



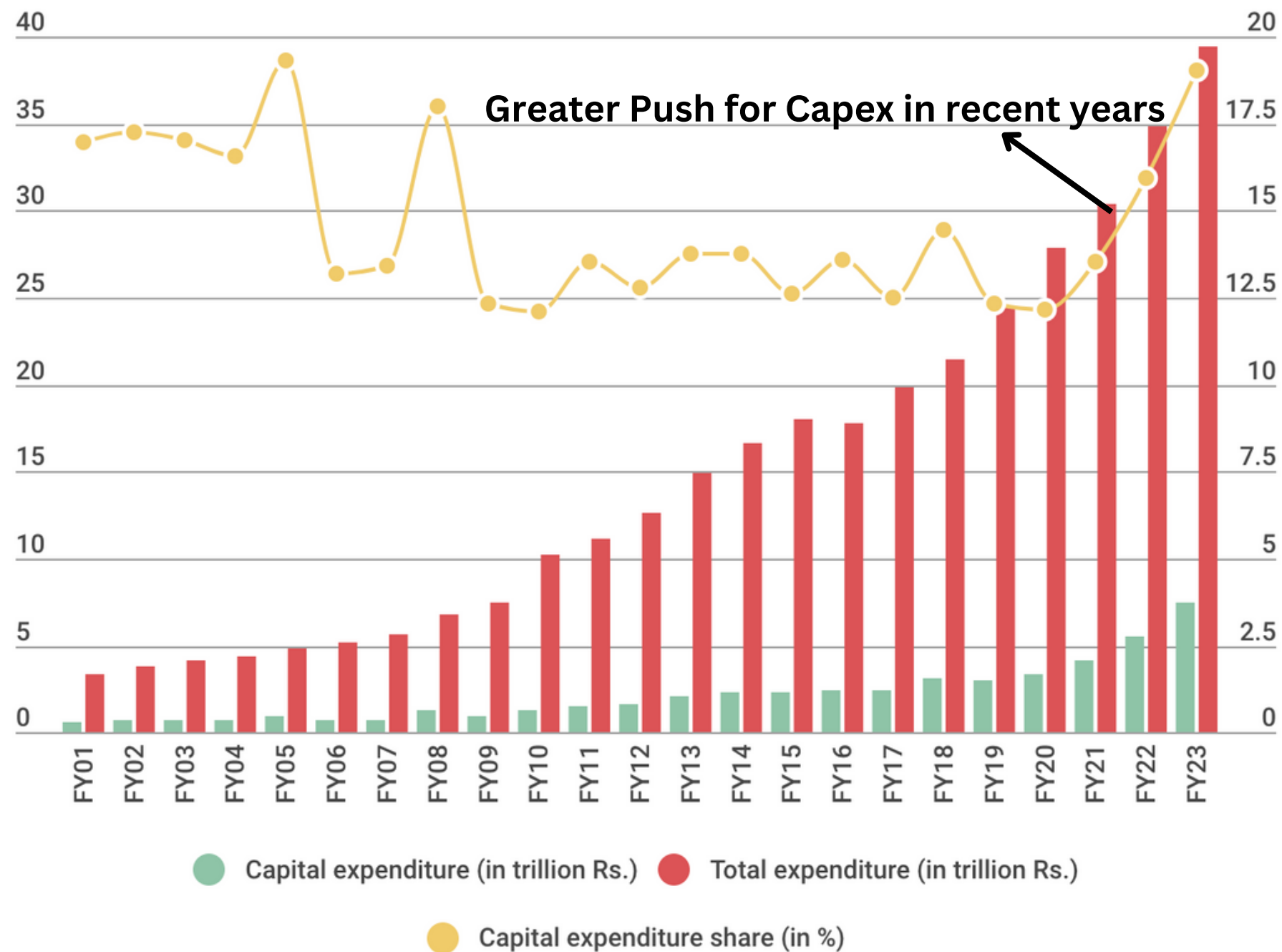
2023-24 Post-Budget Analysis

By Yuvaraj Mandal, Bilquis Calcuttawala, Vedika Singhvi, Malhaar Kasodekar, Ishita Sethi

Capital Expenditure

Capital Expenditure

Note: Based on budget estimates for all given years

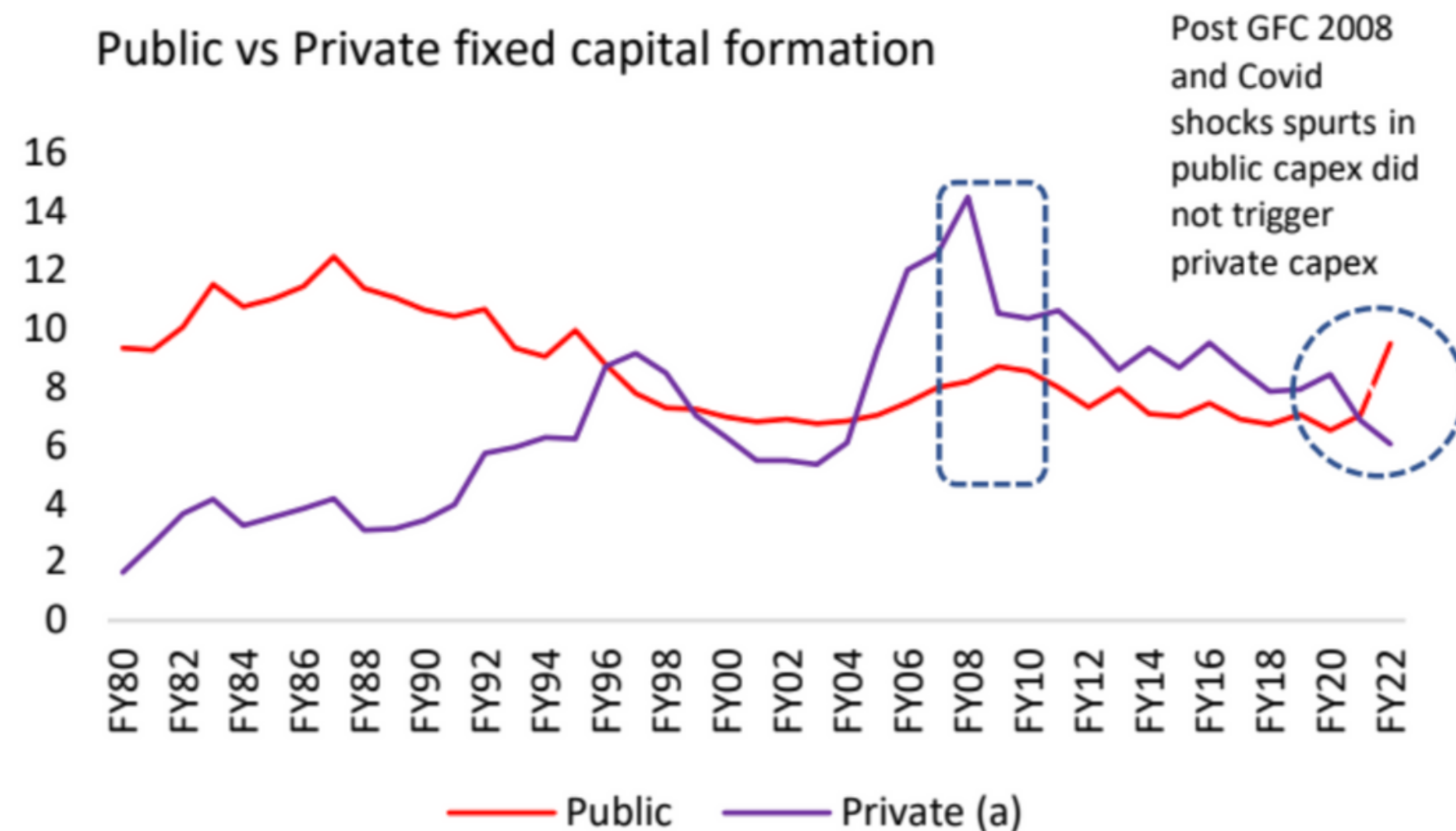


- Capital expenditure has increased by more than 2.2 times the expenditure of 2019-20 and is at 2.9% of GDP in 2022-23.
- However, the *effective capital expenditure* of the Central Government is estimated at about 4.1% of GDP
- Effective capital expenditure* includes both - capital expenditure of the Centre as well as the interest-free loans provided to the states for capital projects.

Capital Expenditure

The capital expenditure (capex) has been enhanced with the expectation of creating a crowding-in effect of private investment.

