



# Pre-Budget Analysis 2023

Infosphere has done an annual budget analysis for the past few years. The 2023 budget has been of particular importance as it determines growth targets and expenditure targets for the economy.

We have divided the pre-budget analysis into

1. An outlay of macro-trends we have seen in previous budgets
2. Speech analysis of 2023's budget
3. Sectoral decomposition of budgeted spends
4. Scheme-wise decomposition

- Reducing current account deficit
- Tax relief in housing and higher education
- Strengthening industries like textiles, leather, etc

- Urban development
- Recovery from the Global Financial Crisis
- Reduction in the public debt-GDP ratio
- Improving FDIs

- Manufacturing capacity
- Infrastructure development
- Supporting MSMEs



- Increasing manufacturing capacity, especially textiles, sugar industries
- Special focus on poverty and unemployment

- Vision for 75th Independence led by PM
- Increase investment in infrastructure
- Dealing with black money
- Revival of manufacturing sector in India

# Key focus areas in 21st Century

# Speech Analysis - Budget 2022-2023

- The budget aimed to set the tone for the economy for the next 25 years - a blueprint for 'Amrit Kaal'
- Increased focus and expenditure on infrastructure through the Gati Shakti plan
- Working in line with the Gati Shakti plan, the highest % increase in allocation was observed in the Ministry of Communications (93%), followed by the Ministry of Road Transport and Highways (52%).
- Capex target expanded by 35.4 per cent – from Rs 5.54 lakh crore to Rs 7.50 lakh crore

- The government is also pushing for increasing manufacturing capacity of India - by extending tax holiday and tax payment limit(15%) for startups and new domestic companies
- For SMSEs, the government planned to extend the Emergency Credit line Scheme, to support small businesses to survive.
- With the aforementioned policy changes and tax relaxations, the government plans to support young businesses until they are self-sustainable.
- No noted changes in Income tax rates for anyone suggest that the tax rates are justifiable in government eyes.

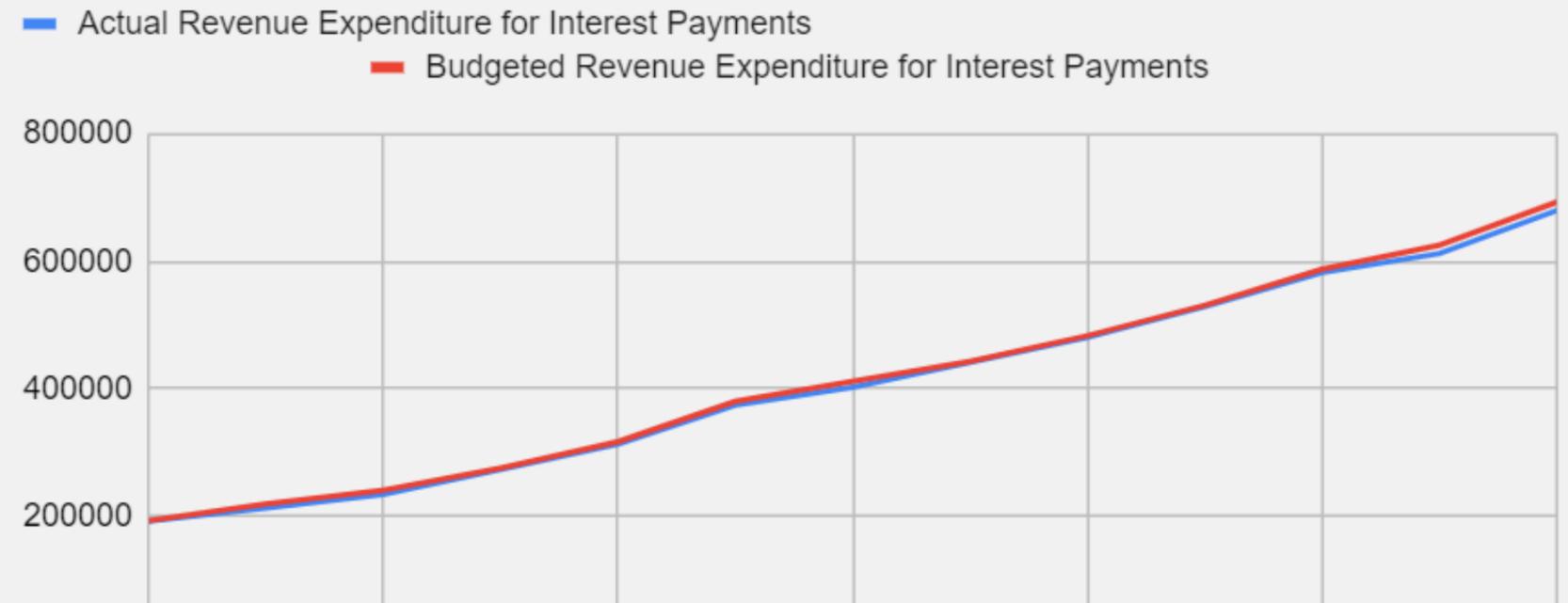
# Revenue vs Capital expenditure decomposition

First, we do a basic decomposition to see where the government is putting its money - is it to generate new assets or for yearly functioning?

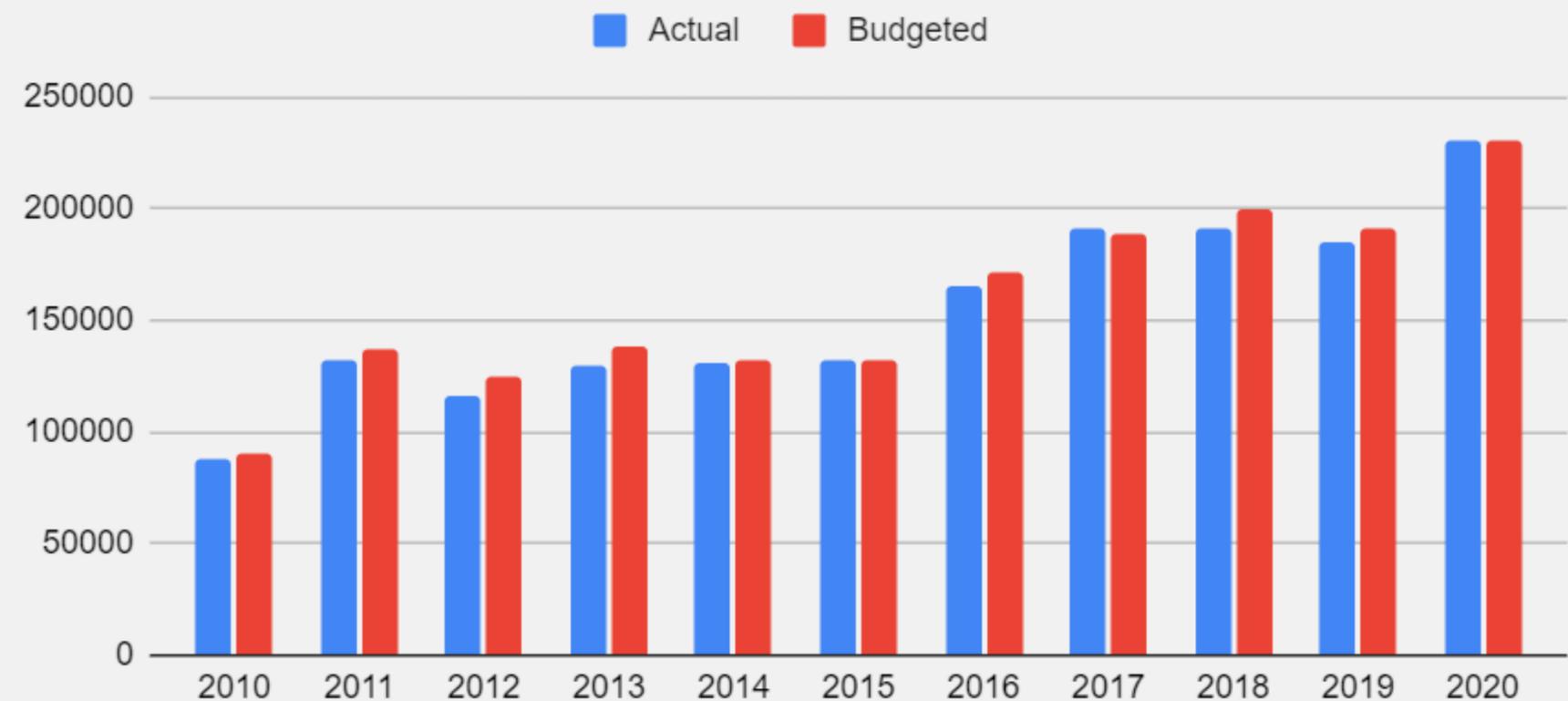
# Revenue Expenditure

Actual and budgeted spends from the revenue account are similar; with the expenditure for interest payments are higher than of grants in aid for creation of capital assets

