

# An Empirical study on Indian Union Budget 2021-22

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**ABSTRACT:** In the run up to 86th Union Budget of India (including interim budgets) presented in Feb 2016, this is a modest attempt to study and understand the structure of government accounts both on the revenue and expenditure side. The Constitution of India has clearly laid down the entire procedure for preparing the Union Budget and recording all the events both on the account of revenue and expenditure. The paper attempts to study the entire process of preparing a Budget in detail. It also studies the method of recording transactions under

various major and minor heads. Debit calculation is an integral part of government Budgets in developing countries. The paper concludes with the discussion on methods and types of Budget Debits. In the run up to 86th Union Budget of India (including interim budgets) presented in Feb 2016, this is a modest attempt to study and understand the structure of government accounts both on the revenue and expenditure side. The Constitution of India has clearly laid down the entire procedure for preparing the Union Budget and recording all the events both on the account of revenue and expenditure.

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revenue and expenditure. The paper attempts to study the entire process of preparing a Budget in detail. It also studies the method of recording transactions under various major and minor heads. Deficit calculation is an integral part of government Budgets in developing countries. The paper concludes with the foreheads on methods to reduce Budget Deficits.

## I. INTRODUCTION

Article 112 of the Constitution of India states a detailed procedure for preparing the Annual Financial Statement (popularly known as Union Budget of India). The Union Finance Minister presents the Budget estimates (for the forthcoming financial year) each year on the last working day of the February. The Budget is implemented from the start of the new financial year i.e. 1st April. Before that the Budget proposal needs to be passed by both the houses (Rajya Sabha and Lok Sabha) of the Parliament. In some special circumstances like election year (change in government) the Constitution also allows the ruling government to present a 'Vote of Account' or 'Interim Budget'. Where the former is a just a statement of expenditure, the latter includes both receipts and expenditure.

The Budget document gives three sets of figure:

1. Actual figures for preceding year,
2. Budget and revised figures for the current year,
3. Budget estimates for the following year.

The entire budget estimate is prepared by the Ministry of Finance in consultation with other ministries both at the centre and state level, representatives of industries, members of private sector, nongovernmental organisations, and other stake holders. The Finance Minister attempts to incorporate stake holder's requirements and expectations from the budget to the best possible extent. However the given paper attempts to study in detail technical aspects of Union Budget which includes, Structure of Government Accounts, Revenue and Expenditure Side Budget, Budget Statement, and Deficit Budget to name a few.

## II. REVIEW OF LITERATURE

"The government's decision to strengthen school education with the implementation of the National Education Policy across 15,000 schools despite the hurdles owing to the COVID-19 pandemic shows clear intent. However, the rollout and implementation across all states should be done within a couple of years to bring parity for students to access education across the country. The participation of the private sector and NGOs in

managing and operating schools will be an enabler in providing a modern and high-quality framework for education and boost the sector to engage with many more projects under the public-private partnership model," said Rustom Kerawalla, Chairman, Ampersand Group.

"While India and Japan have been allies for hundreds of years, their synergetic relationship has grown leaps and bounds in the past few years with the steps taken by the Indian and Japanese governments. India and Japan recently signed a Memorandum of Cooperation on Specified Skilled Workers (SSW) that enables skilled Indian workers to work in fourteen specified sectors in Japan, which include, amongst others, industrial machinery, manufacturing industry, electric and electronic information related industry. In furtherance of this initiative, the Hon'ble Finance Minister in her union budget 2021 speech today, announced that a collaborative training and inter-training programme between India and Japan will be set up to facilitate the transfer of Japanese vocational and industrial skills, techniques, and knowledge. Given that India has one of the youngest populations in the world, this initiative will give the Indian government the much-needed impetus to fulfill its vision of making India the skills capital of the world. This will also strengthen people-to-people contact and help in bringing foreign investments to India and deepening further ties with Japan," said Shardul Amarchand Mangaldas from Rudra Pandey, Partner, Shardul Amarchand Mangaldas presented his point of view.