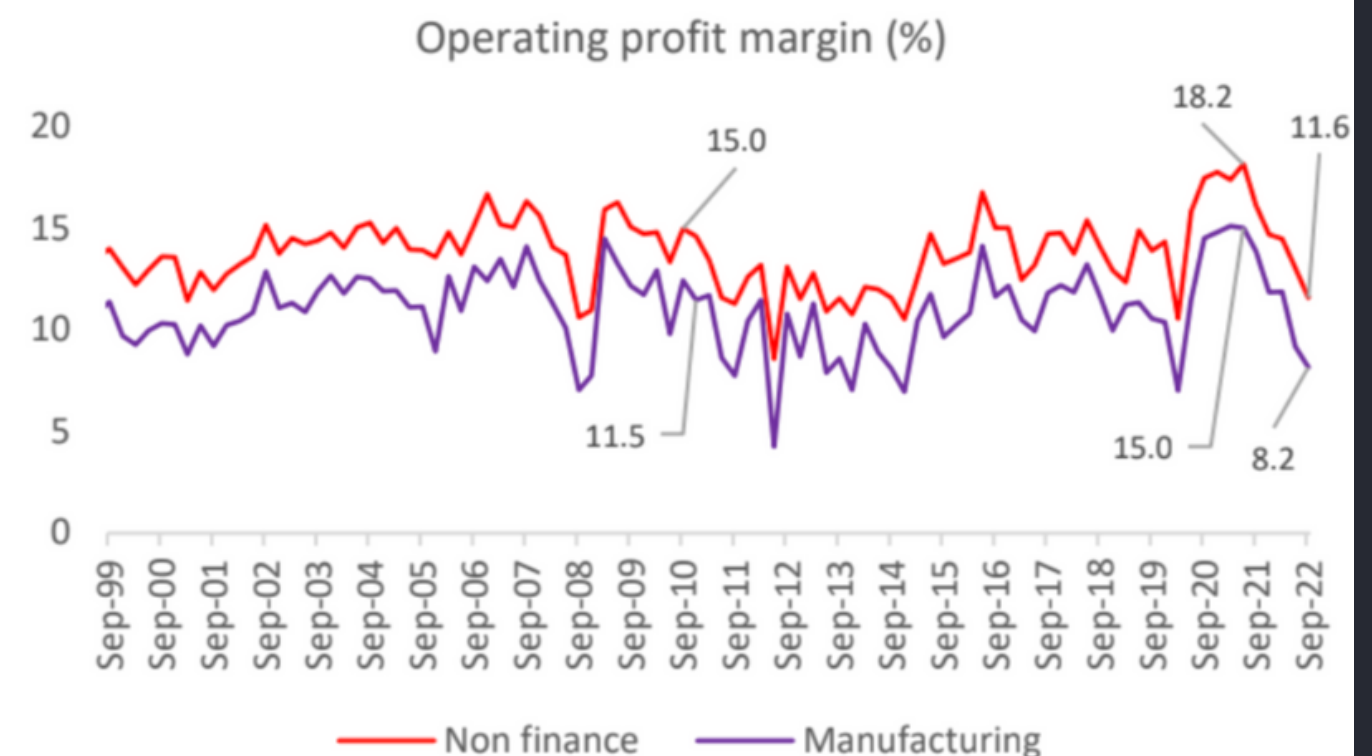
Exhibit 1: After 1980s crowding-in effect of public capex has not worked, private capex drifted lower since FY08 (% GDP)



Source: CMIE, Systematix Research; private GFCF long-time series estimated based on splicing back 2011-12 data series into the 2004-2005 series

- Based on historical trends, increased capex has not created increased private investment.
- Moreover, current lower profit margins and deceleration of sales growth will discourage corporate spending on capital assets.

Exhibit 29: Margins for companies have plummeted despite high sales growth, and may remain low due to further deceleration in sales



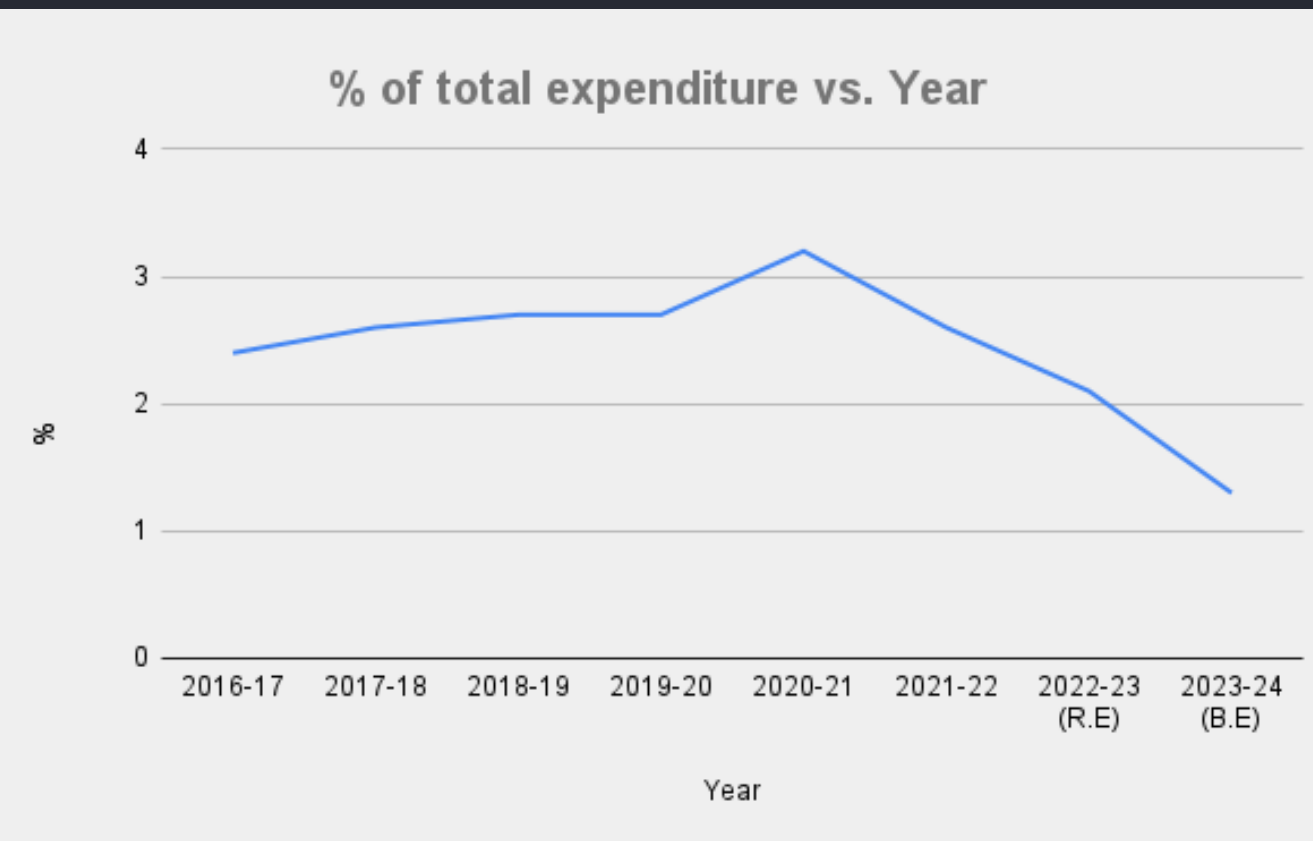
Scheme Wise Allocation

MGNREGS

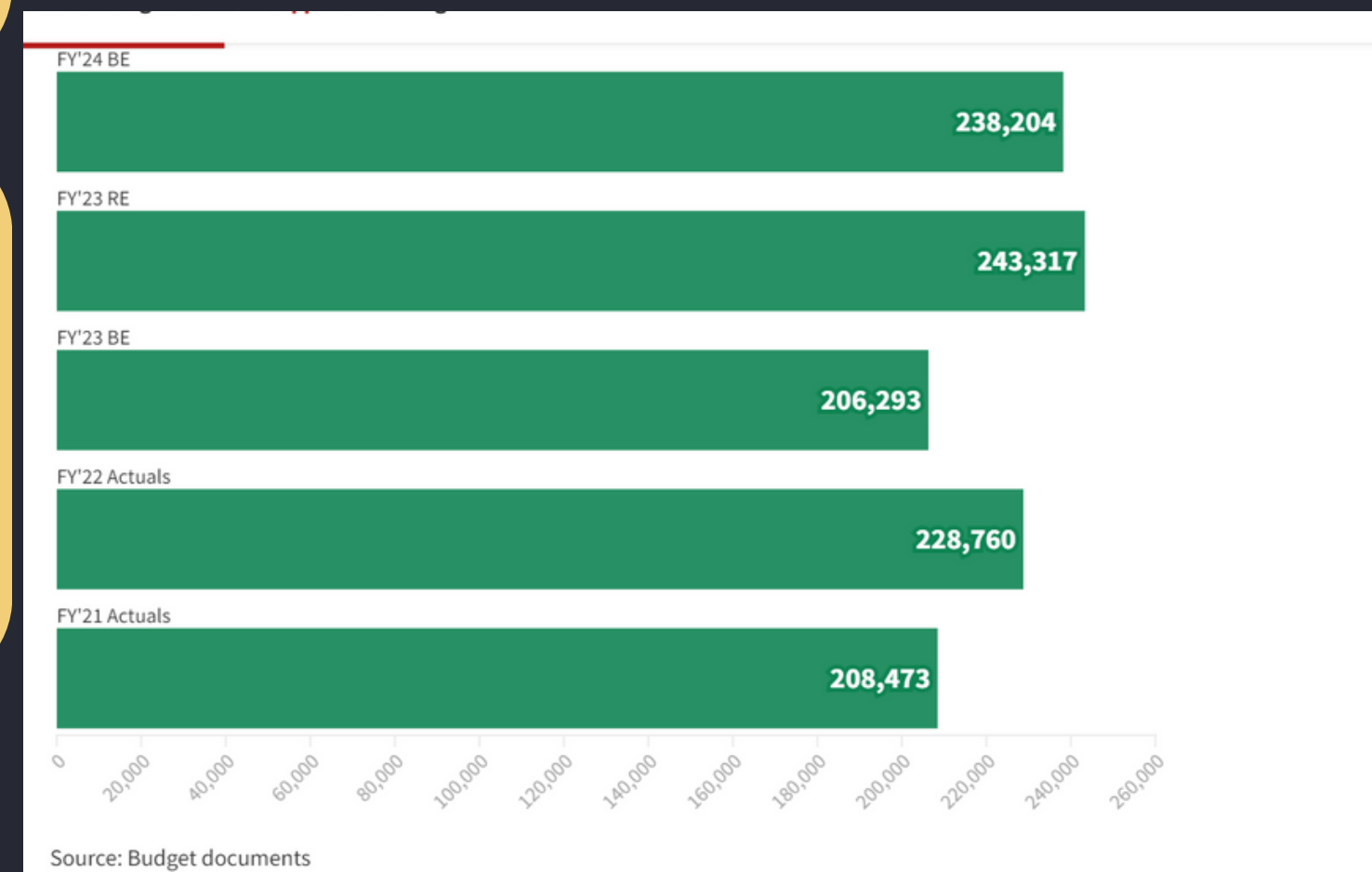
In the Union Budget 2023, Rs 60,000 crore has been allocated to the Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGP) scheme. The slab has been slashed 32 percent from the revised estimate for 2022-2023 of Rs 89400 crore.

MNREGS is a flagship scheme of the government to provide 100 days of guaranteed wage employment to a rural household. It is considered to be the largest scheme of the MoRD.

