

## Sansad TV Perspective: Budget 2022-23: Investment and Fiscal Deficit

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: Budget 2022-23: Investment and Fiscal Deficit

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### Participants:

1. Vinod Sharma, Chairman, National Manufacturing Committee, ICTE, CII.
2. Prof. Arvind Mohan, Department of Economics, University of Lucknow.
3. Dr. Arvind Virmani, Chairman, EGROW Foundation.

### Context:

The article will discuss the various initiatives taken by the government in recent years, the issues in the Indian economy, and the measures to be taken to push the economy forward.

### Background:

- The report of the United Nations 'World Economic Situation and Prospects 2022' has stated that India's economic recovery is on a solid path.
- The UN report credited the vaccination drive, less stringent social restrictions, and supportive monetary stances as reasons for this growth adding that encouraging private investment will remain crucial to stay on the recovery path.
- The government has implemented several major reforms in recent years to boost investment and GDP growth.
- Various measures to support broad-based and inclusive economic development were announced in Union Budget 2021-22 followed by a relief package in June 2021 to strengthen public health and provide the impetus for growth and employment measures.
- On the fiscal deficit front, the rating agency ICRA in its recent report says that though the government's gross tax receipts are expected to overshoot the budgeted amount, the shortfall in the disinvestment target this year may lead to a fiscal deficit of around 7 percent of the GDP.

### Initiatives taken:

The Covid-19 pandemic has impacted the Indian economy very adversely. To cope with the challenges posed by the pandemic, the government has taken several initiatives that are discussed below:

**Targeted approach:**

- The government and the Reserve Bank of India (RBI) focused on well-targeted interventions.
- When all the developed countries were opting for major fiscal stimulus, India went forward with a targeted approach.
- This approach evolved with the emergence of the pandemic, successive lockdowns, gradual unlocking periods, normalization phase, the second wave of the pandemic, and now the third wave.
- It signifies that the government has adopted the 'watch and react' approach according to the scenario.

**Structural reforms:**

- The government had done several structural reforms that have put the economy on a sound foundation of a good recovery.

**Digital Economy:**

- India has emerged as one of the biggest and fastest-growing digital consumer bases which are digitalizing faster than many of the more mature economies of the world.
- The Covid-19 pandemic had created an irreversible shift for innovation and is creating new opportunities in how products are designed, engineered, consumed, and serviced through contactless systems, intelligence and analytics, and software-led systems.
- All of these tectonic shifts are going to call for a capability changeover to embedded systems, digital innovation, and cyber security.

**Production linked incentive scheme:**

- PLI Scheme, or the Production Linked Incentive Scheme, is an initiative started by the Government of India to not only encourage foreign companies to find a workforce in the country and thereby generate employment but also encourage domestic and local production to create micro-jobs.

**Issues in the Indian Economy:**

There are various issues faced by the Indian Economy. Some of them are discussed below:

**Inflation:**

- When the economic growth increase, it also generated inflationary pressure. Because of this, the growth in investment as per the expectation does not occur.
- Until this inflationary challenge is not targeted, it becomes difficult to take the economy forward.

**Second-generation reforms:**

- India has successfully implemented the first-generation reforms. But sustaining those reforms is also equally important and for that second-generation reforms are initiated. India has not accelerated the second-generation reforms yet.
  - **First-generation reforms** refer to the reforms in monetary and fiscal policies, which are in the field of macroeconomics, with the aim of eliminating economic imbalances, ensuring stability, lowering interest rates, controlling inflation, ensuring fiscal and monetary discipline, and reducing public debt.
  - **Second-generation reforms** are microeconomic reforms that strengthen the infrastructure of the market economy, increase efficiency, increase competitiveness, create competitive markets and renew the institutional infrastructure.
- In order to protect and improve the success achieved with the first generation reforms and to eliminate the detected deficiencies, it should be supported with the second generation reforms.

#### **Jobless Growth:**

- In India, economic growth is increasing but the growth in employment is not taking place in the same proportion.
- India is facing the challenge of growth without employment that is known as the 'jobless growth'.

#### **Measures to be taken:**

##### **Total Productivity:**

- Savings in India has not been proportionate with respect to the investment. Hence, an increase in investment given the scenario of saving will not be enough to push the economy forward.
- Therefore, the focus should be on increasing the total factor productivity.

##### **Second-generation reforms:**

- The government is making systematic efforts towards second-generation reforms and growth in the agriculture sector, atomic energy, space, etc. are some of the examples of second-generation reforms.
- The government should focus on increasing the pace of these reforms.

##### **Health Infrastructure:**

- In Uttar Pradesh, approximately 72% of the expenditure on health is out-of-pocket expenditure and this is nearly the story across the country.
- This is the biggest reason behind poverty in India and savings are also low because of this. Hence, the government should work towards strengthening the health infrastructure in the country.

##### **Agriculture:**

- India annually loses more than 2 lakh crores worth of agri-produce largely because India does not have logistic clients, adequate warehousing facilities, and cold chains. The government should focus on strengthening the logistics sector.
- According to RBI, in India, inflation is because of primary products. It implies that India experiences agri-led inflation.
- Hence, focusing on logistics and wastage of agri-products will also serve as anti-inflationary measures.

**Surplus labor and low productivity:**

- India has surplus labor and they also do not get the basic amenities such as clean water, shelter, sanitation, etc. This also has a direct impact on labor productivity. The government should come up with industrial dormitories, hostels for labor where at least they can get the basic amenities and will be able to live a dignified life.
- This will increase labor productivity.

**Conclusion:**

The government has done a lot of efforts to deal with the pandemic and it is expected that the budget of 2022 will bring some positive changes.