## III. ANALYSIS

One of the most distressing years by far, 2020 marked the year of a deadly pandemic that drastically impacted health, businesses, and communities across the globe. The Indian economy also got battered due to the subsequent lockdown which exposed gaps in the supply chain and delays in working around the social distancing norms. Critical indicators such as de-growth in the economy, contraction in GDP, widening of fiscal deficit, and high inflation have highlighted the severe strike on the economy in the past year.

But as it is said, 'There is hope after despair and many suns after darkness', similarly, the Indian economy has started showing signs of recovery. Faced with the daunting twin tasks of pulling back the economy from the clutches of de-growth, a slew of fiscal and non-fiscal measures were taken during the year to rebound the economy from the aftermath of the pandemic. This is evidenced by the pre-budget Economic Survey's projection of 11% growth in real GDP for 2021.

Pre-budget, Hon'ble Finance Minister Nirmala Sitharaman hinted that Budget 2021 would be hailed as a "never before Budget." Public sentiment developed to expectations and raised curiosity regarding the growth and policy path to provide the requisite momentum to India's sustainable economic recovery

Laying a vision for AtmaNirbhar Bharat, the Hon'ble Finance Minister has rested the budget proposals on six pillars – health and wellbeing, physical and financial capital and infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D, and minimum government - maximum governance.

With an aim to provide the impetus for growth revival, the Budget has largely focused on aspects of key areas such as healthcare improvement, infrastructure boost, supports for the MSMEs, skill development, etc.

On the direct tax landscape, various proposals such as setting up the Dispute Resolution Committee, relief to senior citizens, further measures to facilitate faceless tax processes, pre-filing of returns, etc., have been added to simplify the tax administration, ease compliance, and reduce litigation. Furthermore, in line with the overall objectives as envisioned in the pillars, measures for attracting foreign investment to the infrastructure sector, affordable housing/rental housing, tax incentives to IFSC, and start-ups have been announced. The indirect tax front has proposals for rationalizing the customs duty provisions by revising its structure, sector-specific changes in the customs duty rates, and rationalizing certain procedures and easing compliances.

#### IV. SUGGESTION

There was no clear statement in the budget on boosting employment, especially female employment, which has been falling over the last several years. Infrastructure spending (which, not unsurprisingly, was targeted towards poll-bound states) might boost employment to a certain extent, but it is not clear that the increased outlay is sufficient to meet the massive employment challenge.

Medium, small and micro enterprises (MSMEs) employ a very large part of the non-agrarian workforce. These enterprises, several already precarious, have been struggling to survive during the economic recession. The budget would have been the right forum to announce big-bang support and revival policies for this sector.

Finally, among the most harrowing images from 2020 have to be those of the thousands of migrant workers trudging back to their villages, as

their workplaces in the cities shut down with no warning. Their exodus not only made this section of workers visible, but also brought home, with sharp urgency, the pitiful state of housing and the complete lack of income or food security for this section of workers. The budget should have shown how serious it was about inclusive growth by announcing direct cash support to informal workers, circular migrants, agricultural labour, in addition to steady in-kind food transfers from the overflowing coffers of the FCI by making PDS universal.

#### V. CONCLUSION

Can we afford this given the rise in the fiscal deficit? We should note that a part of the rise is due to lower tax revenues because of lower growth. The government's priority has to be boosting jobs, especially of women; improving primary healthcare in addition to the vaccine, and providing direct cash support to the bottom 30 per cent of India's population.

In May 2020, the Finance Minister had announced a stimulus of 10 per cent of GDP, which did not materialize as expected. India needs to stick to that target this year if a strong economic recovery with "inclusive growth", is the objective.

Overall, against the backdrop of the fiscal constraints within which the Finance Minister had to operate, the measures announced seem to be in the right direction. These measures may accelerate overall growth along with healthcare development, consumption surge, and provide support to infrastructure developments, if implemented in the time to come.



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