The reduction in allocation under one of the major rural flagship program MNREGA can be attributed to two reasons. First, with the impact of COVID-19 waning employment opportunities are expected to pick up and therefore lower allocation under MNREGA. Secondly, increased focus towards schemes like PMGSY, PMAY shows government's emphasis on long term structural changes.



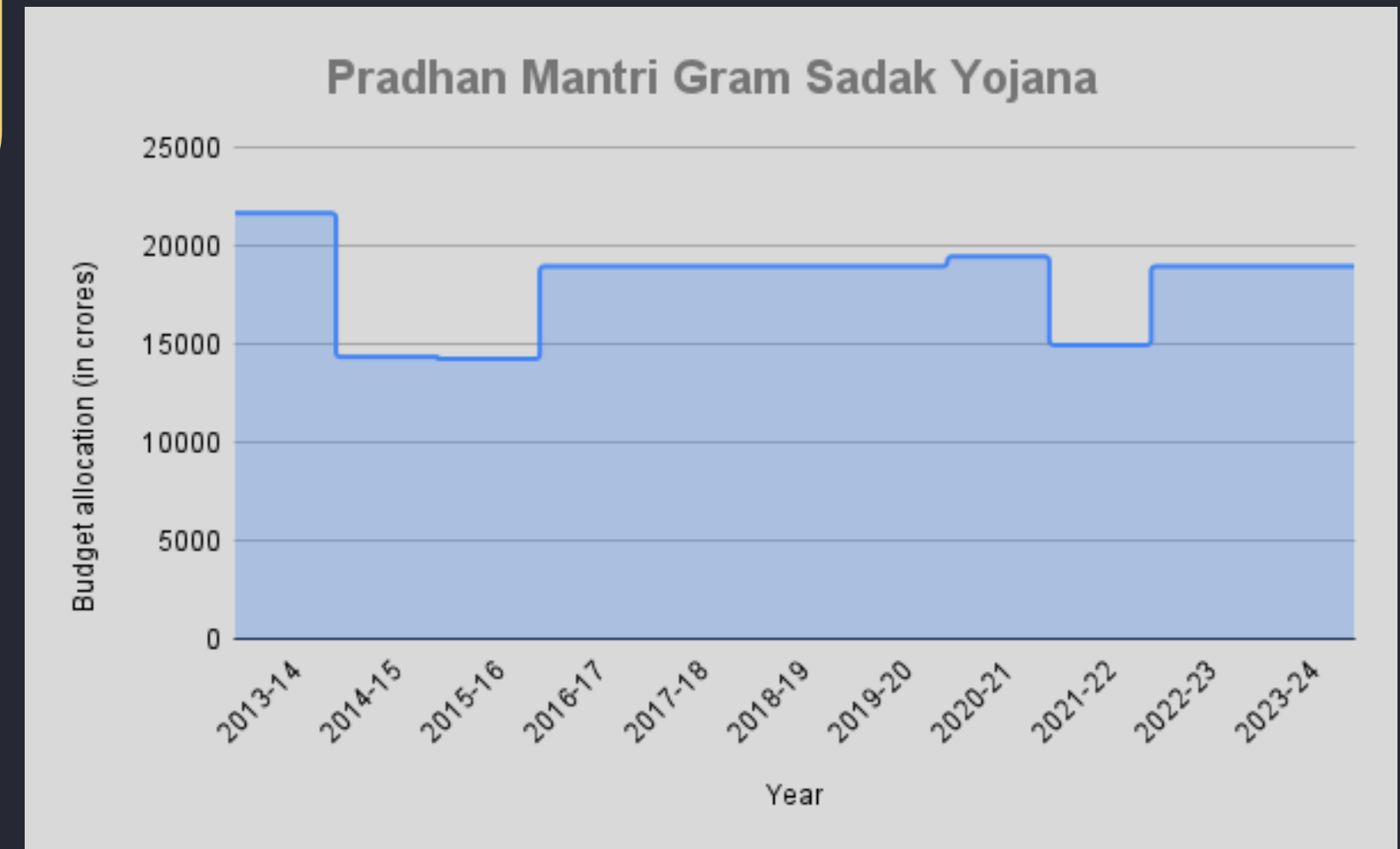
Source: Union Budget



Pradhan Mantri Gram Sadak Yojana

The budgetary allocation for the Pradhan Mantri Gramin Sadak Yojana has been retained at Rs 19,000 crore, the same as the current fiscal. The scheme seeks to provide all-weather road connectivity to unconnected habitations in rural India.

Since 2016-17, the actual expenditure on this programme has been less than the budgetary allocation each year, with the lowest spend in FY21 at just 70 percent of the allocation. At a time when the government is pushing for higher capex, the length of rural roads constructed under the Pradhan Mantri Gram Sadak Yojana (PMGSY) has again fallen short of its target.



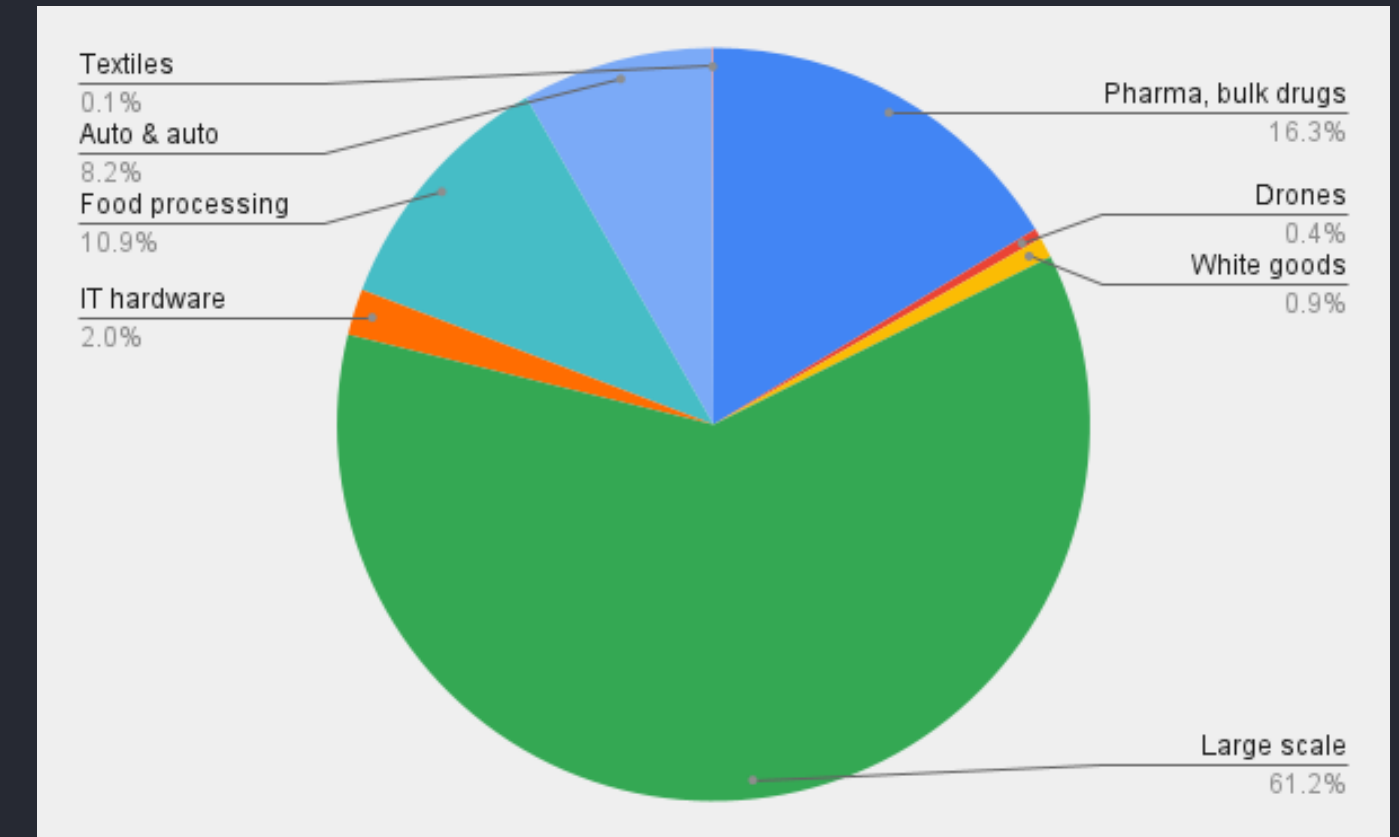
Source: Union Budget

PLI Scheme

Union Budget 2023-24 has allotted Rs 8,083 crore for production linked incentive schemes (PLI), majority money going for large-scale electronics manufacturing, which includes mobile devices, pharma, auto and auto components, and food processing.

The bulk of the money in FY23-24 PLI schemes, of Rs 4,499 crore, is for large-scale electronics manufacturing which includes flagship mobile devices.

As per the Economic Survey 2023, the scheme, under the Make-in-India programme, is expected to attract a capex of approximately Rs 3 lakh crore over the next five years and has the potential to generate employment for over 60 lakh in India.