## Actual and Budgeted Revenue Expenditure for Interest Payments



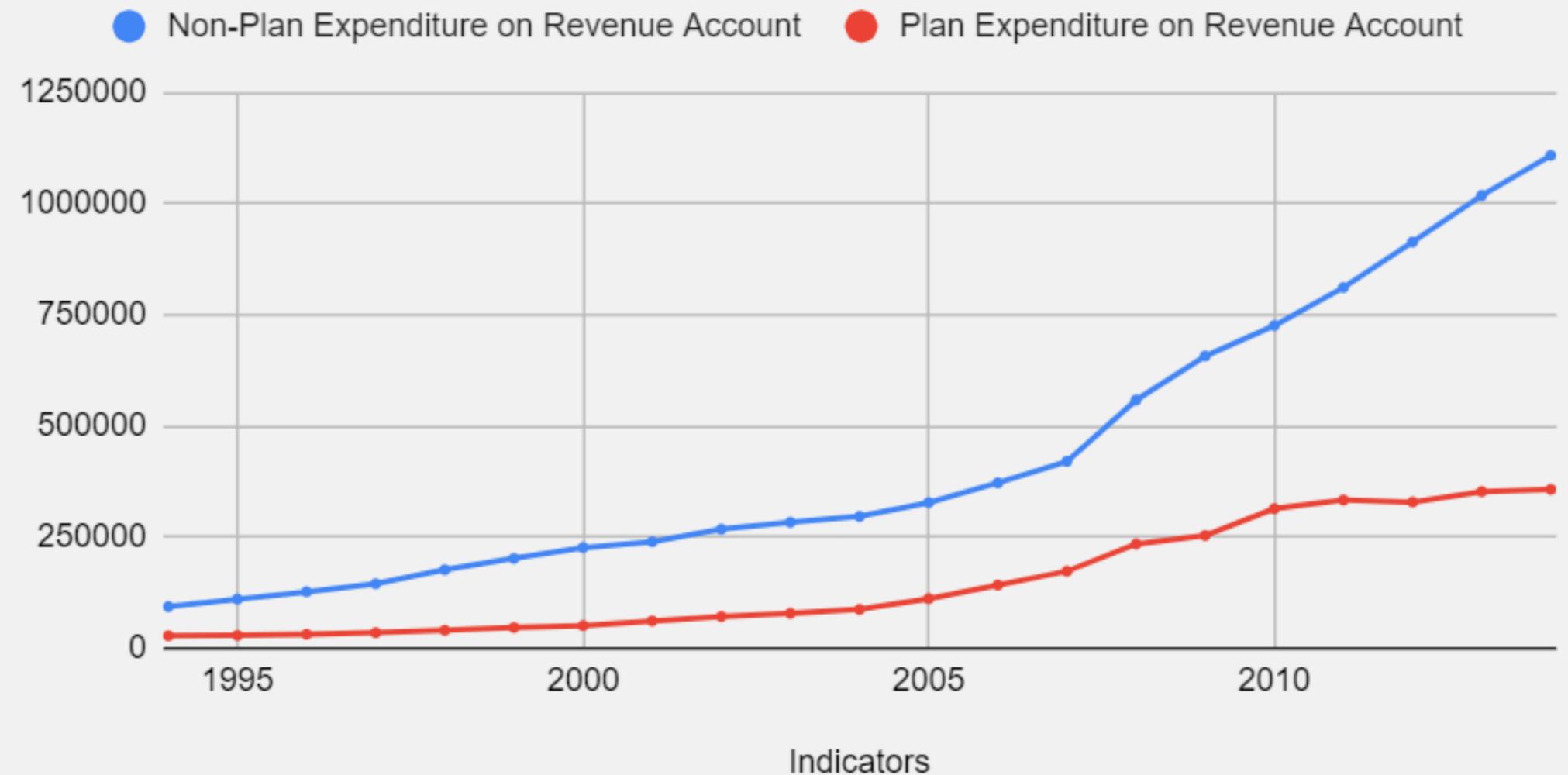
## Actual and budgeted revenue expenditure for grants in aid for creation of capital assets



# Revenue Expenditure

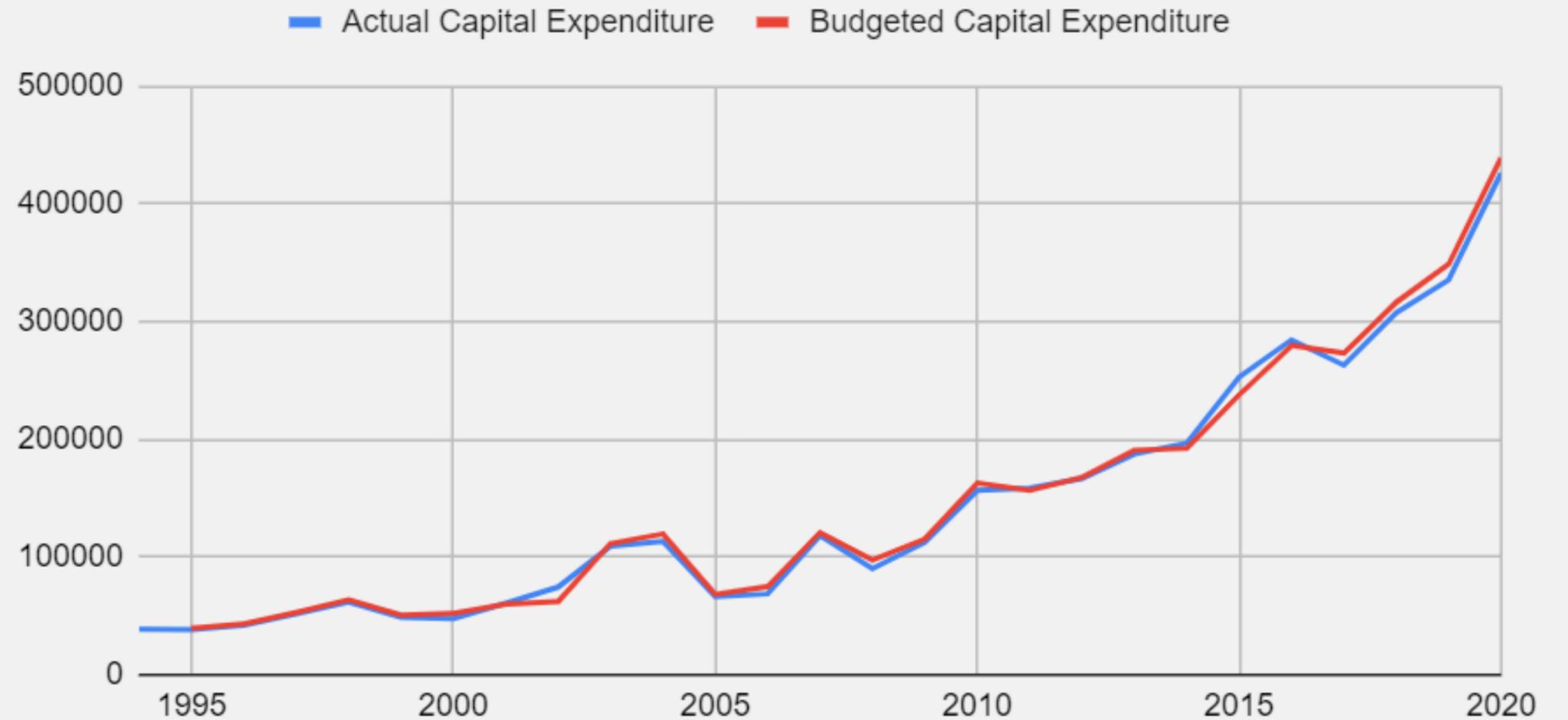
There is an increasing discrepancy between planned and unplanned revenue expenditure; unplanned is higher and not accounted for in the subsequent budgets

