunds amounting to ₹ 2.40 lakh crore were during 1st April 2022 to 10th January 2023, which were 58.74 per cent higher than refunds issued during the same period in the preceding year.[9]

In FY22, the Government's gross tax revenue to GDP ratio improved to 17.1 per cent in FY22 and we can expect it to be higher for FY23 also. GST revenues registered the second-highest collection ever at ₹ 1.52 lakh crore as of Oct'22, indicating a positive outlook in terms of GST collection to be declared in the budget FY24.

Due to the regressive nature of the indirect taxes, some relief may be given by the Government. It's possible that Finance Minister Smt. Nirmala Sitharaman, in the forthcoming Union Budget, could introduce new direct tax rates and/or altered tax brackets. As part of its attempts to get individuals to gradually transition to a tax system with no exemptions, the Ministry of Finance may lower the 30 per cent and 25 per cent tax rate slabs under the new regime. The current tax bracket has an individual basic exemption ceiling of ₹ 2.5 lakh. This cap is projected to rise to ₹ 5 lakh. In light of the increasing cost of living, we hope that standard deduction might increase from ₹ 50,000 to ₹ 1 lakh. The GST rates for durable goods are also expected to be restructured. To help investors save a lot of effort and time, Budget FY24 is considering legally backing PAN card as a single business ID as they no longer must fill multiple identification details.

Additionally, for the Union Budget FY24, the Association of National Exchanges Members of India (ANMI) made several recommendations to Central Board of Direct Taxes (CBDT), i.e., reintroduce the rebates for securities transaction tax (STT) & commodities transaction tax (CTT), and tax exemptions up to ₹ 1 lakh in short-term capital gains (STCG), lesser slabs for income, etc.

ENERGY SECTOR

To meet the aim of 280 Gigawatts (GW) of installed solar power by 2030, ₹ 19,500 crores were already allocated. In the last seven years, India's solar energy capacity increased from 2.63 GW to 49 GW. India advocates for One Sun, One Planet, and One Grid (OSOWOG) module. The Union Budget FY23 allocated ₹ 3,365 crores to the solar power industry, which includes both grid-interactive and off-grid projects.[10]

It is anticipated that the budget FY24 would concentrate its spending on the development of energy storage technology. This is because the storage of power is the one area in which India has not yet established a foothold. The national carbon market and green hydrogen production could be the other two thrust areas keeping in line

[9] https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1124/PressRelease-Direct-Tax-Collections-for-FY2022-23-up-to-10-01-2023.pdf

[10] https://static.pib.gov.in/WriteReadData/specificdocs/documents/2022/mar/doc20223321901.pdf

with the international norms of clean energy and low emissions all-round the Earth. Apart from this announcement related to "*Carbon Market Stabilization Fund*" is of high chance.

Recently, the National Green Hydrogen Mission was approved in Jan'23 by the cabinet and ₹ 19,744 crores, including an outlay of ₹ 17,490 crore for the SIGHT programme, ₹ 1,466 crore for pilot projects, ₹ 400 crores for R&D, and ₹ 388 crores towards other Mission components, have been allocated for promoting the production and utilization of green hydrogen.[11] The Ministry of New and Renewable Energy (MNRE) will formulate schemes guidelines for implementation of the respective components.

At COP 26 Summit in Glasgow, India made some promises, i.e., net-zero emissions by 2070, 50 per cent of its power consumption will be solar generated and 500 GW non-fossil energy capacity by 2030. Last year, at COP27 India stood by its commitments. We expect either by Production linked schemes (PLI) or by Sovereign Green Bonds, India shall achieve its Goals, viz., renewable energy generation, energy diversification, energy storage, reducing dependency on imported fuel, addressing climate change issues, reducing global temperature, etc.

CONCLUSION

Given the devastating hit to the Indian economy by the COVID 19 pandemic and growth now gaining traction, the accent has to be on increasing investment, creating externalities towards improving economic environment, and enhancing productivity for sustained high growth. The thought of the commanding heights to be occupied by the private sector is an idea, whose time has come.

In the ultimate analysis, India's economy needs a sharper focus on all four engines of growth — domestic consumption, government expenditure, private investment and exports for sustained growth over the long haul. Growth has to be given a renewed thrust by a sharper focus on infrastructure, manufacturing, technology, urbanization, start-ups, fin-tech, and other science & technology advances. The Development Financial Institution can meet long-term debt financing needs for infrastructure. Swifter releases of funds, faster project approvals, quality of spending and effective execution are called for.

In sum, given the manifold global and domestic headwinds, a broad-based development strategy with a renewed thrust on economic growth and the needs of the poor, marginalized and the vulnerable sections of society are likely in the forthcoming Union Budget.

[11] https://mnre.gov.in/img/documents/uploads/file_f-1673581748609.pdf