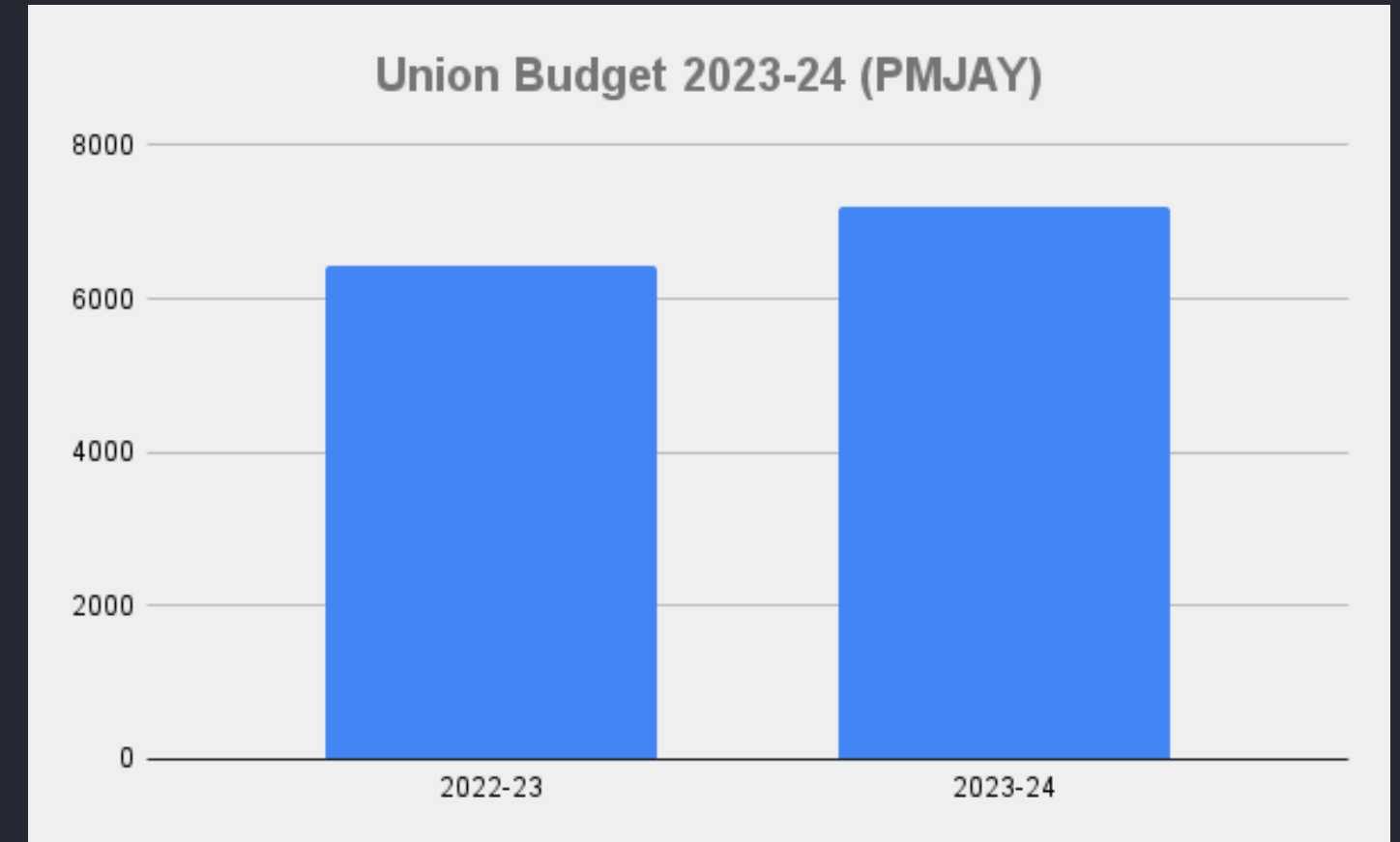
Source: Budget documents 2023-24

Ayushman Bharat: PMJAY

Prime Minister Narendra Modi introduced the PMJAY, the Center's premier health insurance programme, during his Independence Day speech in 2018. It offers everyone of the 107.4 million poor and vulnerable families a health insurance policy worth Rs 5 lakh annually.

The Economic Survey 2023, released in advance of the upcoming Union Budget, has noted an increase in the penetration of Ayushman Bharat Pradhan Mantri—Jan Arogya Yojana, the largest health insurance programme in the world. The Budget 2023 includes Rs 7,200 crore for the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojna (PMJAY).

The Ayushman Bharat - Pradhan Mantri Jan Arogya Yojna (PMJAY) has been allocated Rs 7,200 crore under the Budget 2023, up by Rs 743 crore or 11.51 percent from FY23 when it was given Rs 6,457 crore.

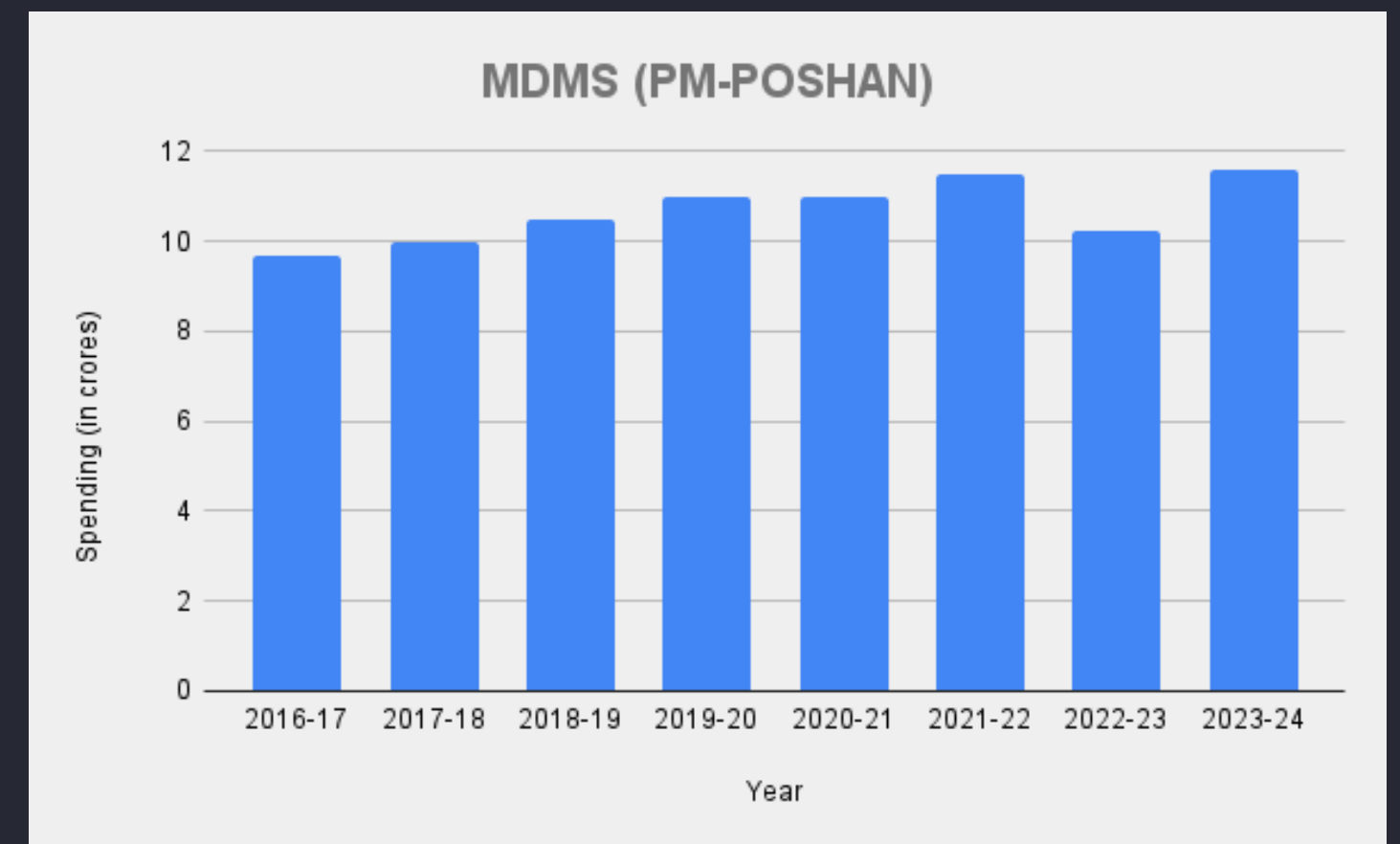


Source: Budget documents 2023-24

Pradhan Mantri - POSHAN

Although the outlay for PM-Poshan has been increased by 13.3 per cent, taking the allocation from Rs 10,233 crore in 2022-23 to Rs 11,600 crore, in a larger picture, tightened its budget for POSHAN which might further derail India's progress in achieving holistic nourishment of women and children.

The Integrated Child Development Scheme (ICDS), now known as Saksham Anganwadi and POSHAN 2.0, is allocated Rs 20,554 crore in FY'24 — that's a meagre increase of 1 percent over the revised estimates of FY'23. In contrast, the Pradhan Mantri Poshan.