## Non-Plan Expenditure on Revenue Account and Plan Expenditure on Revenue Account



# Capital Expenditure

## Actual and Budgeted Capital Expenditure

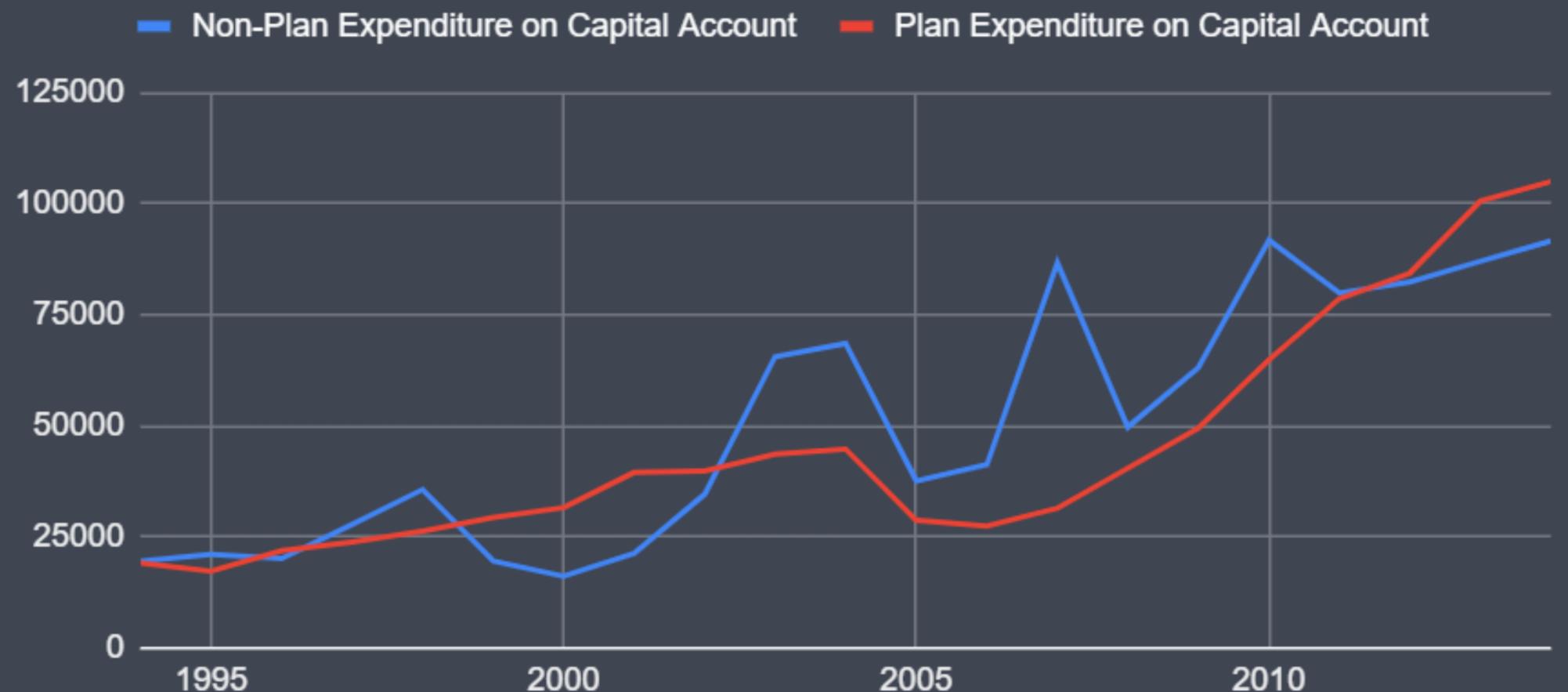


The actual and budgeted spends from the capital account have been similar and increasing over time, with more exponential growth occurring from 2015.

# Capital Expenditure

In the case of capital expenditure, the discrepancy between planned and unplanned spends is rather random, unlike that of revenue expenditure. Unplanned expenditure only occurs when there are projects

## Non-Plan Expenditure on Capital Account and Plan Expenditure on Capital Account



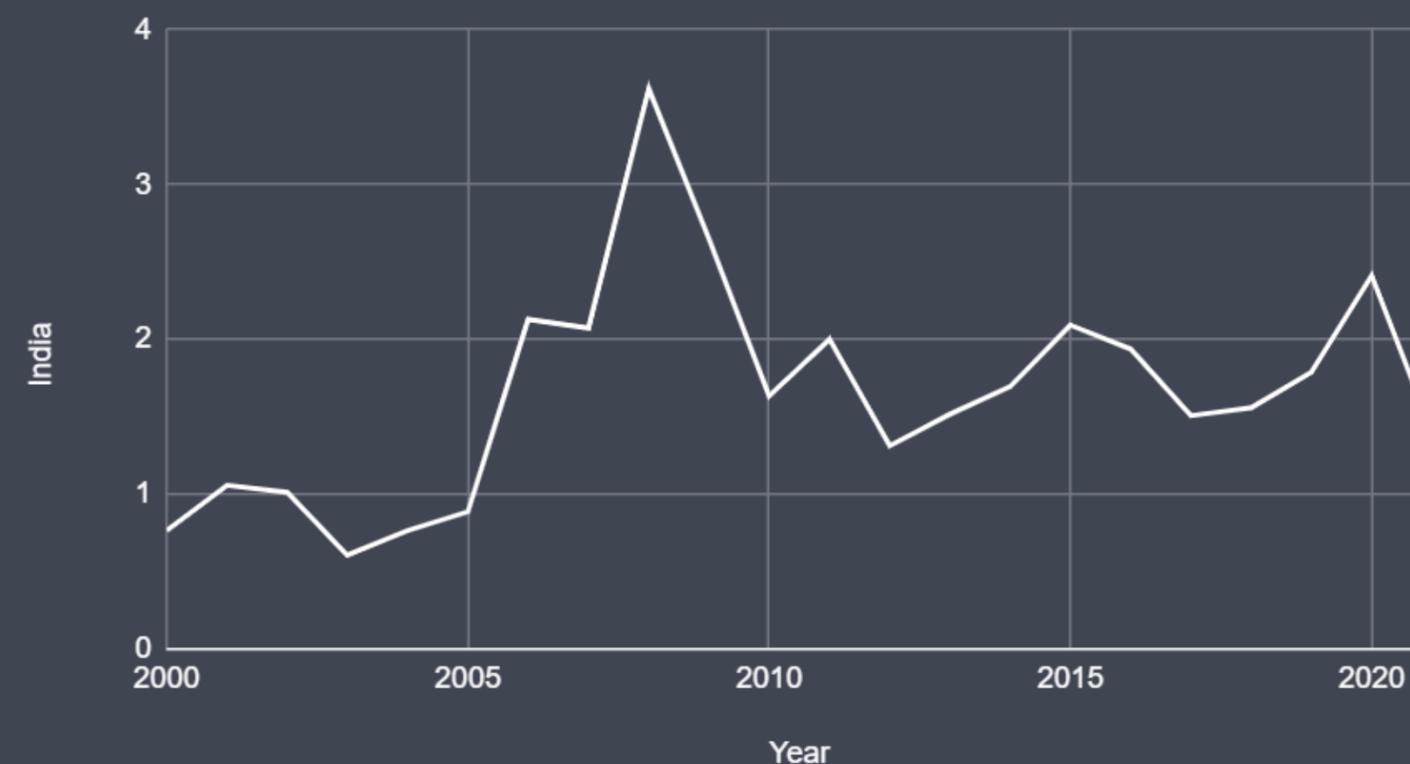
# Capital Expenditure

Capital expenditure budgeted spending has constantly increased over the years, with a projected increase for the 2023 budget as well.

The increase in capital expenditure is said to offset the slump caused by COVID, invest in schemes for the long term (like the PMJAY) and boost demand in the economy.

It is seen that the government is planning an investment led recovery after COVID, boosting capital expenditure to massive rates and trying to attract more private investment.

FDI inflows in India, % of GDP



We have also seen a fall in FDI post pandemic, investment into the country's labour and sectors would help recover this/

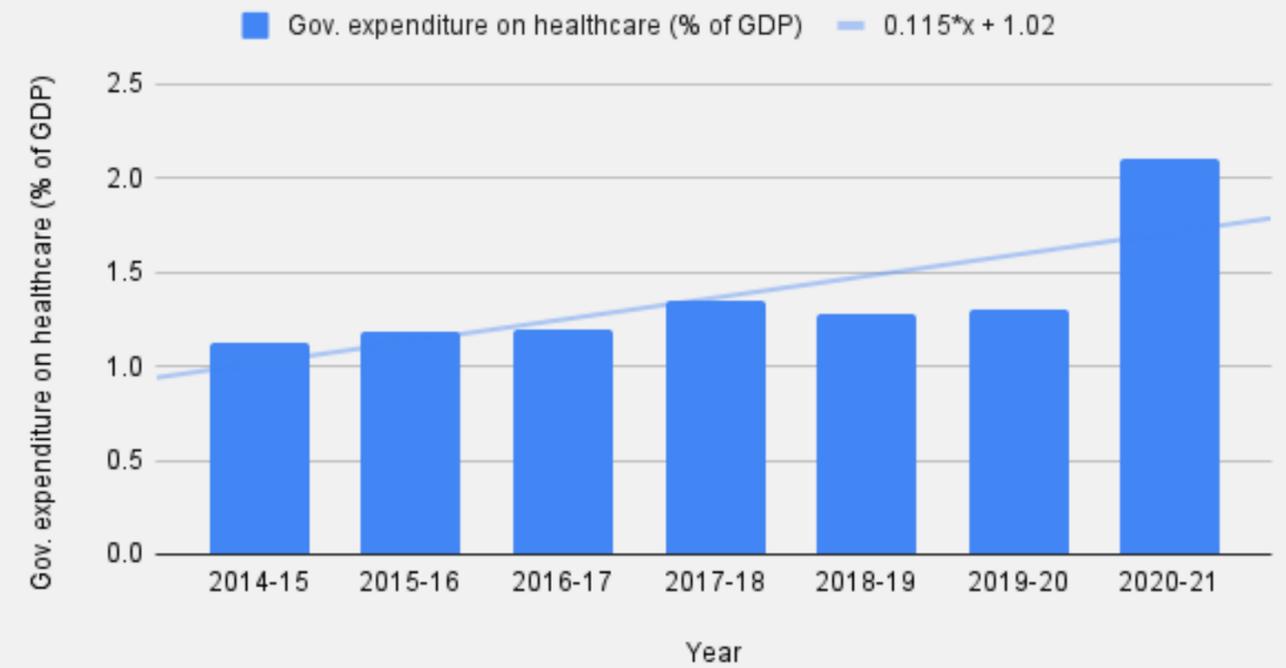
# Sectoral Analysis

To conduct a more comprehensive decomposition of capital expenditure, it is important to note in which sectors is this money going. Is it targeting the persistent problems of healthcare and low education rates that India has/.

