# Budget's Capex Push will have Multiplier Effect

## Why in news?

In the Union Budget for 2022-23, the Finance Minister chose growth over inflation pushing the budget size to Rs. 39,449 billion which is 4.6% bigger than the previous year's revised estimate.

## What did the budget say?

- The nominal GDP growth rate for 2022-23 is assumed at 11.1%.
- As the real GDP growth rate for 2022-23 is estimated at 8-8.5% by the Economic Survey 2021-22, the implicit rate of inflation works out to 3.1-2.6%.
- The RBI has to manage the massive market borrowing programme envisaged in the Budget - Rs 14.95 trillion (gross) in FY 22.
- As a proportion of GDP at current prices, the Budget size stands at 15.3% compared with 16.2%in the previous year.

To know more about Budget 2022-2023, click here

## How was public expenditure promoted in the budget?

- The Budget aims to strengthen the aggregate demand through public expenditure, and within it, through capital expenditure.
- While revenue expenditure has gone up by less than 1%, capital expenditure has increased by nearly 25%.
- This is in addition to the Rs. 1 trillion grant given to States to increase capital expenditure.
- **Significance**- It will have a multiplier effect on income augmentation, employment generation, demand rejuvenation and credit demand.
- This will also crowd in private investment.
- Capital formation, both public and private, will provide a stepping stone for growth in both the short and long-term.

## What about the digital focus given in the budget?

- **Digital budget**- The Budget is a digital budget which starts from establishing a digital university to digital connectivity in the entire socioeconomic fabric.
- **Digital rupee-** The decision that the central bank would be introducing a digital version of the rupee during FY 22-23 is welcome.
- It is also confirmed that blockchain based distributed ledger technology will be deployed by the RBI to roll out the new age currency.
- Use of blockchain in a distributed environment is heavily network dependent and may require a separate payment network and may lead to the RBI maintaining customer accounts.
- **Tax on virtual digital assets-** The tax on virtual digital assets will enable the government to earn revenue while empowering income tax authorities to break new ground in reopening of closed cases.

- It also allows taxpayers to file revised tax returns within 2 years having income from digital assets.

## What is the government's action on subsidies?

- The expenditure programme shows significant slide in subsidies over the FY 22 revised estimates. This includes
    - fertilisers by 25%
    - food by 28%
    - petroleum by 11 %

## What areas remain untouched by the budget 2022-23?

- **Personal income tax-** The Budget contains no proposal on the personal income tax front, especially for the salaried class**.**
- It should have revised the standard deduction or the tax slabs at least to neutralise the impact of inflation in the recent years.
- **Insurance sector-** The under-penetration of life and health insurance in the country and the people's need to increasingly go for health insurance cover, especially in the post-pandemic period is evident.
- The Budget should have addressed the issue on priority basis and preferably through tax rebates.
- **Banking sector-** There is no ground-breaking announcements for the banking sector too.
- The good thing is that the Budget doesn't propose any recapitalisation of public sector banks as it would have invited moral hazard risk.

**Reference**


1. https://www.thehindubusinessline.com/opinion/budgets-capex-push-will-have-multiplier-effect/article64970690.ece



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