Source: Budget documents 2023-24

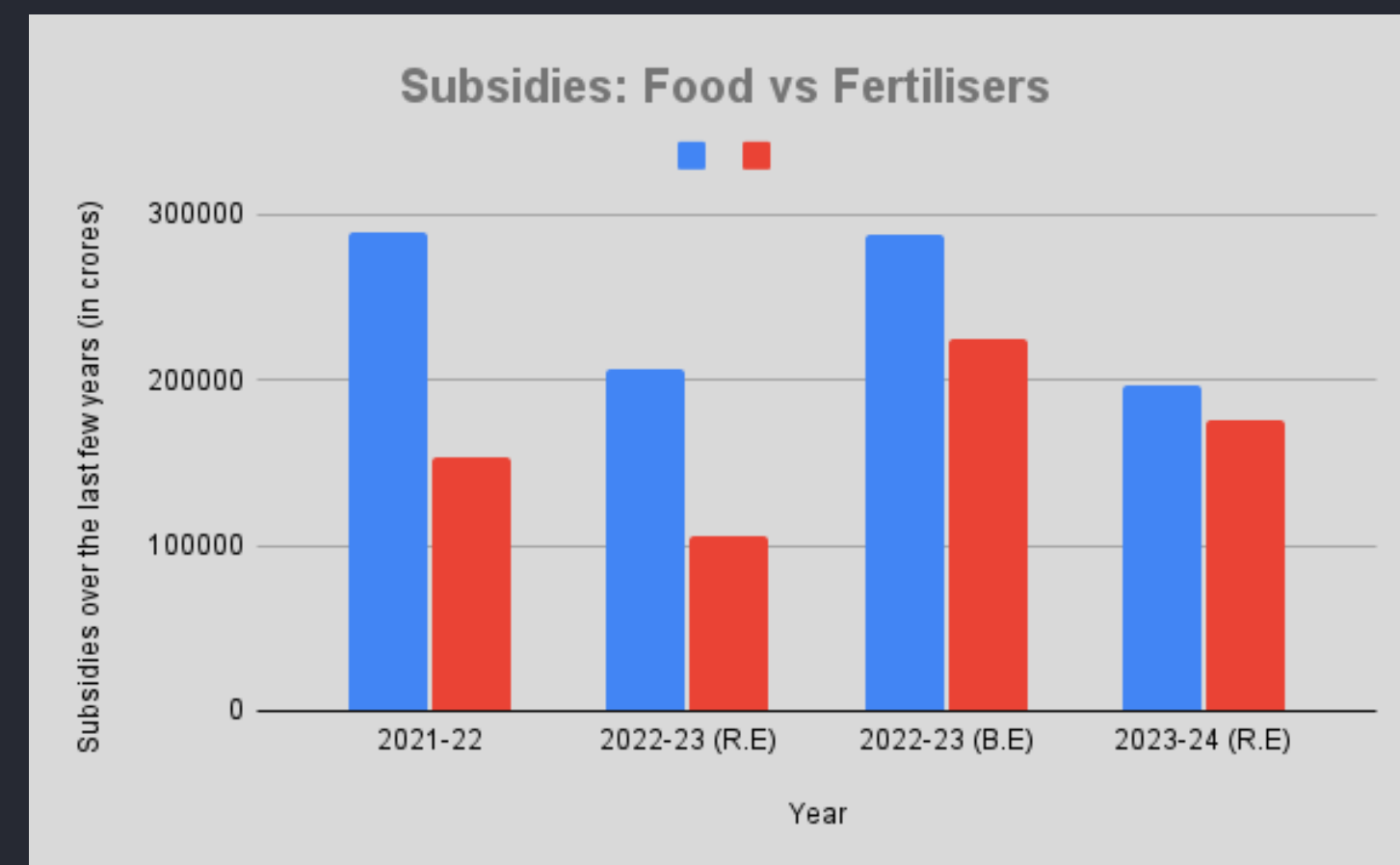
Subsidies

There has been a big reduction in the money allocated to subsidy schemes in the Union Budget 2023-24. The budget of many subsidy schemes has also been abolished.

The government has cut the budget for food subsidy by Rs 89,844 crore to Rs 197,350 crore. In the revised budget estimate for 2022-23, the food subsidy was Rs 2,87,194 crore. That is, the budget for food subsidy has been cut by more than 31 per cent.

Subsidy on fertilisers has also been cut by Rs 50,121 crore. The government has earmarked Rs 1,75,099 crore for fertiliser subsidy in the 2023-24 Budget as against Rs 2,25,220 crore in the revised estimate of 2022-23.

According to Budget documents, in FY24, the Centre expects its food subsidy to drop to around Rs 1.97 trillion, which is 31.28 per cent lower than the Revised Estimates (RE) of FY23, while fertiliser subsidy is projected to dip to around Rs 1.75 trillion, which is 22.25 per cent less than the Budget Estimates (BE) of FY23.



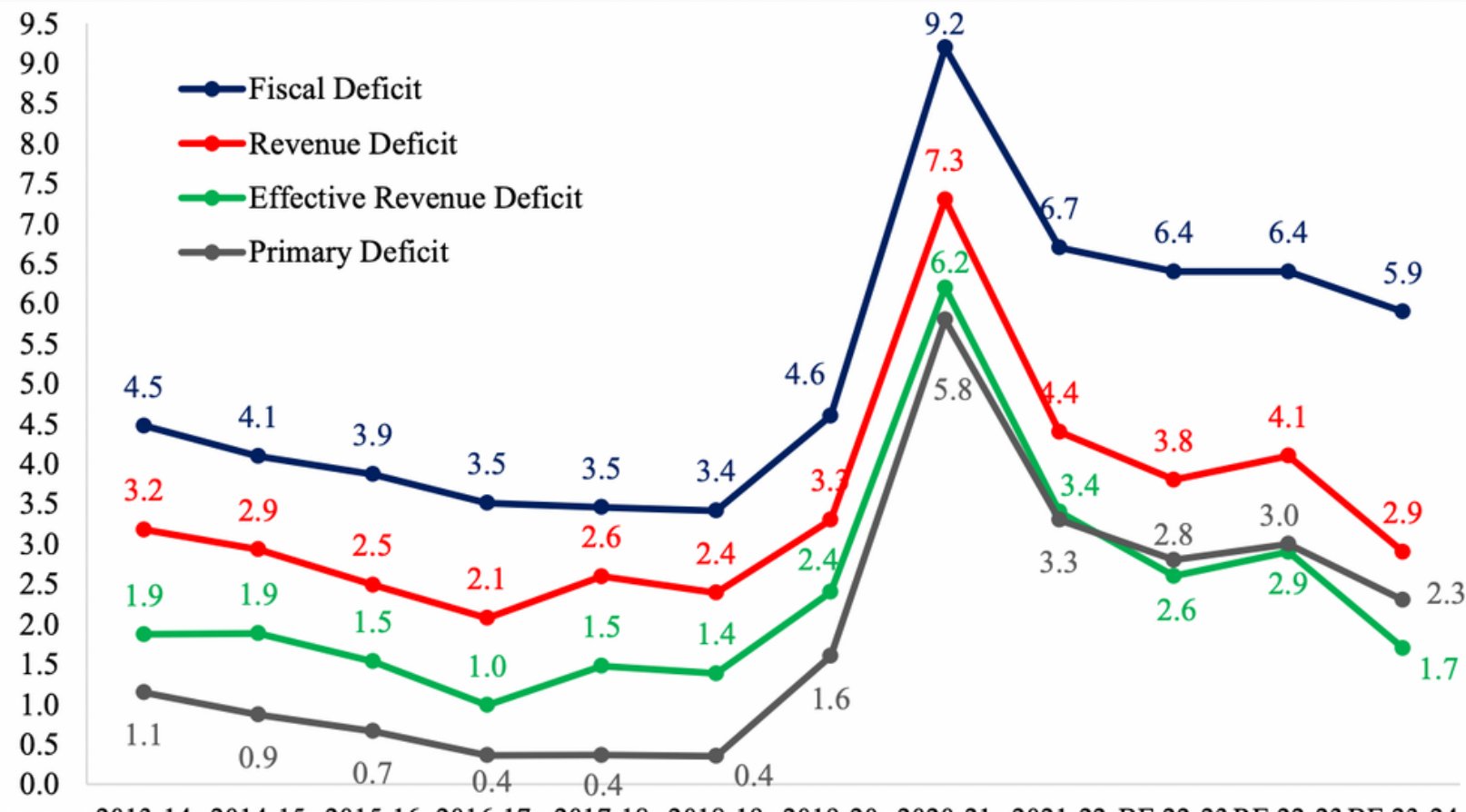
Source: Budget documents 2023-24

Fiscal Deficit & Disinvestment

Fiscal Deficit

घाटे की प्रवृत्तियां DEFICIT TRENDS

(% of GDP)

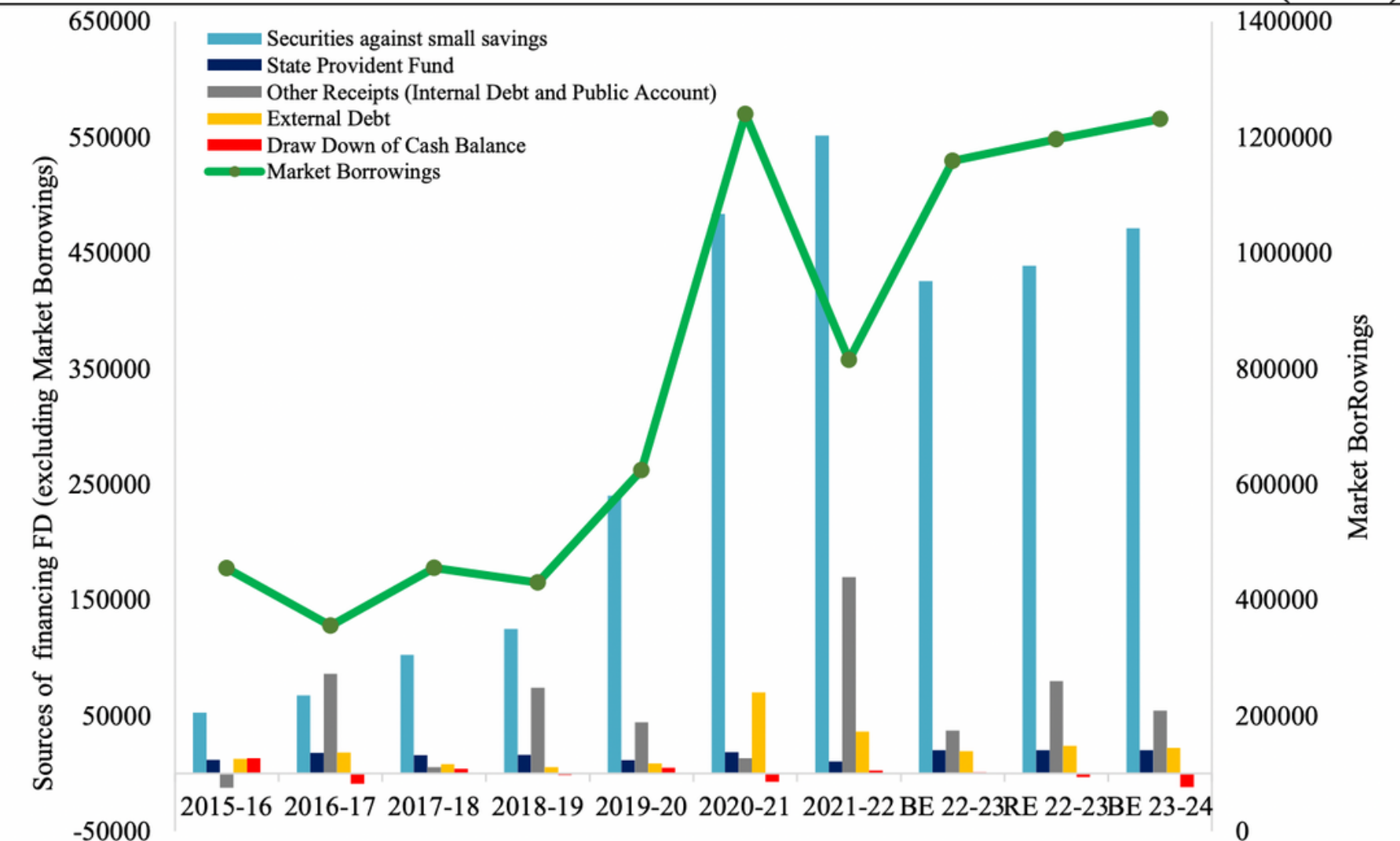


Fiscal deficit is estimated to be 5.9 per cent of GDP in Budget Estimate 2023-24.