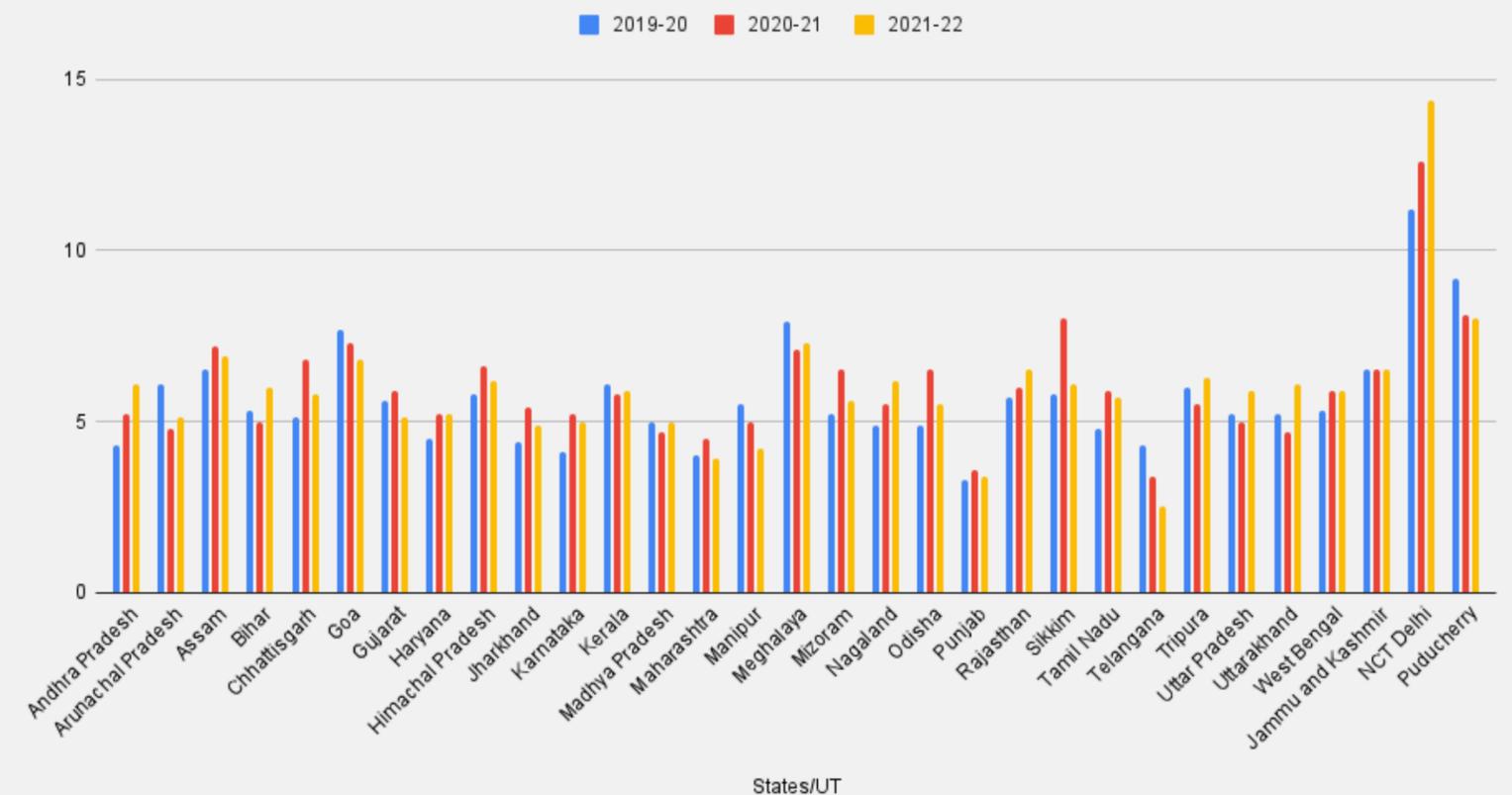
# Healthcare

- The public expenditure on healthcare has been hovering around 1.2% of GDP since 2014.
- Only in 2020-2021, the expenditure saw a rise to above 2%. The reason behind those could be the COVID-19 pandemic.
- The equation shows that the slope is 0.1154 which suggests that the increase is only 0.1154% and that too it's distorted because of a sudden rise in 2020-21.
- In comparison to other countries, it is very low. Japan spends around 9% and Brazil, another developing country spends around 4%.
- The expenditure on Medical, Public Health and Family Welfare, for the past three years, is seen highest in Delhi. However, in terms of aggregate expenditure, the majority of the states stand at roughly 5%.

Gov. expenditure on healthcare (% of GDP) vs Year



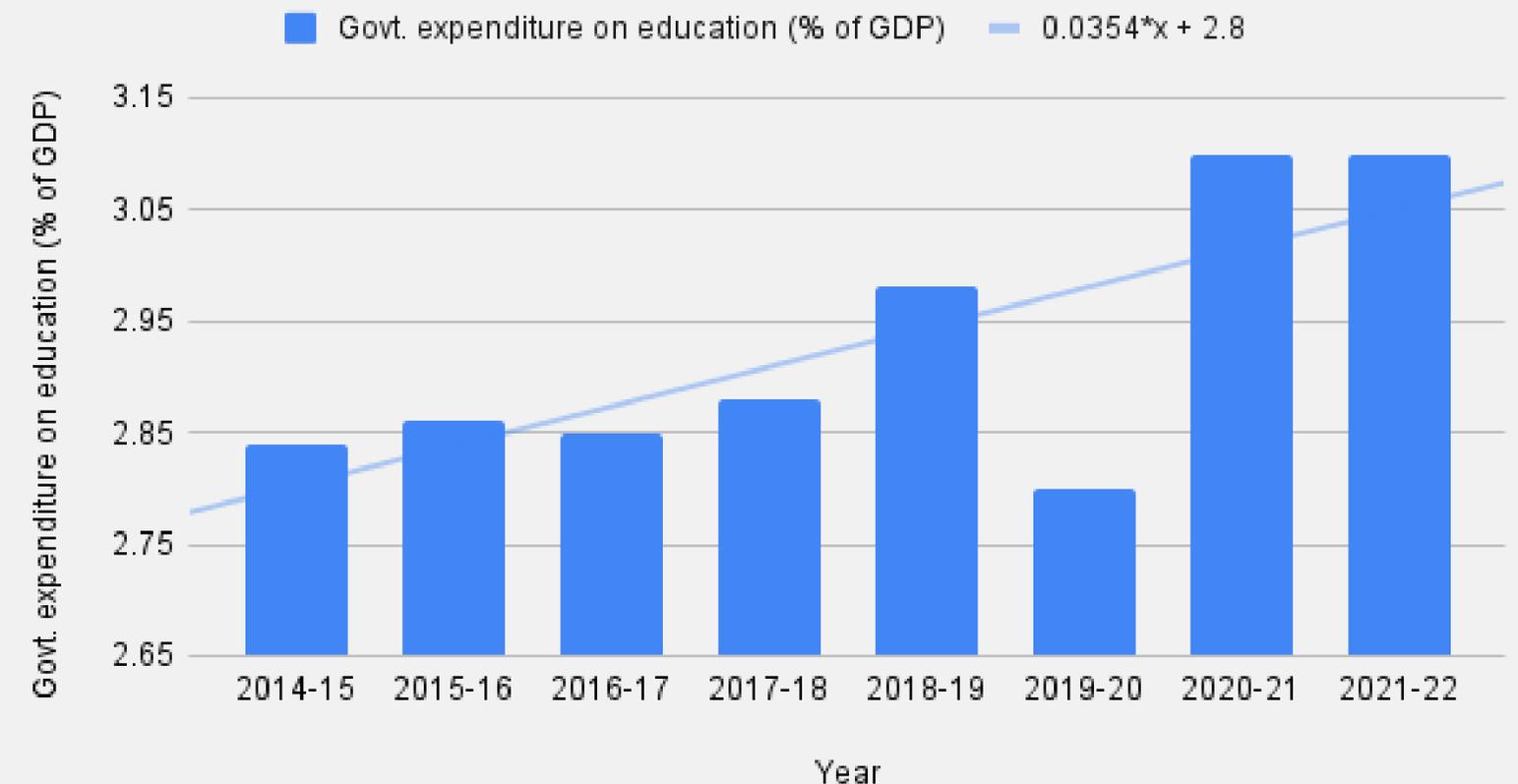
Expenditure on Medical and Public Health and Family Welfare (As Ratio to Aggregate Expenditure)



