

Budget 2022 recognises need to spend on building infrastructure

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By Shanti Ekambaram

Union Budget 2022: Union budget for FY2022-23 comes after two years of the pandemic and in the 75th year of our Independence. We now seem to have left behind three COVID waves and its varied disruptions. In such a scenario, I am happy that finance minister Nirmala Sitharaman has delivered a “nation-building Budget” focused on building core infrastructure that is critical for economic growth and provides allocation to crucial sectors like education, healthcare as well as many initiatives for inclusive growth.

The outlay for capital expenditure in 2022-23 has been increased sharply by 35.4%, from 5.54 lakh crore to 7.50 lakh crore in 2022-23. Fiscal deficit for FY22 is likely to be at 6.9% and the government has pegged the fiscal deficit target for financial year 2022-23 at 6.4% of the gross domestic product. For FY23, states have been allocated 1 lakh crore to help them in fuelling overall investments in the economy. The Budget focuses extensively on key growth engines – PM Gati Shakti plan for building crucial infrastructure like roads, ports, railways, logistics, etc. Reforms in these sectors will give a fillip to the movement of goods and services and lay the blueprint for economic expansion over the next few years. A total of 2,000 km of rail network would be brought under KAWACH, an indigenously developed technology that helps prevent rail accidents. Four hundred new-generation high-speed Vande Bharat trains will be built over the next three years. In 2022-23, the national highway network will be increased by 25,000 kms. Housing is a crucial sector and the Government has allocated 48,000 crore for the PM Awas Yojana. A total of 60,000 houses will be identified as beneficiaries under the scheme in rural and urban areas.

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The Budget has brought a major relief for the MSME sector, by announcing an extension of the Emergency Credit Line Guarantee Scheme (ECLGS) until March 2023. MSMEs play a very important role in India’s economic growth and extension of this scheme will provide further liquidity to these entities.

Surcharge on long-term capital gains for all financial assets (against only listed stocks and equity mutual funds earlier) will now be taxed at 15%.

The finance minister announced that the GST collections in January 2022 stood at an all-time high of ₹1,40,986 crore. This is encouraging and important because this clearly denotes that growth is happening across sectors. It also denotes that an increasing number of businesses are now more compliant and have shown their confidence in governance.

Given the huge thrust to [Digital India](#) in the last two years and significant adoption of digital payments and banking, the Budget made two major announcements for the digital ecosystem. Firstly, commercial banks will set up 75 digital banks in 75 districts. This will give a significant increase to digital transactions and make it convenient for people to bank from the comfort of their homes. Introduction of a digital rupee by the Reserve Bank of India in 2022-23 is a crucial step. At the same time, the Budget has introduced tax at 30% on gains accruing from transfer of virtual assets.

Kotak economists had expected the government to increase capital expenditure especially through defence, railways, roads, highways, and housing. The Budget is largely in line with our expectations. Overall, it was a good Budget that recognises the need to spend on building India’s infrastructure that will spur economic growth over many years and at the same time allocate sufficient funds for education, healthcare and inclusive growth. It has the right mix of proposals that the economy needs in a post-COVID world.