Although such high spending is deemed necessary to support the private sector, the government is committed follow a path of fiscal consolidation to achieve a fiscal deficit lower than 4.5 percent of GDP by FY 2025-26.

SOURCES OF DEFICIT FINANCING

(₹ crore)



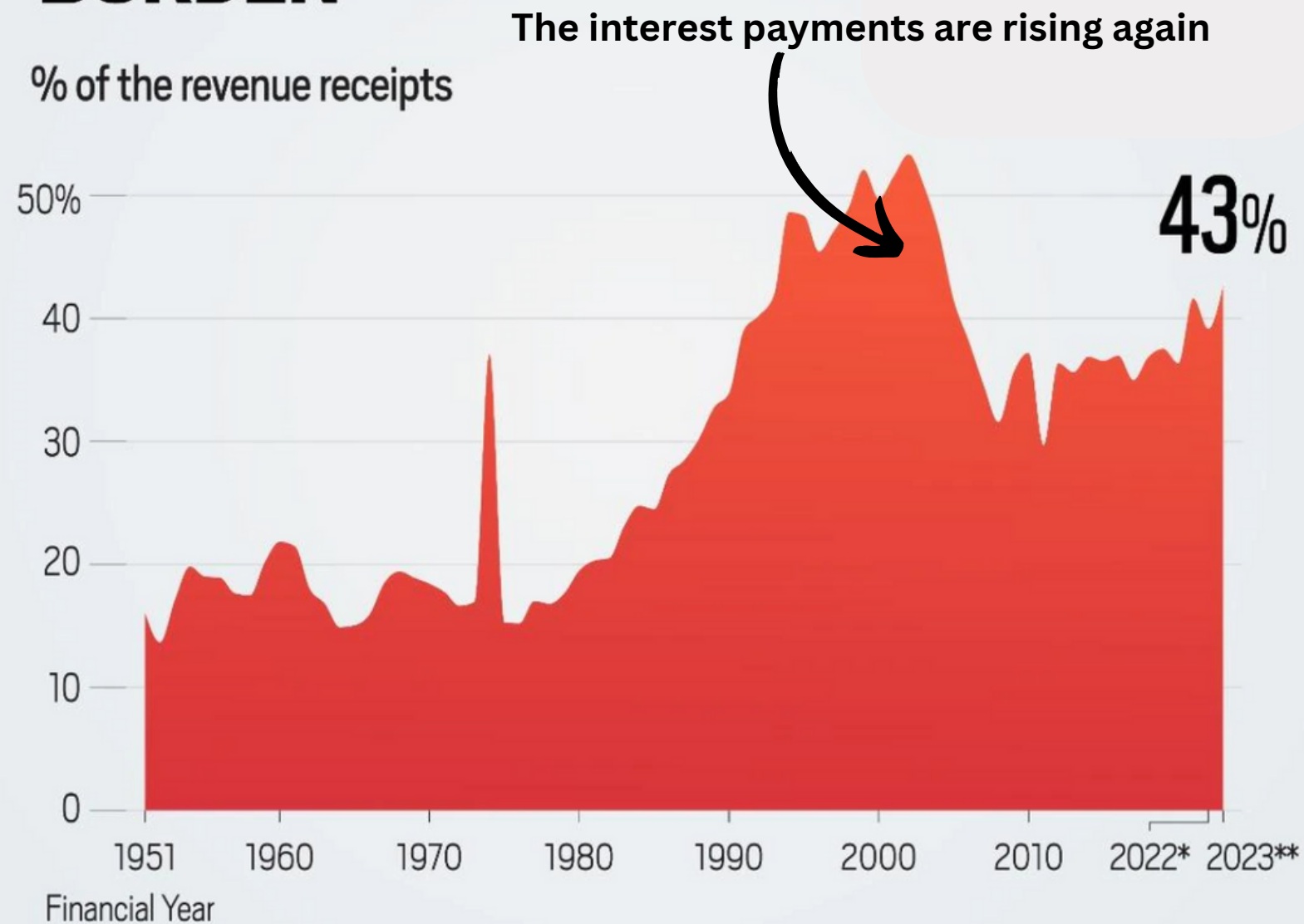
To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at Rs. 11.8 lakh crore.

The balance financing is expected to come from small savings and other sources.

The gross market borrowings are estimated at Rs. 15.4 lakh crore.

Fiscal Deficit

CENTRE'S INTEREST BURDEN



* Revised Estimates, ** Budget Estimates

Source: Budget Documents, Ministry of Finance; Chart: Dipu Rai, Sarfaraz



In absolute terms, the government's interest payments have climbed from the fiscal year 2015 to FY 2022, when they will total Rs 7.31 lakh crore (3.1% of GDP).

Based on the current interest rates for various assets, the budget estimate for 2023–24 estimates interest payments at 10.80 lakh crore, or 30.8 percent of all revenue expenditures and 41.0 percent of all revenue receipts for the Centre.

Disinvestment Target

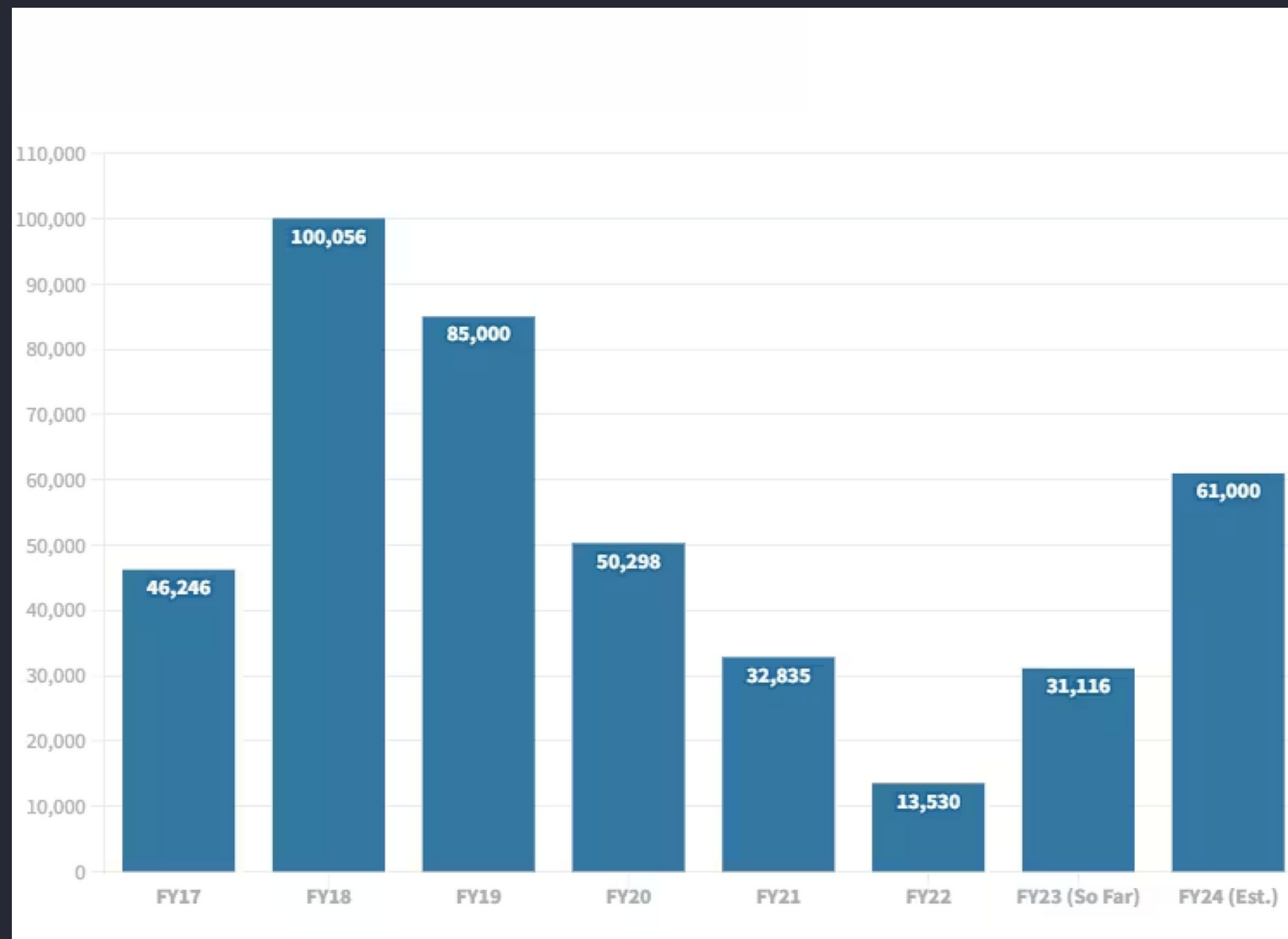
In RE 2022-23, the Government has reduced the disinvestment target from Rs 65,000 crore to Rs 50,000 crore.

Since the Government has collected 31,116 crores so far, it has to collect approx. 19,000 crores within two months to meet its fiscal 2022-23 target.