# Education

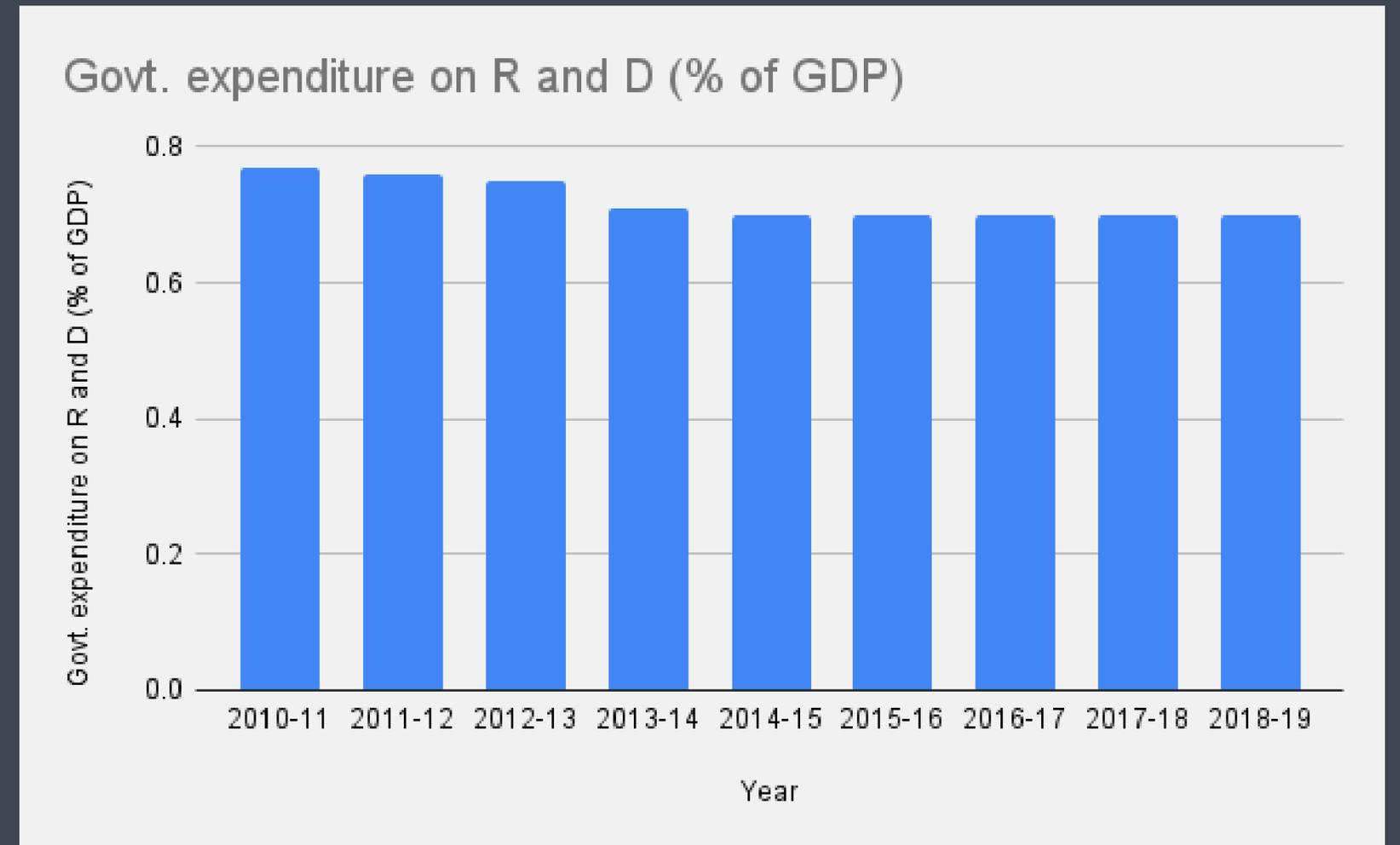
- The expenditure on education has been hovering around 3% since 2014.
- Even though the expenditure is increasing, it is very marginal. The slope of 0.035 suggests that the increase is only by a margin of 0.035%.
- In comparison to the previous government before 2014, the expenditure has decreased from a peak of 3.36% in 2012-13 to a low of 2.84 in 2014-15.
- In comparison to other countries, it is very low. The USA spends roughly 6% and France spends 5.2%.
- Moreover, in relation to India's population, the current spending is too low. This is also concerning as the New Education Policy (NEP) requires drastic changes for the long-term but the question is that with just small funding, will it be possible to implement all aspects of NEP efficiently and effectively?

Govt. expenditure on education (% of GDP)



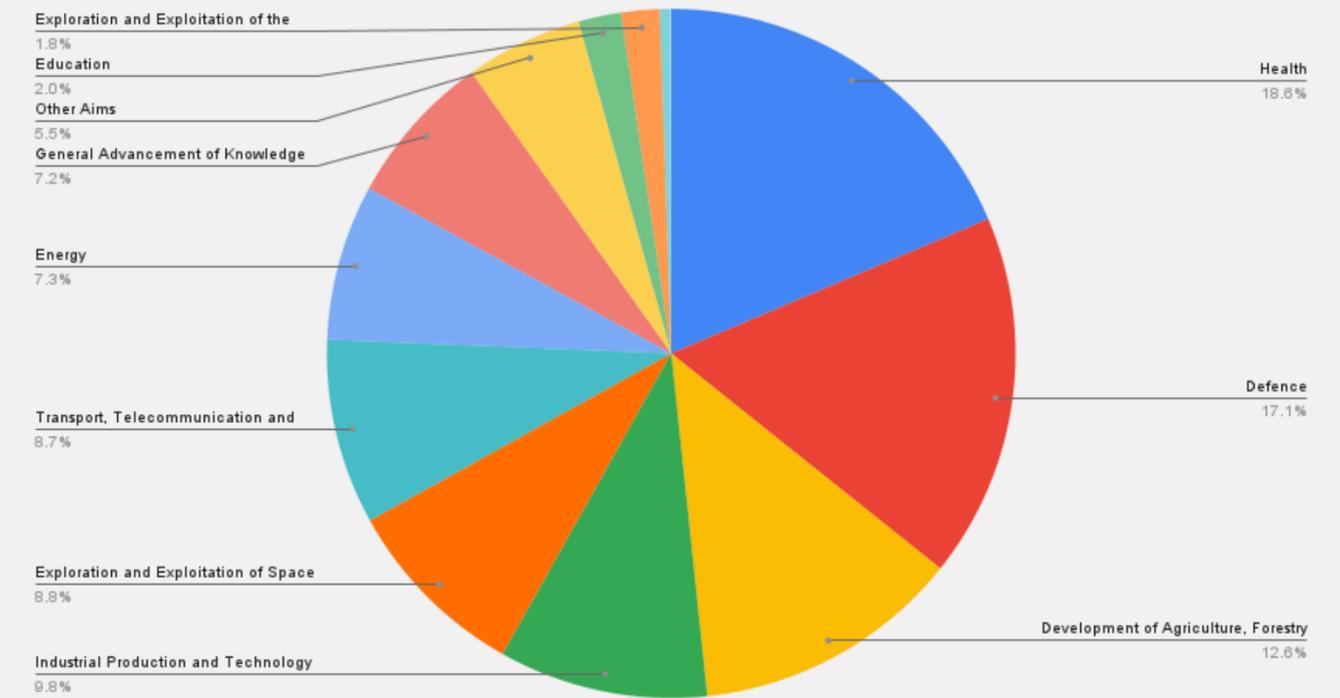
# Research and development

- The expenditure on research and development has been between 0.78% and 0.7%. More importantly, it has always been under 1% of the GDP.
- The concerning point is that the expenditure has been decreasing until 0.7% where it became constant.
- In developed countries like Japan, South Korea and USA; the business enterprises are the major participants while in India, it is the government.
- Another concerning factor is that the average expenditure in 2018 on R and D was 1.5% for low and middle income countries, while India's number remained below 1%.

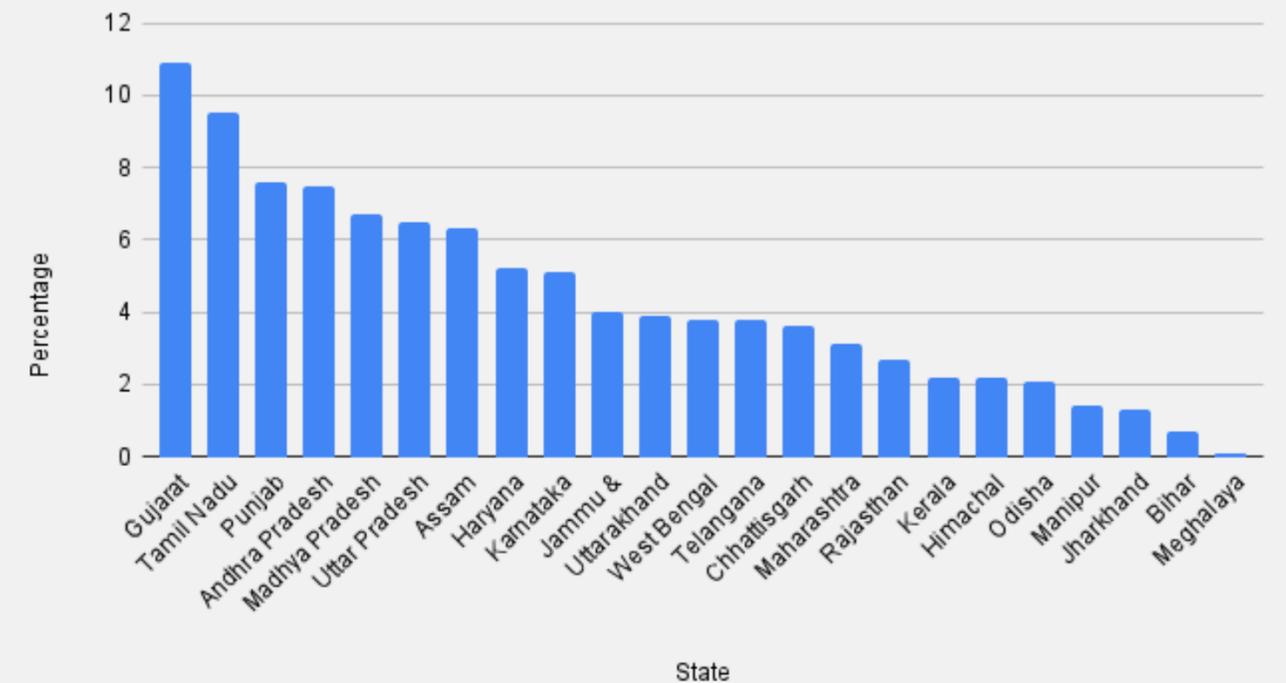


- The maximum priority for research and development is given to the health, defence and agriculture industry.
- Moreover, agency wise, the highest percentage of R and D expenditure was by Defence Research and Development Organisation (DRDO) at 31.6%, followed by Department of Space (DOS) and Indian Council of Agricultural Research (ICAR) at 19 and 11.1%.
- The states which allocate the most towards R and D are Gujarat, Tamil Nadu and Punjab while the lowest is Jharkhand, Meghalaya and Bihar. The reason for this discrepancy could be different priorities for different states. Moreover, the state budget could also be a factor in it.

NATIONAL R&D EXPENDITURE BY OBJECTIVES (2017-18)



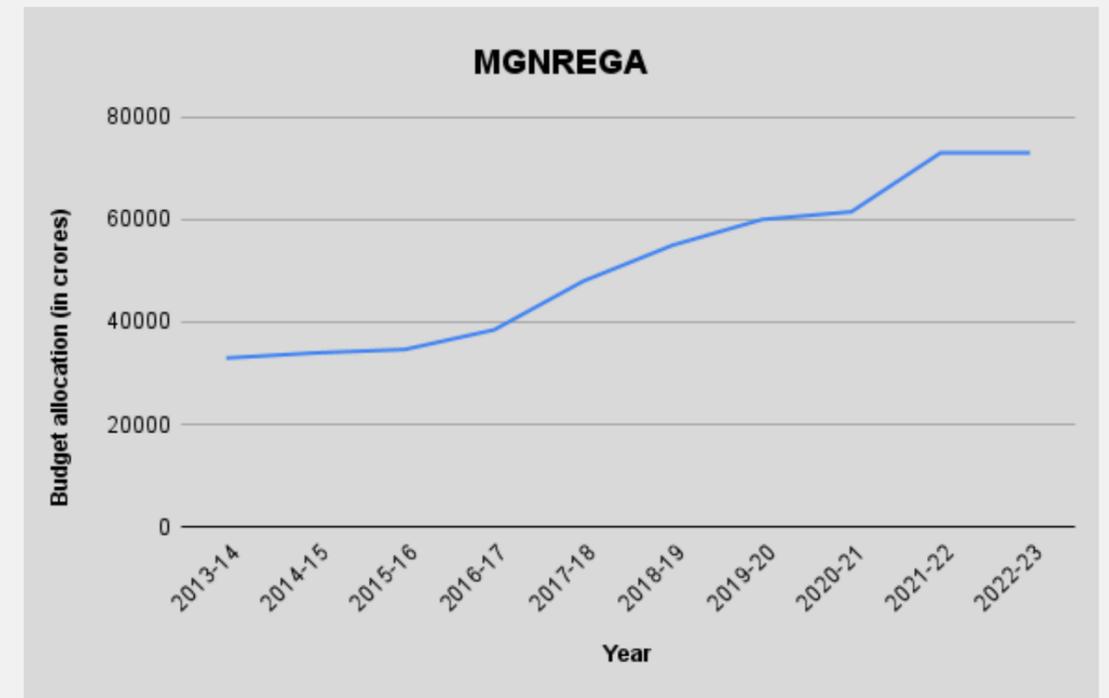
PERCENTAGE DISTRIBUTION OF R&D EXPENDITURE BY VARIOUS STATES (2017-18)



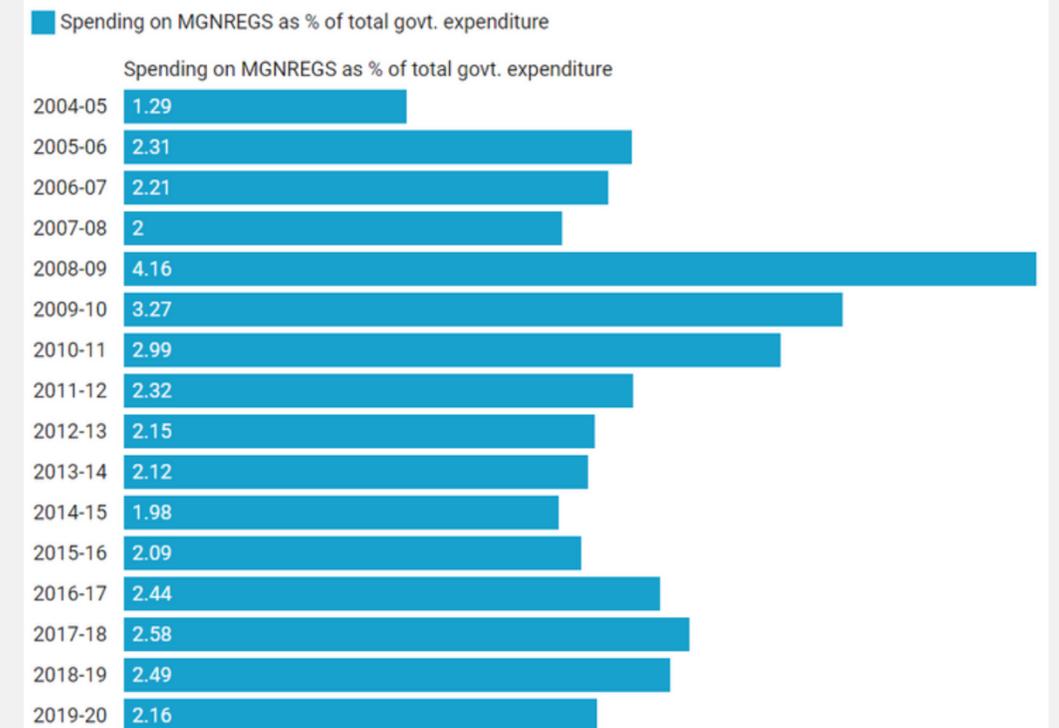
# Scheme Wise Allocation

# MGNREGA

- Every rural household where an adult member works manual labour has a guaranteed 100 days of paid employment per fiscal year. The programme, which guarantees at least one-third of the jobs to women, has become a crucial safety net for low-income residents and migrant workers in rural areas
- The allocated funds for the MGNREGA were lowered by 25.2% to Rs 73,000 crore under the 2022–23 Budget, which was announced by Finance Minister Nirmala Sitharaman. Previously, Rs 98,000 crore had been set aside under the program's updated estimate in the previous budget.
- The scheme received more funding in 2020–2021 and 2021–2022 to accommodate the demand for work during the COVID–19 epidemic, which is essentially why there has been a reduction.
- According to data, when we compare the spending of the UPA 2 to the current government, it is at similar levels. Since its inception, MGNREGS has been one of the highest spent on items in the government of India's budget. This has not changed under the NDA. As a percentage of overall government expenditure, annual spending on MGNREGS, 2.4% is in the same range as in UPA, which is close to 2.6%.