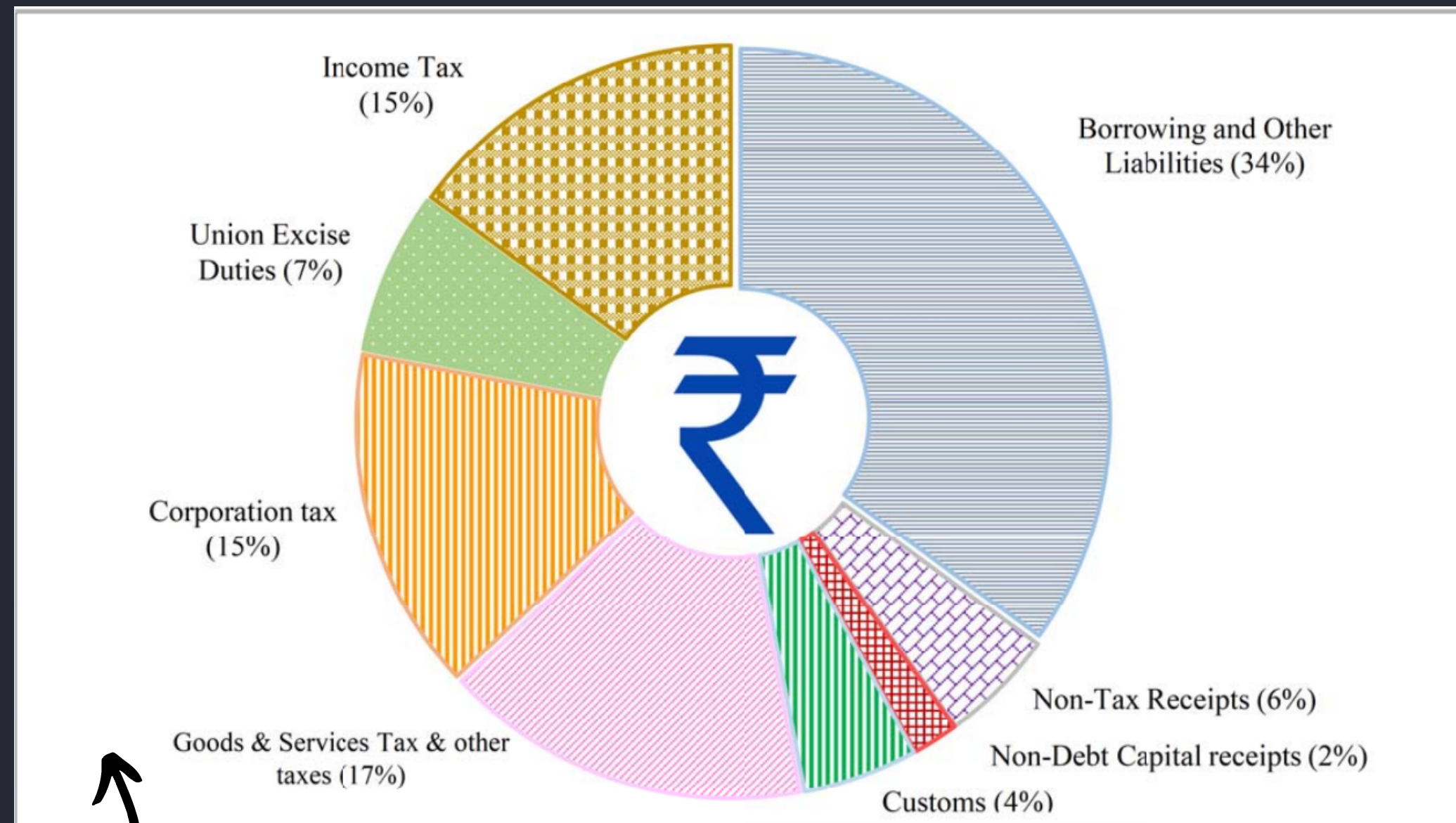
For BE 2023-24, the Government has estimated disinvestment earnings at Rs 51,000 crores and monetisation of government assets at Rs 10,000 crores.

In total, the estimated miscellaneous capital receipts for the BE 2023-24 are Rs 61,000 crore.

However, it should be seen that *the Government has consistently missed its disinvestment target over the last 4 years.*



Revenue Aspect



Revenue Split-up --> Direct : indirect taxes = 54.4 : 45.6 per cent

The Government has taken a conservative approach in estimating its revenue collections:

- It has estimated its tax to GDP ratio at 11.1 per cent, which is on par with the RE for 2022- 23.
- Tax collection in BE 2023-24 is expected to be in line with the growth of nominal GDP. Therefore, tax buoyancy has calculated as 1.

Inspite of such conservative estimations and reduction in individual tax rates,

- The Government has projected 18.23 lakh crore revenues from corporate and individual income tax in the budget 2023-24.
- Customs duty collections are expected to rise to Rs 2.33 lakh crore from Rs 2.10 lakh crore of the RE 2022-23.
- GST collections are projected to grow by 12 percent to Rs 9.56 lakh crore.

Sectoral Allocation

Education

- As a share of total GDP, the budgetary allocation for education witnessed a minimal gain of 0.1 percent from 2.8% to 2.9% in 2015-2022.
- Although the education sector has received its highest-ever allocation of INR 1.12 lakh crore in the Union Budget 23-24, expenditure on education remained at 2.9 percent of GDP.
- Out of this, the Department of School Education gets Rs 68,804 crore and the Department of Higher Education receives Rs 44,094 crore.

Lower spending

The chart shows the budgetary allocation for education as a share of total expenditure. Allocation for the sector declined from 10.4% in FY16 to 9.5% in FY23

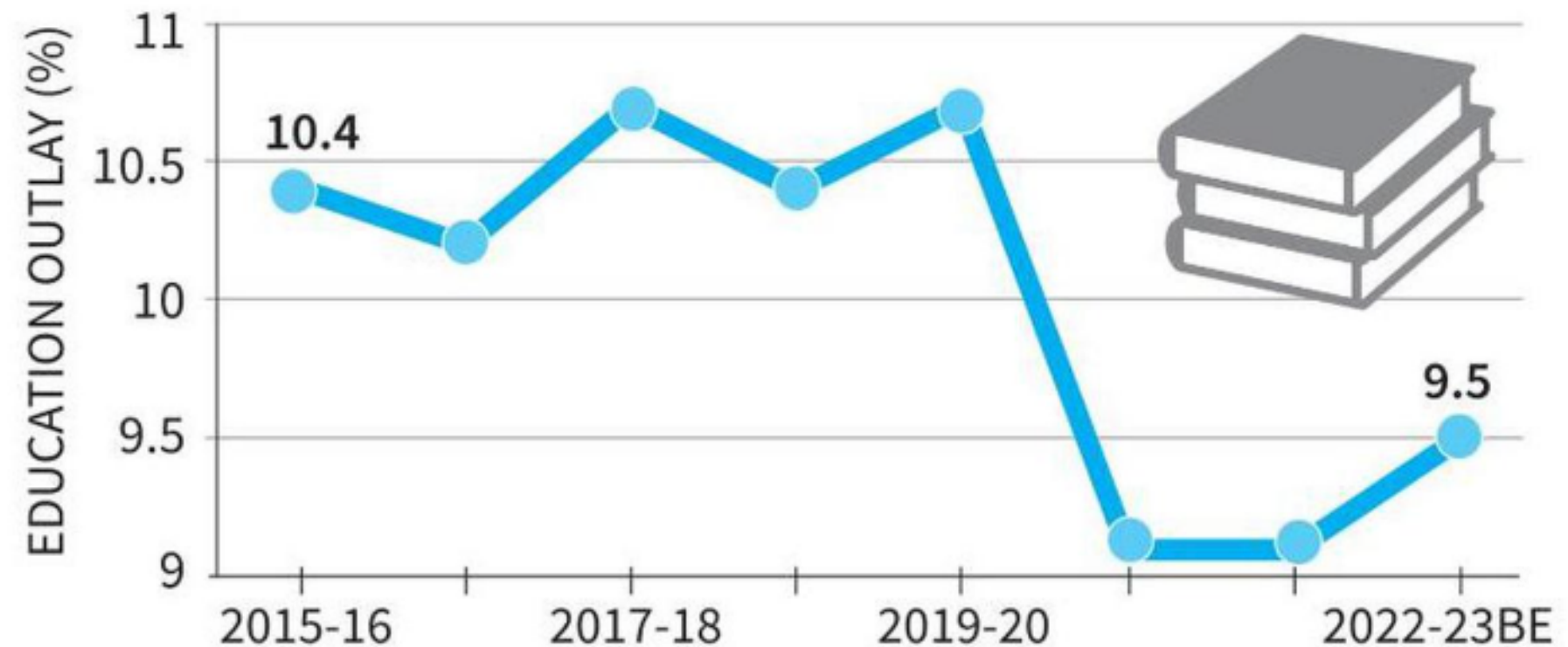


Table VI.12: Improving school infrastructure
(Schools with basic facilities as a percentage of all schools)

Year	2012-13	2019-20	2020-21	2021-22
Girls Toilet	88.1	96.9	97.3	97.5
Boys Toilet	67.2	95.9	96.2	96.2
Hand wash Facility	36.3	90.2	91.9	93.6
Library/Reading Room/ Reading corner	69.2	84.1	85.6	87.3
Electricity	54.6	83.4	86.9	89.3
Medical check-ups in school in a year	61.1	82.3	50.4*	54.6*
Computer	22.2	38.5	41.3	47.5
Internet	6.2	22.3	24.5	33.9

* Due to Covid, schools were closed physically. Hence, fewer medical check-ups were done.