## MGNREGS: UPA vs NDA

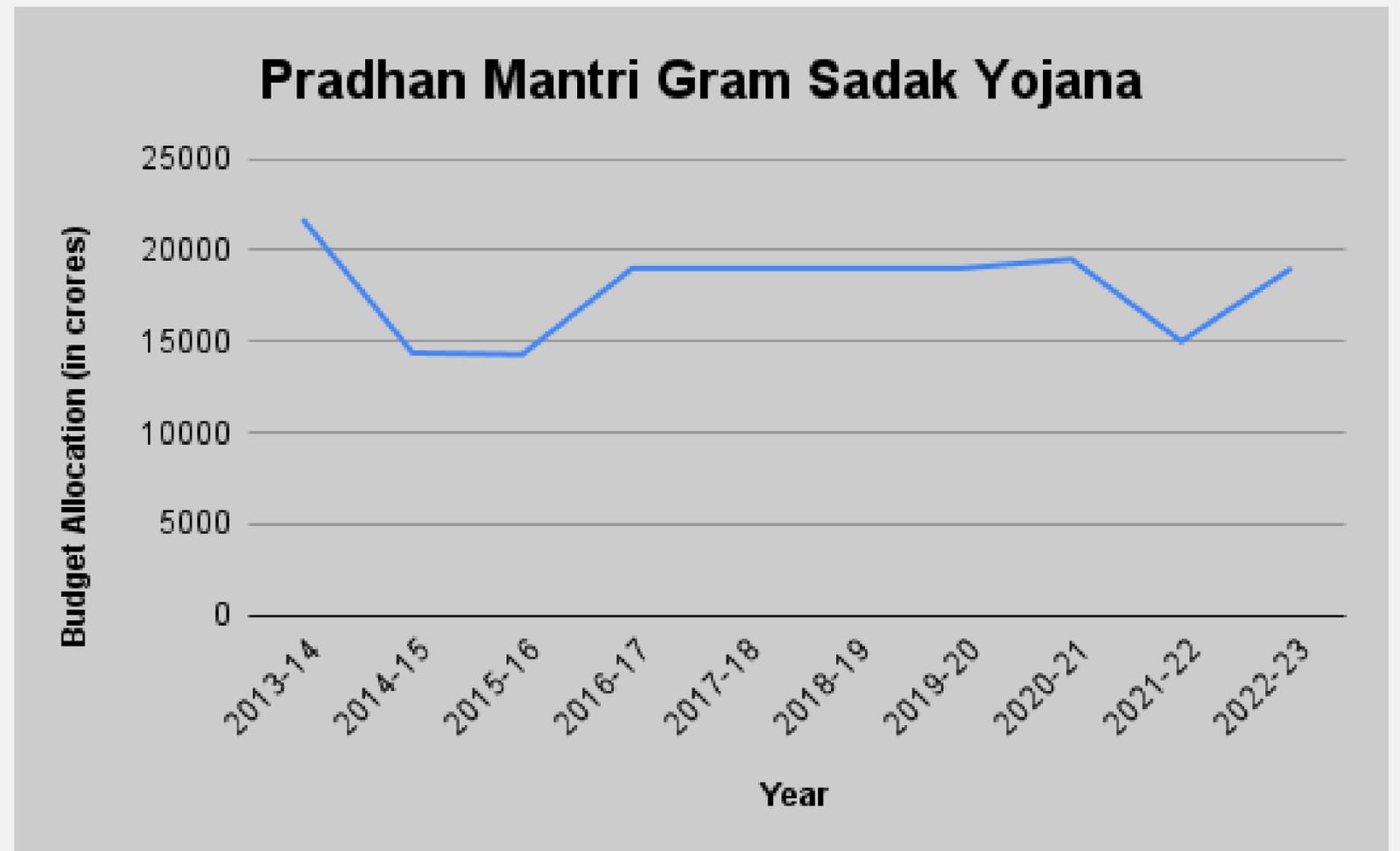


Data source:

<https://rural.nic.in/en/finance/budget/budget>

# Pradhan Mantri Gram Sadak Yojana

- The Pradhan Mantri Gram Sadak Yojana (PMGSY) aims to connect all eligible unconnected habitations that are part of the country's core network to all-weather roads. The programme got Rs 19,000 crore in 2021–22, a 36% increase above the revised projection for that year.
- Although the allocation for 2022–23 is significantly higher than the revised forecasts from the previous year, the program's spending has been falling since 2015–16. Additionally, the Ministry has been spending less than what was budgeted since 2016–17. Between 2016–17 and 2020–21, there has been a worsening tendency in underutilization.

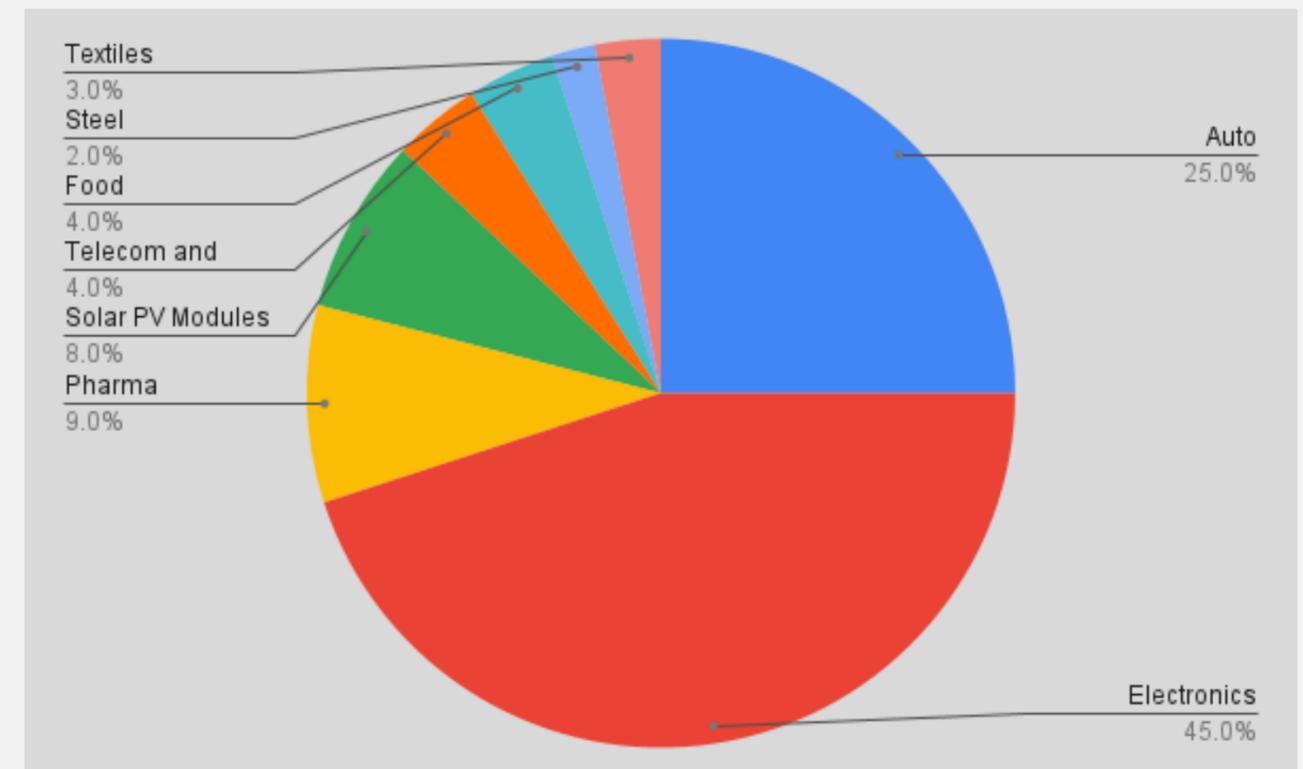
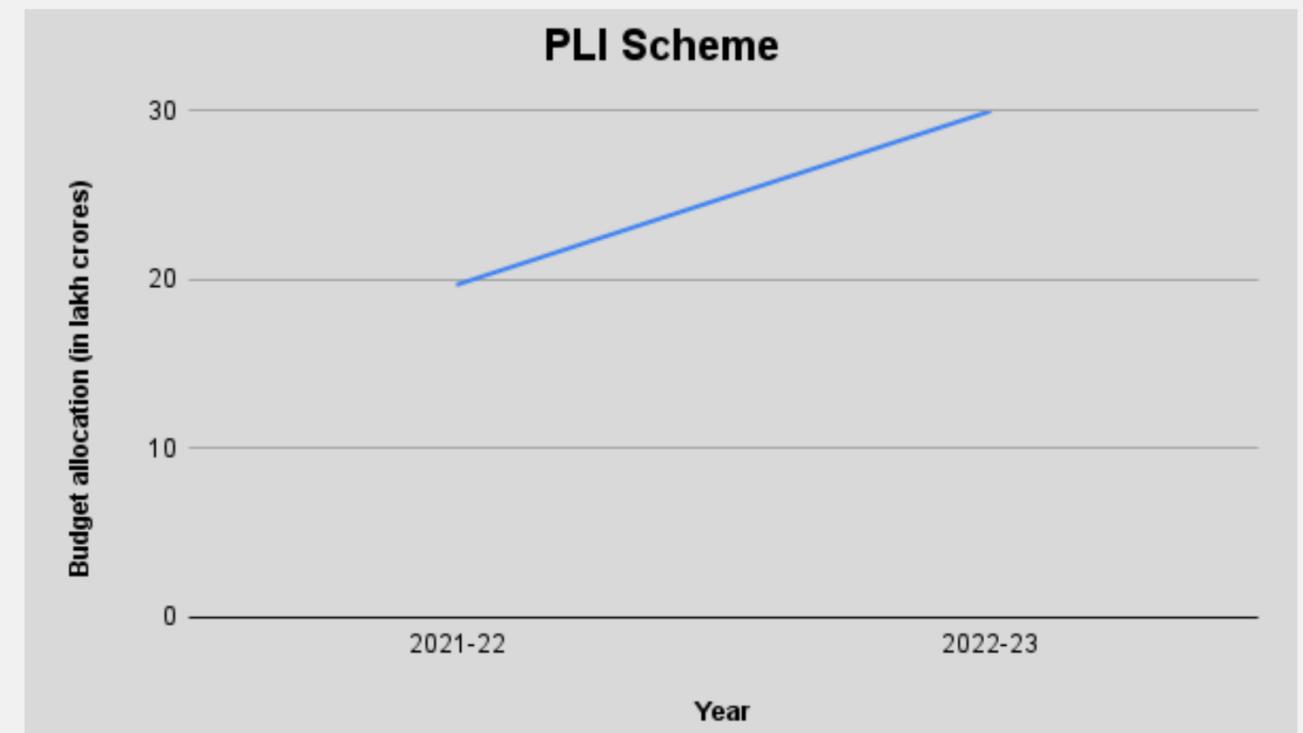


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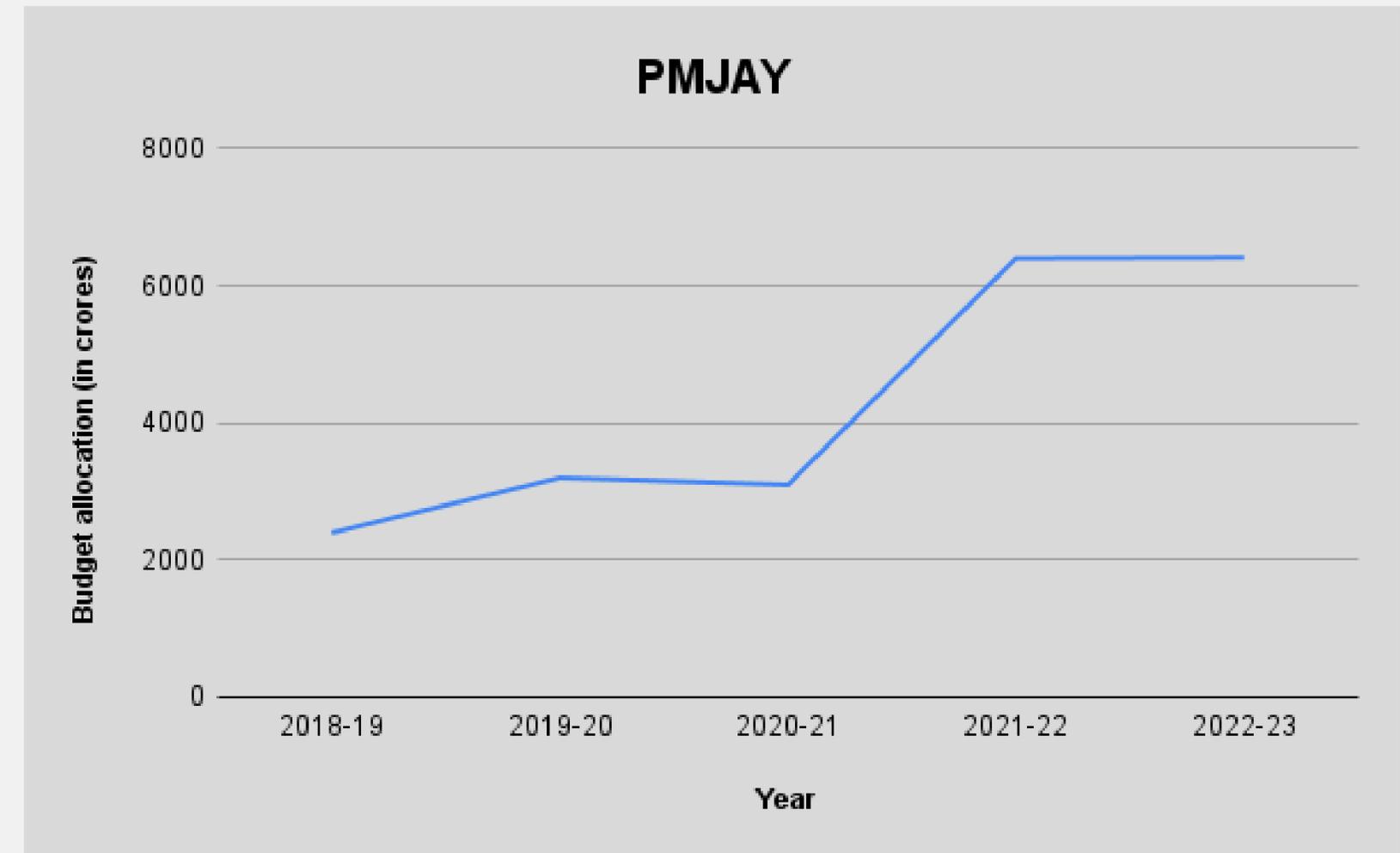
# PLI Scheme

- The government launched the PLI scheme with the intention of making domestic manufacturing more competitive on a global scale and producing manufacturing industry leaders.
- According to an official, the government is exploring plans to expand the Rs 35,000 crore PLI scheme to a variety of industries, including leather, bicycles, some vaccine components, and some telecom items, in an effort to encourage domestic production and generate jobs. Toys, various chemicals, and shipping containers are also being examined for PLI (production-linked incentive) benefits.
- The Finance Minister said that 19,500 crores will be provided under PLI for the production of high-efficiency modules for polysilicon in an effort to expand the country's solar capacity. To boost domestic solar panel production and help reach the goal of 280 GW of installed solar capacity by 2030, 19,500 Crore for Production Linked Incentive for high-efficiency modules will be made in 2022–2023 with priority to fully integrated facilities, to quote Nirmala Sitharaman.



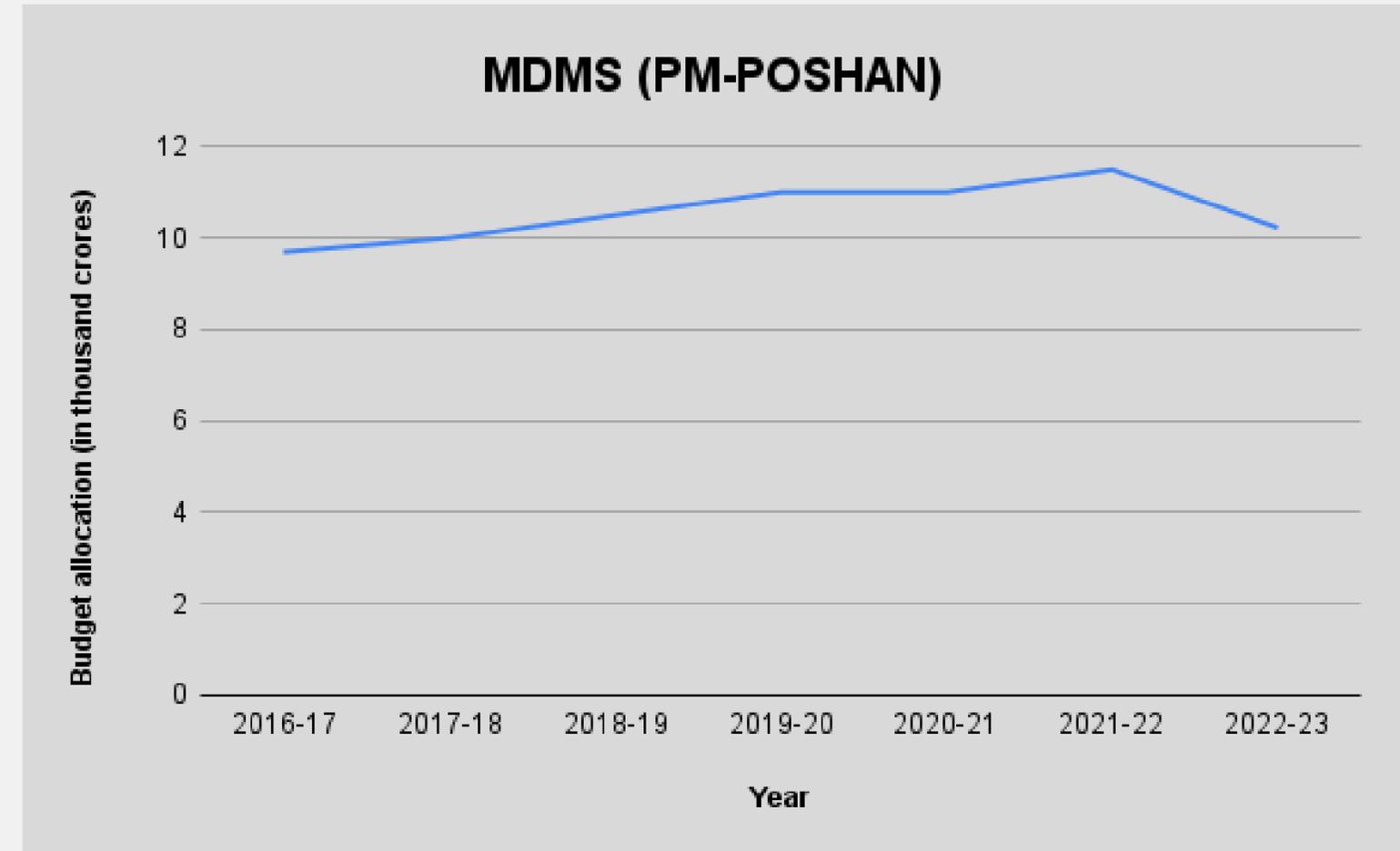
# Ayushman Bharat: PMJAY

- PMJAY aims to reduce severe out-of-pocket costs associated with serious medical episodes while giving poor and vulnerable families access to high-quality inpatient secondary and tertiary care.
- Allocations for health insurance surged fivefold with the introduction of PMJAY in FY 2018–19. Budget Estimates (BEs) for the plan have stayed around 6,400 crore since FY 2019–20, while REs have been far lower. For example, REs were half at 3,200 crore in FY 2019–20 and less than half at 3,100 crore in FY 2020–21.
- In 2022-23, PMJAY has been allocated Rs 6,412 crore - this is double the estimates of 2021-22 (Rs 3,199 crore). Experts are predicting that this amount may be low considering the expenditure required on PMJAY.



# Pradhan Mantri - POSHAN

- The Mid-Day Meal (MDM) programme aims to give school-age children nourishment. Schoolchildren are provided with healthy cooked lunches as part of this programme. The programme was given the new name PM-POSHAN in September 2021.
- To provide proper planning for the COVID-19 pandemic during Financial Year (FY) 2021–2022, they had announced an increase in PM POSHAN funds to 12,700 crore from 11,500 crore in the Budget Estimates (BEs).
- A budget of around Rs 10,234 crore has been approved for the Pradhan Matri Poshan Shakti Nirman (PM POSHAN) programme in 2022–2023. In FY 2022-23, the scheme is to be expanded to include pre-primary students.



Data source:

<https://union.openbudgetsindia.org/en/schemes/>