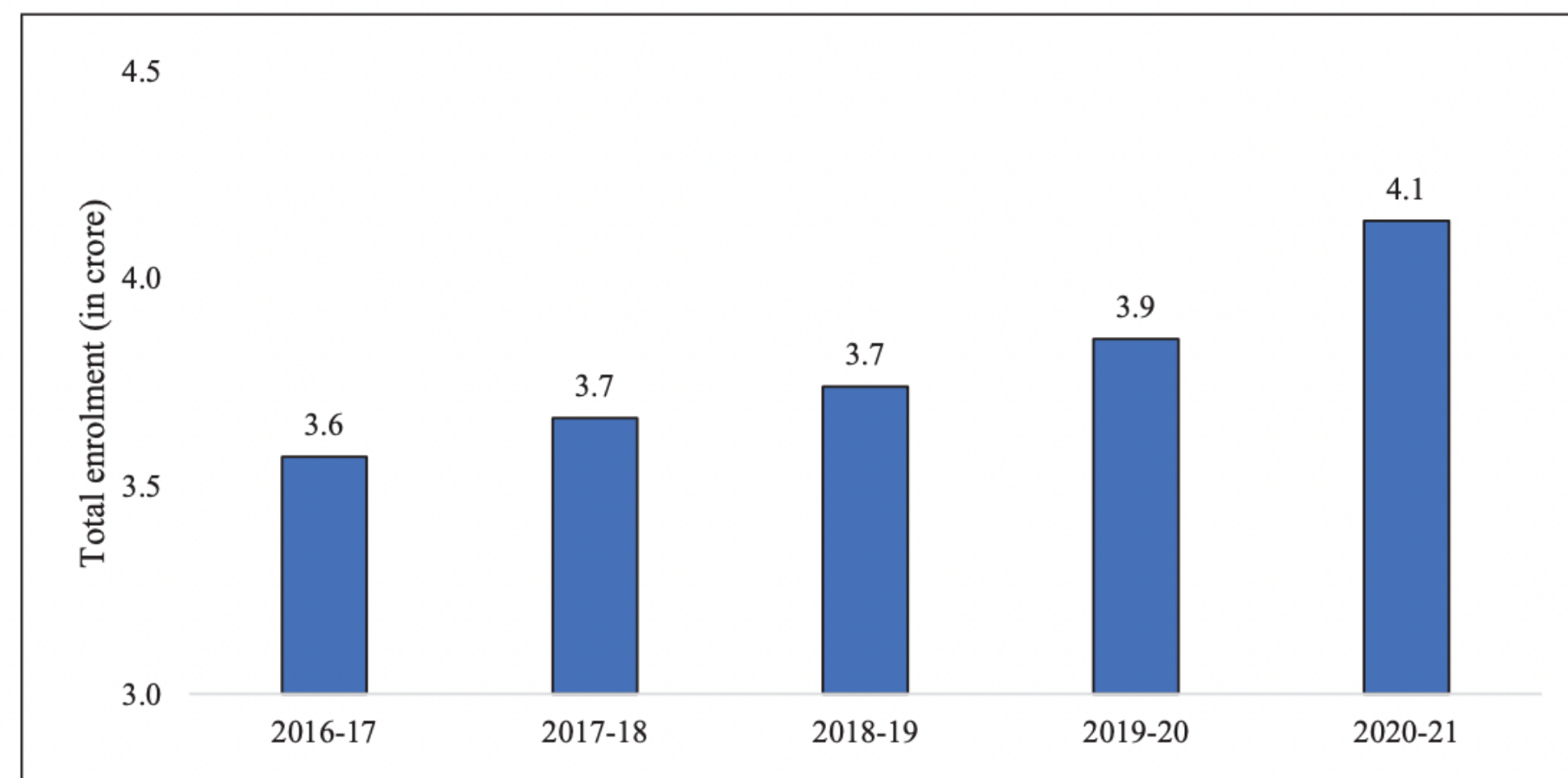
Source: UDISE+

- Some initiatives have been taken in Budget 2023-24:
 - National Digital Library for children and adolescents will be set up
 - States will be encouraged to set up physical libraries at panchayat and ward levels
 - The National Book Trust and Children's book trust will provide non-curricular titles in regional languages and English
 - Over the next three years, the government will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools

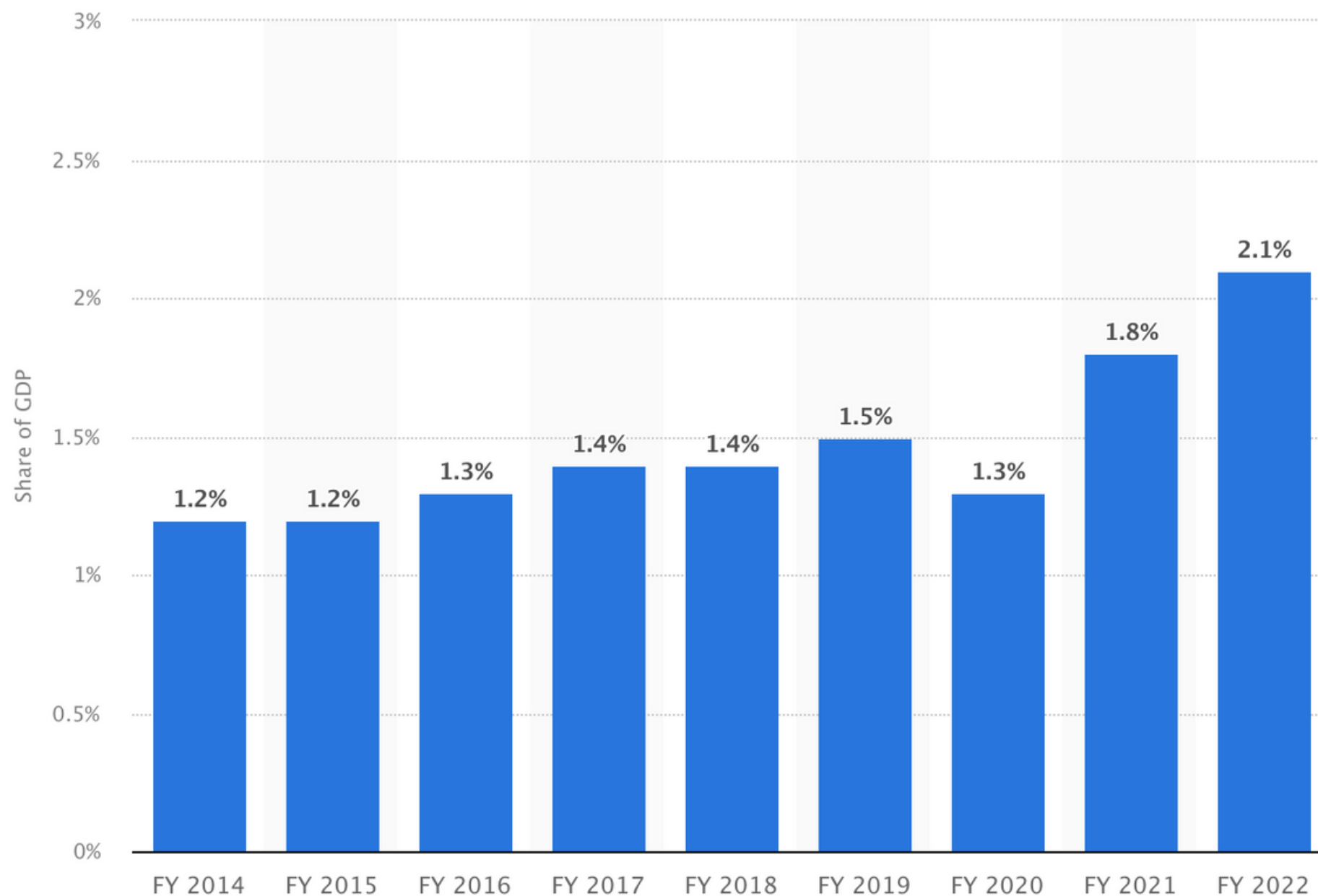
- Inspite of the low expenditure of the Government on education, improvements are seen - a significant increase in the number of schools with basic facilities like toilets, electricity and internet.
- In fact, the number of enrollments in higher education has increased from 3.6 crore students in 2016-17 to 4.1 crore student in 2020-21.

Source : Economic Survey 2022-23

Figure VI.15: Total students' enrolments in higher education



Healthcare



- The expenditure on healthcare was steady at around 1.4%-1.5% for a few years until 2020.
- According to the Economic Survey 2022-23, *Central and State Governments'* budgeted expenditure on the health sector was at 2.1 per cent of GDP in 2022-23 and 2.2 per cent in 2021-22.
- This significant increase was due to the COVID-19 pandemic which necessitated increased vaccination costs and emergency medical support.

- However, in the Budget 2023-24, the expenditure on the health sector stood at around 1.98 per cent of the GDP.
- This is unfortunate as the *National Health Policy 2017* advocates for public health expenditure at 2.5 per cent of the GDP by 2025.

Table VI.18: Trends in Mortality indicators

	2014	2016	2018	2020
	(2011-13)	(2014-16)	(2016-18)	(2018-20)
Maternal Mortality Ratio (per lakh live births)	167	130	113	97
Infant Mortality Rate (per 1000 live births)	39	34	32	28
Neonatal Mortality Rate (per 1000 live births)	26	24	23	20
Under 5 Mortality Rate (per 1000 live births)	45	39	36	32
Early Neonatal Mortality Rate – 0- 7 days (per 1000 live births)	20	18	18	15

Source: Sample Registration System

According to the Economic Survey 2022-23,

- The mortality indicators- infant, maternal, neonatal and under 5 mortality rates have decreased significantly since 2014.
- There has been an increase in the availability of physical health infrastructure - Sub-centres (SCs), Community Health Centres (CHCs), Doctors and Nursing Staff at PHCs etc.

Source: Economic Survey 2022-23

- Some initiatives have been taken in Budget 2023-24:
 - 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.
 - Facilities in select Indian Council of Medical Research (ICMR) labs can be used for research by public and private medical college faculty members and private sector research
 - Sickle cell anaemia will be eliminated by 2047

Table VI.19: Progress in health infrastructure
(as of March each year)

(numbers in thousands)

Indicators	2014	2019	2020	2021	2022
Sub-centres (SCs)	152.3	157.4	155.4	156.1	157.9
Primary Health Centres (PHCs)	25.0	24.9	24.9	25.1	24.9
Community Health Centres (CHCs)	5.4	5.3	5.2	5.5	5.5
Doctors at PHCs	27.4	29.8	28.5	31.7	30.6
Total Specialists at CHCs	4.1	3.9	5.0	4.4	4.5
Auxiliary Nurse Midwife at SCs & PHCs	213.4	234.2	212.6	214.8	207.6
Nursing Staff at PHCs & CHCs	63.9	81.0	71.8	79.0	79.9
Pharmacists at PHCs & CHCs	22.7	26.2	25.8	28.5	27.1
Lab Technicians at PHCs & CHCs	16.7	18.7	19.9	22.7	22.8

Source: Rural Health Statistics 2021-22, MoHWF

Note: Greener shades indicate improvements